



DEVELOPING A *WAQF-BASED* MODEL FOR  
MODERN HEALTHCARE SERVICES IN UGANDA

BY

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## ABSTRACT

*Waqf*, a pious endowment where a privately owned property is endowed for a charitable purpose in perpetuity and the revenue generated is spent for public welfare, is one of the greatest achievements of Islamic civilization. Over the centuries, public endowment has played a significant role in the provision of social goods (education, health etc), public goods (roads, bridges, and national security), commercial business, utilities (water and sanitation), religious services (building and maintenance of mosques and grave yards), helping the poor and the needy, creating employment and supporting agricultural and industrial sectors. This study has proposed a *Waqf-based* model for financing a construction and management of *Waqf* hospital and tower in Uganda. The overall aim of this model is to give the majority of the poor and the needy in Uganda affordable and better quality healthcare services. In the model, Uganda Islamic Endowment Corporation (UIEC) - a created *Waqf* institution, would raise fund for the construction of *Waqf* hospital and tower through seeking external donations, issuing *Waqf* certificates and *Sukuk Al- Ijarah* to donors and investors respectively. The hospital will offer better quality and affordable healthcare to the poor and the needy, and the tower will generate income to subsidise the costs of healthcare services. The study has used mixed research method (survey and interview) to explore the acceptability of the proposed model. Both the quantitative and qualitative findings of this study have revealed that *Waqf* stakeholders in Uganda have positive perceptions and attitudes towards the proposed *Waqf-based* model. In particular, various results have indicated that *Waqf* stakeholders will be more willing and able to support the construction of the proposed *Waqf* hospital and tower materially, financially, legally and morally. This is mainly because it is the best way to cooperate on social programme, to establish social justice and fulfill religious duties. Moreover, structural equation modeling results reveal that the intention of the *Waqf* stakeholders towards the model will be translated into actual financial and non-financial support. Overall, the stakeholders have accepted the model and it is expected that constructing the *Waqf* hospital and tower will be highly welcomed by the Muslim community in particular and the public in general. On the other hand results have shown that for the model to succeed, UIEC should create check and balance mechanism that will ensure transparency and accountability. The UIEC should be managed by independent board of directors who are knowledgeable, qualified, competent and honest, with high level of integrity, and above all have taqwa. The Ugandan government should provide all the necessary support to UIEC's transparency and accountability mechanism to its stakeholders. Last but not least, the government should enact *Waqf* laws that will meet the requirements of *Waqf* institutions, similar to *Waqf* laws in Kenya, a neighbouring country.

## ملخص البحث

الوقف هبة دينية، حيث إنّه عقارٌ مملوكٌ لقطاعٍ خاصٍ وُهب لغرضٍ خيريٍّ إلى الأبد، وعائداته تُنفق للصالح العام. والوقف يُعتبر من أعظم إنجازات الحضارة الإسلامية. وعلى مدى قرون، لعب الوقف دوراً مهماً في توفير الخدمات الاجتماعية، (التعليم، الصحة، ... إلخ)، والمشاريع العامة، (الطُّرُق، الجُسور، الأمن الوطني)، الأعمال التجارية، المرافق العامة، (خدمات المياه، الصَّرف الصِّحي)، الخدمات الدِّينية، (بناء وصيانة المساجد والمقابر)، مُساعدة الفقراء والمُحتاجين، توفير الوظائف، دعم القطاعين الزراعي والصناعي، واستناداً إلى قيم الوقف ودوره في التنمية الاجتماعية والاقتصادية، فإنّ هذه الدِّراسة طوّرت نموذجاً للوقف من أجل دعم بناء وإدارة وقف مُستشفى وبرُّج في أوغندا. والهدف العام من هذا النموذج هو تقديم خدمات الرِّعاية الصِّحية للأغلبية من الفقراء والمُحتاجين في أوغندا بسعر معقول وجودة أفضل. في هذا النموذج، مؤسّسة الوقف الإسلامي الأوغندية، أنشأت مؤسّسة وقفية لصالح دعم بناء وقف المُستشفى والبرُّج، وذلك من خلال إصدار شهادات وقفية وصكوك الإجارة للمانحين والمُستثمرين. وسوف يُقدِّم المُستشفى الرِّعاية الصِّحية الجيِّدة وبأسعار في متناول الفقراء والمُحتاجين، بينما سيوفّر البرُّج الدَّعم لسدِّ تكاليف خدمات الرِّعاية الصِّحية. هذا النموذج يُتوقَّع أن يُسهم في تحسين مُستوى المعيشة بالنسبة للمجتمع المسلم في أوغندا، وذلك من خلال تقديم خدمات الرِّعاية الصِّحية بجودة أفضل وبأسعار معقولة للجميع بغضِّ النَّظر عن مدى قُدرتهم على الدَّفْع. استخدمت الدِّراسة منهج البحث المُزدوج (المسح والمقابلة) بهدف التَّحقُّق من النموذج المُطوَّر. كُلتُ النَّتائج الكمية والنَّوعية لهذه الدِّراسة أُوحت بأنَّ الجهات المعنية بأمر الوقف في أوغندا لديهم تصوُّرات ومواقف إيجابية نحو تطوير النموذج القائم على الوقف. وخصوصاً أنَّ النَّتائج المُختلفة أشارت إلى أنَّ أصحاب الوقف سيكونون أكثر استعداداً وقدرةً لدعم بناء وقف المُستشفى والبرُّج معنوياً، ومادياً، وقانونياً وأخلاقياً. وذلك أساساً لأنَّ هذه هي الطَّريقة المثلى التي بها يتحقَّق التعاون في المجال الاجتماعي، والعدالة الاجتماعية، وأداء الواجبات الدِّينية. وبشكلٍ عامٍّ، فإنَّ أصحاب المصلحة قبلوا النموذج المُطوَّر، ومن المُتوقَّع أن يجد بناء وقف المُستشفى والبرُّج ترحيباً من المُجتمع المسلم بشكلٍ خاصٍّ، والجمهور بشكلٍ عامٍّ. إلّا أنَّ النَّتائج اقترحت لإنجاح النموذج، يجب على مؤسّسة الوقف الإسلامي الأوغندية أن تصمِّم نظاماً للفحص وتحقيق التَّوازن يضمن تحقيق الشَّفافية والمُحاسبة. ولا بدَّ لمؤسّسة الوقف الإسلامي الأوغندية أن تُعيِّن مجلس أمناء مُستقل يتمنَّع بقدرٍ من المعرفة، والتَّاهيل، والكفاءة، والصدِّق، مع مُستوى عالٍ من النَّزاهة، وفق كُلتُ ذلك أن يكون ذو تقوى. وعلى الحكومة أن تضمن أن مؤسّسة الوقف الإسلامي الأوغندية تتعامل أصحاب الوقف وفق مبدأ الشَّفافية والمساءلة. أخيراً وليس آخراً، على الحكومة أن تسنِّ قانون الوقف وفق ما يتناسب مع مُتطلَّبات مؤسّسة الوقف، مثلما هو معمولٌ به في كينيا البلد المُجاور.

## **APPROVAL PAGE**

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## DECLARATION

I hereby declare that this thesis is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

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**INTERNATIONAL ISLAMIC UNIVERSITY  
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This work is dedicated to my dearest and most beloved mother, Zamzam Ramadhan Wani, my father Ahmed Umar Mohammed, my uncle Mustafa Omar Mohammed, my wife Indriani Andromeda, and My daughter Safiyyah Umar; who rendered me the love, care, and support for my education. May Allah's guidance and blessing be upon them in this world as well as in the hereafter.

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## TABLE OF CONTENTS

Abstract .....	ii
Abstract in Arabic .....	iii
Approval Page.....	iv
Declaration Page .....	v
Declaration of Copyright .....	vi
Dedication .....	vii
Acknowledgements .....	viii
List of Tables .....	xiii
List of Figures .....	xv
List of Abbreviations .....	xvi

<b>CHAPTER ONE: INTRODUCTION .....</b>	<b>1</b>
1.0 Research Background.....	1
1.1 Statement of the Problem .....	13
1.2 Research Questions .....	15
1.3 Objectives of the Study .....	16
1.4 Scope of the Study.....	17
1.5 Significance of the Study .....	17
1.6 Organization of the Study.....	19

<b>CHAPTER TWO: WAQF-BASED MODELS FOR SOCIO-ECONOMIC DEVELOPMENT AND ISLAMIC WELFARE THEORIES .....</b>	<b>20</b>
2.0 Introduction .....	20
2.1 The Legality of <i>Waqf</i> and its Salient Features.....	21
2.1.1 Immovable and Movable <i>Waqf</i> Properties.....	24
2.2 <i>Waqf</i> -Based Models for Socio-economic Development .....	27
2.3 Success Stories of <i>Waqf</i> -Based Models for Socio-economic Development	34
2.3.1 Corporate Cash- <i>Waqf</i> Model: A Case Study of Kumpulan <i>Waqf</i> An-Nur Berhad (KWANB).....	35
2.3.2 <i>Waqf</i> Share Model: Case Study of State Religious Councils in Malaysia.....	37
2.3.3 Deposit Product Model: A Case Study of Social Investment Bank Limited in Bangladesh.....	39
2.3.4 Shaukat Khanum Memorial Cancer Hospital and Research Centre (in Pakistan).....	40
2.3.5 Sabanci Foundation .....	42
2.4 Socio-economic Welfare Theories .....	44
2.4.1 Conventional Socio-economic Welfare Theories .....	44
2.4.2 Islamic Socio-economic Welfare Theories .....	48
2.5 Summary and Conclusion.....	53

**CHAPTER THREE: A WAQF-BASED MODEL FOR FINANCING THE CONSTRUCTION AND MANAGEMENT OF WAQF HOSPITAL AND TOWER IN UGANDA .....54**

3.0 Introduction .....	54
3.1 Why <i>Waqf-Based</i> Model for Financing a Construction and Management of <i>Waqf</i> Hospital and Tower in Uganda? .....	55
3.1.1 Socio-economic Conditions .....	55
3.1.2 Healthcare delivery system in Uganda.....	56
3.1.3 Human Resource Management and Development.....	57
3.1.4 Medicines and other healthcare supplies.....	58
3.1.5 Health financing .....	59
3.1.6 Summary .....	60
3.2 Model Building: A <i>Waqf-Based</i> Model for Financing A Construction and Management of <i>Waqf</i> Hospital and Tower in Uganda.....	61
3.2.1 Proposed <i>Waqf-based</i> Model for Financing Construction and Management of <i>Waqf</i> Hospital and Tower in Uganda .....	61
3.2.2 The Elements of The Proposed <i>Waqf-based</i> Model for Financing a Construction and Management of <i>Waqf</i> Hospital and Tower in Uganda .....	67
3.2.2.1 <i>Waqf</i> Projects .....	67
3.2.2.2 Creation of Uganda Islamic Endowment Corporation (UIEC).....	68
3.2.2.3 Financing Mechanism .....	69
3.2.2.4 Management System .....	72
3.2.2.5 Check and Balance Mechanism .....	74
3.2.2.6 Sustainability of the <i>Waqf</i> Hospital .....	75
3.2.3 The Significance of the Model .....	75
3.2.4 Identification of Variables for the Model Acceptability .....	76
3.2.4.1 Public Trust .....	76
3.2.4.2 Effective Management and Good Corporate Governance .....	78
3.2.4.3 Transparency and Management information System.....	80
3.2.4.4 Stakeholders Financial Support .....	83
3.2.4.5 Stakeholders Non- Financial Support .....	85
3.2.4.6 Religious and Social Motives .....	86
3.2.4.7 Legal Aspect .....	90
3.3 Summary and Conclusion .....	93

**CHAPTER FOUR: RESEARCH FRAMEWORK AND METHODOLOGY.95**

4.0 Introduction .....	95
4.1 Rationale For Choosing a Mixed Research Method.....	96
4.2 Quantitative Survey .....	98
4.2.1 Defining the Target Population .....	100
4.2.2 Sample and Sampling Method .....	101
4.2.3 Research Instrument.....	102
4.2.3.1 Instrument Development.....	103
4.2.3.2 Questionnaire Content .....	104
4.2.3.3 Pilot Study.....	105
4.2.4 Data Collection Procedure .....	107

4.2.4.1 Drop-Off Survey .....	107
4.2.4.2 Responses .....	108
4.2.5 Data Quality and Reliability .....	108
4.2.5.1 Fieldwork Training and Briefing .....	109
4.2.5.2 Cronbach's Alpha Test .....	109
4.2.4 Data Analysis .....	110
4.3 Qualitative Semi-Structured Interview .....	114
4.3.1 Research Design .....	115
4.3.2 Population, Sampling and Sample Size .....	116
4.3.3 Research Instrument .....	117
4.3.4 Data Collection Procedure .....	118
4.3.5 Data Analysis .....	118
4.5 Summary and Conclusion .....	120

## **CHAPTER FIVE: FINDINGS, ANALYSIS AND DISCUSSION ..... 121**

5.0 Introduction .....	121
5.1 Background of The Respondents .....	122
5.1.1 Respondents in Quantitative Survey .....	122
5.1.1.1 Classification of Respondens by Gender, Age and Marital Status .....	122
5.1.1.2 Classification of Respondents by Education, Occupation and Working Experience .....	123
5.1.1.3 Classification of Respondents by Monthly Income and Number of Dependants .....	124
5.2 Findings, Analysis and Discussion of Quantitative Data .....	126
5.2.1 Descriptive Analysis: Perception of <i>Waqf</i> Stakeholders about Healthcare system in Uganda .....	127
5.2.2 Descriptive Analysis: General Perception of <i>Waqf</i> Stakeholders in Uganda about Socio-economic Role of <i>Waqf</i> .....	137
5.2.3 Descriptive Analysis: General Perception of <i>Waqf</i> Stakeholders about Public Trust on Islamic Religious Institution in Uganda .....	148
5.2.4 Descriptive Analysis: General Perception of <i>Waqf</i> Stakeholders and their Support for the Construction of <i>Waqf</i> Hospital and Tower ...	155
5.2.5 Factor Analysis: Perceived Social and Religious Motives .....	159
5.2.6 Structural Equation Modeling (SEM): Link Between Religious and Social Motives (RSM) and Actual Financial and Non-Financial Support .....	170
5.2.6.1 Results and Dissscusion .....	175
5.3 Summary and Conclusion .....	179

## **CHAPTER SIX: FINDINGS AND ANALYSIS OF THE QUANTITATIVE DATA ..... 182**

6.0 Introduction .....	182
6.1 Background of Qualitative Respondents .....	182
6.2 Findings and Analysis .....	184
6.2.1 Theme Identification and Assembly .....	185

6.2.1.1 Current state of <i>Waqf</i> Assets in Uganda .....	187
6.2.1.2 Development of <i>Waqf</i> Assets .....	187
6.2.1.3 Existence of <i>Waqf</i> Department .....	188
6.2.1.4 Creation of Uganda Islamic Endowment Corporation (UIEC).....	189
6.2.1.5 Construction of <i>Waqf</i> Hospital and Tower .....	190
6.2.1.6 Provision of <i>Waqf</i> land.....	191
6.2.1.7 Financing a Construction of <i>Waqf</i> Hospital and Tower....	192
6.2.1.8 Management of <i>Waqf</i> Hospital and Tower .....	193
6.2.1.9 Implementation of Management information System .....	194
6.2.1.10 Legality of Construction of <i>Waqf</i> Hospital and Tower....	195
6.2.1.11 Government Support for the Construction of <i>Waqf</i> Hospital and Tower.....	196
6.2.1.12 Suggestions of the respondents .....	197
6.3 Revised <i>Waqf-Based</i> Model for Financing a Construction and Management of <i>Waqf</i> Hospital and Tower in Uganda .....	198
6.4 Summary and Conclusion .....	203

<b>CHAPTER SEVEN: CONCLUSION, RECOMMENDATIONS AND SUGGESTIONS .....</b>	<b>205</b>
7.1 Conclusion .....	205
7.2 Contribution to Knowledge .....	208
7.2.1 Contribution to Body of Literature .....	208
7.2.2 Contribution of Research Methodology .....	209
7.3 Implications and Recommendations .....	210
7.3.1 Implications and Recommendations for Islamic Religious Institutions .....	211
7.3.2 Implications and Recommendations for Policy Makers .....	212
7.4 Limitations of the Study .....	213
7.5 Suggestions for Future Research .....	215

<b>BIBLIOGRAPHY .....</b>	<b>217</b>
---------------------------	------------

<b>APPENDICES .....</b>	<b>239</b>
-------------------------	------------

## LIST OF TABLES

<u>Table No.</u>		<u>Page No.</u>
4.1	Distribution of Sample Size across the Regions	102
4.2	Reliability Statistics (Cronbach's Coefficient Alpha)	110
5.1	Distribution of Respondents by Gender, Age and Marital Status	123
5.2	Distribution of Respondents by Education, Occupation and Working Experience	124
5.3	Distribution of Respondents by Monthly Income and Number of Dependants	125
5.4	<i>Waqf</i> Stakeholders Perception about The State of Healthcare Services in Uganda	128
5.5	General Perception of <i>Waqf</i> stakeholders in Uganda about <i>Waqf</i> Awareness	138
5.6	General Perception of <i>Waqf</i> stakeholders Regarding Public Trust on Islamic Religious Institutions in Uganda	149
5.7	General Perception of <i>Waqf</i> stakeholders Regarding Their Financial and Non-Financial Support	156
5.8	KMO and Bartlett's Test Results for 15 Items Combined	161
5.9	Total Variance Explained	162
5.10	Rotated Component Matrix on Social and Religious Motives for <i>Waqf</i> Donation	164
5.11	Perception of <i>Waqf</i> stakeholders about their Recommendation on The Use of <i>Waqf</i> Hospital Services	170
5.12	Model Fit Indices and its Cut-Off Value	175
5.13	Maximum Likelihood Estimate of Path Coefficient of the Model	177

6.1	Demographic Characteristics of the Participants	183
6.2	Categorical Themes and Interview Questions	186

## LIST OF FIGURES

<u>Figure No.</u>		<u>Page No.</u>
3.1	A financing and Management Steps in a Construction of <i>Waqf</i> Hospital and Tower	65
3.2	Proposed <i>Waqf-based</i> Model for Financing a Construction and Management of <i>Waqf</i> Hospital and Tower in Uganda	66
3.3	Type of The <i>Waqf</i> Projects Under <i>Waqf-based</i> Model for Financing a Construction and Management of <i>Waqf</i> Hospital and Tower in Uganda	68
3.4	Organisational Structure of <i>Waqf</i> Hospital and Tower	74
4.1	Six-Step Procedure for Conducting a Survey	100
5.1	Scree Plot	163
5.2	Relationship Between Intention and Actual Financial and Non-Financial Support	176
6.1	Revised <i>Waqf-based</i> Model for Financing a Construction and Management of <i>Waqf</i> Hospital and Tower in Uganda	199

## LIST OF ABBREVIATIONS

BOT	Build Operate and Transfer
EMHS	Essential Medicines and Health Supplies
GDP	Gross Domestic Product
KWANB	Kumpulan <i>Waqaf</i> An-Nur Berhad
OIC	Organisation of Islamic Conference
ISESCO	Islamic Educational, Scientific and Cultural Organization
IDB	Islamic Development Bank
IRTI	Islamic Research and Training Institute
ILO	International Labour Organisation
MIS	Management Information System
MOH	Ministry of Health
SIBL	Social Investment Bank Limited
SKMCH	Shaukat Khanum Memorial Cancer Hospital
NGO	Non Governmental Organisation
P.B.U.H	Peace Be Upon Him
WHO	World Health Organisation
UNDP	United Nation Development Programme
UIEC	Uganda Islamic Endowment Corporation
UMSC	Uganda Muslim Supreme Council
UNMHCP	Uganda National Minimum Health Care Package
WAB	<i>Waqf</i> Administration Body
WFC	<i>Waqf</i> Financing Corporation
WDC	<i>Waqf</i> Developer Corporation
YADIM	Yayasan Dakwah Islamiah Malaysia



# CHAPTER ONE

## INTRODUCTION

### 1.0 RESEARCH BACKGROUND

*Waqf*, a pious endowment where a privately owned property is endowed for a charitable purpose in perpetuity and the revenue generated is spent for public welfare, is one of the greatest achievements of Islamic civilization (Cizakca, 2000). Over the centuries, the notion of *Waqf* spread worldwide with the growth and development of Islamic civilization and communities, resulting in *Waqf* becoming a major player in the various sectors of development, be it economic, political and social (Cajee, 2007). The most form of *Waqf*, and the most visible, is the public endowments (*Waqf Khayri*), in which the Muslim society is the beneficiary of the usufruct (Cizakca, 2000). Historically, public endowments have played a significant role in the provision of social goods (education, health etc), public goods (roads, bridges, and national security), commercial business, utilities (water and sanitation), religious services (building and maintenance of mosques and, grave yards), helping the poor and the needy, creating employment and supporting agricultural and industrial sectors without inflicting any cost on the government (Sadeq, 2002). In the early period of Islam, whenever the Prophet (P.B.U.H) identified a need for any public service, he either fulfilled it through the creation of *Waqf* or he encouraged his companions to create *Waqf* to satisfy that need (Kahf, 1998). For instance, when the Prophet (P.B.U.H) migrated to Madina, he felt there was a need for mosques, he mobilized *Waqf* resources to build two mosques – Masjid al- Qubah and Masjid al- Nabawi in Madina, which became the first *Waqf* established in Islam. These two mosques were used for

daily prayers as well as education centres in which people were taught Islam (Kahf, 1998). Drinking water used to be expensive in Madina, and with the continuous inflows of migrants who fled their land and town to escape religious persecution, it became difficult for the poor to pay for the water. The Prophet (P.B.U.H) called on the people to buy the well and make it *Waqf* to provide free water to whoever was in need. Uthman bought the well, made it a *Waqf* and asked the Prophet (P.B.U.H) that his pitcher be considered also free like any other person who gets water. By the time the Prophet (P.B.U.H) died in 632, many other charitable *Waqf* were established by several companions including Talhah, al-Zubayr, Ali, and Khalid Ibn al-Walid who endowed his armors and weaponry (Othman, 1983). Overtime, the creation of *Waqf* did not only cover the building of mosques, houses, weapons, land and wells, but it expanded during the Ummayyad and Abbasid times to cover almost all social services. As Islam spread, the demand for more Islamic knowledge increased. This encouraged the believers to build more places for teaching Islam. So, instead of using mosques as educational centres, additional buildings attached to the mosques were added to provide more rooms for additional student (Magda, 2008). For instance, there were 300 primary schools in Sicily Island in the Mediterranean, when it was under Islamic rule, and these schools that accommodated thousands of students, were all built and financed by *Waqf* (Kahf, 1998). Later on, due to the increase in the number of people who converted to Islam, there was the need for more schools to teach Islamic education. This made rich people and rulers to build more schools as *Waqf*, while others created *Waqf* to finance students, teachers and scholars (Abdul Malik, 1989). According to historical sources, Jerusalem had 64 schools at the beginning of the twentieth century and all of them were *Waqf* based and supported by *Awqaf* properties in Palestine, Turkey and Syria. Of these schools, 40 were made *Awqaf* by Ayubites

(1171-1249) and Mamalik (1249-1517) rulers and their governors (Al °Asali, 1983). Indeed, there were large numbers of high schools and universities which were built as *Awqaf* in many Islamic major cities such as Al-Quds, Damascus, Baghdad, Cairo and Nisapur. The *Awqaf* universities included Al-Qurawiyin in Fez, Al-Azhar in Cairo, and Al-Nizamiyah in Mustansiriyah in Baghdad. The *Awqaf* estates were used to provide these universities with building in addition to teaching materials, scientific books, and salaries for teachers and stipends for students. For instance, The University of al Azhar was founded in Cairo in 972 and it was financed by *Waqf* revenues until the government of Muhammad Ali in Egypt took control over the *Awqaf* in 1812. Some universities had student hostels for both single and married students (Abdul Malik, 1989). Abdul Malik added that scientific libraries were also built by *Awqaf* and supplied with thousands of books. Payment for library employees, supervisors and script writers were provided for by the huge income generated from *Waqf* properties<sup>1</sup>. The importance of libraries and books reached a level that forced many jurists who had opposed *Waqf* of movable properties to make an exception with regards to copies of the Qur'an and scientific books. For instance, in order to facilitate lending books to scholars and researchers, the jurists ruled that it was not permissible to ask book borrowers to provide collateral even if the *Waqf* founder made such provision in the *Waqf* deed. It was thus ruled that such a condition by the founder was invalid (Al-Zarqa, 1947). Even today, there are many schools and institutions of higher learning which are built and financed by *Waqf* institutions. For instance, in Bangladesh there are more than 8,000 educational institutions that are established based on *Waqf* (Sadeq, 2002b). Islamic Universities in Uganda and Islamabad, Pakistan are among

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<sup>1</sup> It is said that fanatics burnt more than one million volumes of books when Granada fell in 1492, and the crusaders destroyed about three million books in the libraries of Tripoli, Lebanon, when they occupied the city in sixth century of Hijri ( Abdul Malik, 1989).

the universities that are built by the Organisation of Islamic Cooperation (OIC) as *Awqaf* (Basar, 1987).

In health, construction of hospitals, health centres and their maintenance, purchase of medical equipment and drugs, salaries to physician and medical staff were entirely financed by *Waqf* institutions throughout Islamic cities (Kahf, 1998). It has been argued that the entire health, education and welfare budget during the Osman Caliphate, based in Istanbul, came from its charitable foundations (Cizakca, 2000). Wealthy individuals, especially rulers, built hospitals and health centers as *Waqf* and some of them donated their properties and cash as endowments, and the revenues generated from these endowments were used for expenses and maintenance costs of running these hospitals (Nagamia, 1992). There were *Awqaf* for specialized medical schools for research in chemistry, and for payment for food and medicine for hospital patients. The hospitals and health centers provided healthcare services to all patients free of charge irrespective of their background; whether they were residents or foreigners, strong or weak, had low or high positions, rich or poor, employed or unemployed, physically or mentally ill, educated or illiterate. For instance, it was estimated that there were 50 hospitals in Cordoba alone which were built and financed by *Waqf*. In Egypt by 1913, *Waqf* institutions had more than 11 hospitals which treated over a million patients (Nagamia, 1992). Today, there are many *Awqaf*-based hospitals throughout the Islamic world. For example, in Malaysia Kumpulan *Waqaf* An-Nur Berhad (KWANB) has more than twelve *Waqaf* An-Nur clinics and a hospitals, treating more than 660,907 patients (Jcorp annual report, 2010).

On the social aspects, *Waqf* institutions contributed significantly in taking care of the orphans, the poor and the needy, the widows, the handicapped and the old; by providing them with food, shelter and all the basics needs. For instance, Haseki Sultan

charitable complex in Jerusalem was founded in 1552 by Haseki Hurrem, wife of Suleyman the Magnificent. It was originally established to provide food and shelter for the poor and the needy. The complex consisted of 26 villages, several shops, a covered bazaar, 2 soap plants, 11 flour mills, and 2 bathhouses, all in Palestine and Lebanon. For centuries, the revenues generated from these assets were used to operate a huge soup kitchen feeding thousands of people, along with mosques and two hostels for pilgrims and wayfarers (Singer, 2000). In addition, Al- Ghurriyah complex was also founded in 1505, by Sultan al-Ghurri. The complex included properties in both Egypt and Syria. The aim of the complex was to serve educational, charitable, commemorative and religious functions (Al-hamzeh, 1993). The complex stands today in good condition and has most of its structure and decoration still intact. It has a three storey structure around a central courtyard, the lower two storey are used for commercial purposes while the third storey is used for apartments (Zaki, 1970). In the 18<sup>th</sup> century, in Istanbul, with estimated population of 700,000, up to 30,000 people were fed on daily basis by charitable complexes established under the *Waqf* system (Barkan and Ayyerdi, 1970).

Furthermore, Public *Waqf* has played significant role in the development of Islamic cities which are cradle of the Islamic civilization. *Waqf* properties mostly formed the foundation for the development and construction of new cities. These include construction and development of roadhouses and arcades, bakeries, grinders, shops, workshops of candle and lead, abattoirs, market places, religious, cultural and social institutions, such as mosques, madrasahs, libraries, food houses, guesthouses, hospitals, bath (*hamam*), residences, roads, water and sanitation, etc. Among the examples of Islamic cities where *Waqf* played a leading role in shaping their Islamic identities are: Fustat, an Islamic city built in 643 A.D. on the Eastern bank of the Nile

in Egypt by Amr b. al-Âs; Cairo (*al-Qâhira*) which is several kilometers away from Fustat, built in 970 A.D. by the Fatimid caliph al-Muizz; Baghdad was established by *caliph al-Mansûr*, as the City of Peace (Barkan and Ayverdi, 1970) and other Islamic cities such as Istanbul, Bursa, Edirne, Amasya, and Manisa were entirely built and financed by *Awqaf* and some of these cities and their structures still remain until today (Khoury, 1984).

In relation to economic significance of Public *Waqf*, in 1829, soon after Greece broke away from the Ottoman Empire, its new government expropriated *Waqf* land that composed about a third of the country's total areas. At the end of 18<sup>th</sup> century, it was estimated that the combined income of about 20,000 Ottoman *Awqaf* in operation equaled to one-third of the total revenues of the Ottoman caliphate, including the yield from tax farms in the Balkan, Turkey, and the Arab world. Indeed, this figure suggests that economically productive land in Ottoman Khaliphate was controlled by *Waqf* institutions (Saduman and Aysun, 2009). At the founding of the Republic of Turkey in 1923, three quarter of the arable land in the country belonged to *Waqf* institutions. Around the same time, one-eighth of all cultivable lands in Egypt and one-seventh of that in Iran were *Waqf*. In the middle of 19<sup>th</sup> century, one half of the agricultural lands in Algeria, and one-third of that in Tunisia were owned by *Waqf* institutions (Haffening, 1934; and Barnes, 1986). Comparable estimates are unavailable for assets other than land, but it is known that *Waqf* institutions control a vast array of urban assets, including residences, shops, and production facilities throughout the Islamic world (Kuran, 2001). In a more recent development, it is recorded that in Malaysia there are about 20,735.61 acres of land as *Waqf* properties (Hassan and Abdullah, 2008). Meanwhile in Indonesia it is recorded as of August 2006 that there were around 1,566,672,406 sq.meter of *Waqf* land (Dodik and Miranti, 2007). In Singapore,

there are 100 *Awqaf* registered, with over 200 properties and assets worth over S\$ 350 million (Shamsiah, 2008). Indeed, over centuries, *Waqf* assets played significant economic role in the development of the Islamic world.

Beside land assets, Cash *Waqf* was also used for specific purposes. Ottoman courts approved this form of public endowments as early as the beginning of the 15th Century and by the end of the 16th Century it had reported that Cash *Waqf* became extremely popular all over Anatolia and the European provinces of the Khaliphate (Cizakca, 2004). According to Cizakca (2000), healthcare, education and welfare activities of Ottoman khaliphate were entirely financed by gifts and cash endowments. Cizakca (2000) explains how cash *Waqf* was used during the Ottoman period in financing socio-economic development. According to him, some of the generous wealthiest people in the caliphate established charitable cash endowments and this cash *Waqf* was either invested to generate income or lent to the borrowers, upon surrendering their properties as securities. At the same time, the borrowers may use the securitized properties and pay rental to the *Waqf* institution and the borrowers claimed back their properties once they return the loan. The rent collected or the profits generated from the investment were distributed into three parts. One- third of the profit was allocated for administrative costs, a third for charitable purposes for which the *waqf* was created, and the remaining one third was added to the original endowment to protect the real value of *waqf* assets from inflation (Cizakca, 2000). However, Critics argued that Cash *Awqaf* violated the *Waqf* tradition of immovable property and Islamic injunction against interest collection. Defenders (including clerics) did not deny religious objections but argued for the practice on the grounds of practicality and economic need (Mandeville, 1979).

The establishment of *Waqf* was not restricted to the domain of large public welfare; rather, *Waqf* permeated the private sphere as well. There were practices where the founders of *Waqf* transformed their agricultural lands, small estates, and even a building or solitary date groves into a familial endowment (*Waqf ahli or Waqf dhurri*). In contrast to the public *Waqf*, the beneficiaries of familial *Waqf* comprised individuals who had a lineal or personal relationship to the founder (Doumani, 1998). The beneficiaries' of the familial *Waqf* also included the future descendants of the founder so long as the subsequent generation continues to exist. If the beneficiaries became extinct, then the usufructs would be reverted to the poor, the destitute, for holy war, or some other charitable purpose or institutions. Doumani (1998) study revealed that, 79% of *awqaf* founded in Tripoli and Lebanon and 96% in Nablus (Palestine) between 1800 and 1860 were of the family type.

It is important to note that early Muslim communities did not make a distinction between public and familial *Waqfs*. Gaudiosi (1988) asserted that: "while the concepts of both Public and family endowments existed in the medieval period, the terminology distinguishing the two appear to be modern". Nevertheless, the significance of both public and family type *awqaf* in Muslim societies is evident by the fact that there is vast information available on these institutions. All over the Muslim world, from the Atlantic to the Pacific, magnificent works of architecture as well as wealth of services vitally important to the society have been financed and maintained for centuries through *waqf* system (Cizakca, 2000). To conclude on the significance of socio-economic role of *Waqf* institution in Ottoman Khalifate, Yediyildiz, (1990) states:

Thanks to the *Waqfs* that flourished during the Ottoman Khaliphate, a person would have been born in a *Waqf* house, sleep in a *Waqf* cradle, eat and drink from *Waqf* properties, read *Waqf* books, taught in a *Waqf*