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(A company setup under section 42 of the Companies Act 2017)
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PSBA/Notice-204 **April 11, 2025**

NOTICE FOR MEMBERS

CONCEPT PAPER ''REINVIGORATING THE INSTITUTION OF WAQF IN PAKISTAN''

Dear Members,

This is in reference to the concept paper dated April 03, 2025 (attached), whereby the SECP has invited the comments:

In this regard, the members are hereby requested to kindly submit your comments, if any, at psamail024@gmail.com latest by **May 02, 2025,** so that a consolidated response can be forwarded to the authorities for their consideration.

_______**sd**_________
AKBER ALI
Officer - Secretariat

Copy to:

1. PSBA Website

CONCEPT PAPER

Reinvigorating the Institution of Waqf

Date of Issue: April 03, 2025

Last date of submission of comments: May 04, 2025

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
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CONCEPT PAPER - REINVIGORATING THE INSTITUTION OF WAQF

1. Preamble

The Waqf (Islamic endowment) is a centuries-old institution rooted in Islamic tradition, aimed at fostering social welfare and economic development, and played a pivotal role in sustaining public welfare and economic justice in the modern world. The term Waqf, derived from the Arabic root "*aqaf" (to stop, contain, or preserve)*, refers to an endowment made by a Muslim for charitable or religious purposes. Waqf traditionally involves dedicating assets, such as property or funds, for charitable purposes, where the principal remains intact, and only its yield or profits are used for welfare activities.

Waqf and trust are both institutions for managing and preserving assets for specific purposes, but they differ in their origins, objectives, and governing principles. Apart from separate legal standing, the following are critical conceptual differences between Waqf and Trusts:

Aspect	Waqf	Trust
Purpose	Religious, charitable, or public benefit purposes, e.g., mosques, schools, healthcare, and social welfare.	Can be for charitable, private, or commercial purposes.
Ownership	Ownership is permanently transferred to Allah, and assets become irrevocable.	Ownership is held by the trustee for the benefit of beneficiaries.
Irrevocability	Waqf is irrevocable once established, and assets cannot be sold, inherited, or donated.	Trusts can be revocable or irrevocable, depending on the settlor's intent.
Perpetuity	Designed to be perpetual, with the income used for designated purposes.	Can be perpetual or time-limited, depending on the trust deed.
Beneficiaries	Often benefits society at large, especially the needy.	Can benefit specific individuals, groups, or public purposes.
Legal Framework	Based on Shariah, with modern laws.	Operates within the legal framework of the jurisdiction.

In essence, while both serve to protect and manage assets for designated purposes, Waqf is deeply rooted in Islamic tradition and spirituality, whereas trusts are flexible tools for various legal and financial needs.

2. Contributions of Waqf in Muslim history

The Waqf played a significant role in Muslim history by fostering social, economic, and cultural development. It was a charitable institution where individuals donated property or wealth for public or religious benefit. Here are key contributions with specific historical examples:

(a) **Education:** Waqf was pivotal in funding educational institutions. Notable examples include the Al-Qarawiyyin University in Morocco (founded in 859 CE) and the Nizamiyya Madrasas in the 11th century, supported by Waqf to provide free education, scholarships, and maintenance of scholars.

(b) **Healthcare:** Waqf funded hospitals and medical services, such as the Bimaristan of Damascus (built in 706 CE by Caliph Al-Walid I) and the Mansuri Hospital in Cairo (established in 1284 CE by Sultan Qalawun), offered free treatment to all, regardless of background.

(c) **Infrastructure and Public Services:** Waqf supported the construction and maintenance of mosques, wells, and markets. For example, the Süleymaniye Mosque Complex in Istanbul (16th century) included schools, a hospital, and a soup kitchen, all sustained through waqf.

(d) **Social Welfare:** Waqf provided for the poor, widows, and orphans through food distribution, housing, and stipends. Soup kitchens like the Imaret of Haseki Hurrem Sultan in Jerusalem fed thousands daily during the Ottoman era.

(e) **Economic Development:** By investing in agricultural lands, shops, and caravanserais, Waqf stimulated economic activity. For instance, the waqf of Imam Razi in Central Asia managed farmlands and markets to sustain his madrasa.

Through these contributions, waqf shaped the social fabric of Islamic societies, ensuring the sustainability of essential services and fostering community well-being.

3. Global practices of modern adaptation of the Waqf

Modern adaptation of the Waqf model requires innovative approaches to maximize its socio-economic impact while adhering to Shariah principles and rules. Islamic social finance has emerged as a viable mechanism to address socio-economic challenges in line with the principles of Shariah.

The modern adaptation of Waqf in Islamic social finance reflects its revival as a key tool for poverty alleviation, sustainable development, and financial inclusion. Globally, Waqf has been integrated with contemporary economic systems to address modern challenges. Below are some examples and adaptations:

(a) Sustainable Development Goals (SDGs): Waqf is aligned with the United Nations' SDGs, addressing poverty, education, clean water, and economic growth. The Islamic Development Bank (IsDB) promotes Waqf as a tool to finance SDG-focused projects, such as building schools and providing clean water in African countries.

(b) Healthcare and Education Initiatives: Waqf has been revitalized to fund hospitals, clinics, and schools in both developing and developed countries.

- ✓ **Turkey**: The *Turkey Diyanet Foundation* manages Waqf assets to support schools, universities, and scholarships globally.
- ✓ **Saudi Arabia**: The *King Abdullah Waqf Project* finances medical research and healthcare facilities.

(c) Waqf-based Crowdfunding Platforms: Digital platforms enable individuals worldwide to contribute to waqf projects. Examples include:

- ✓ **GlobalSadaqah** (Malaysia): A Waqf-driven crowdfunding platform that funds projects like healthcare, education, and disaster relief.
- ✓ **Awqaf SA** (South Africa): Uses technology to pool small donations into larger Waqf endowments, financing social and economic programs.

(d) Digital Asset Management: Blockchain and fintech solutions are being used to ensure transparency and efficient management of waqf properties.

- ✓ **Indonesia**: The *National Zakat Agency (BAZNAS)* is exploring blockchain-based Waqf systems to track funds and optimize their use.
- ✓ **Dubai**: Introduced the *Global Waqf Digital Platform* to attract international donors and manage waqf projects.

(e) Cash Waqf: Instead of fixed property, cash waqf allows individuals to endow money, which is invested, and returns are used for social purposes. For example:

- ✓ **Bangladesh**: The *Social Investment Bank Limited* (SIBL) developed a Cash Waqf Certificate where individuals contribute cash Waqf for ongoing charitable projects.
- ✓ **Malaysia**: The *Waqf An-Nur Corporation* utilizes cash Waqf to build hospitals and provide subsidized medical care.

(f) Integration with Islamic Microfinance: Modern Waqf companies combine endowments with microfinance to support small businesses and entrepreneurs in underprivileged communities. For example:

- ✓ **Malaysia**: The *Selangor Waqf Corporation* collaborates with Islamic banks to offer microfinance backed by Waqf assets for economic empowerment.
- ✓ **Indonesia**: *Dompet Dhuafa*, a prominent organization, uses Waqf to provide interest-free loans and seed capital to small-scale entrepreneurs.

(g) Corporate Waqf: Large corporations have started incorporating Waqf as part of their corporate social responsibility (CSR) programs. For instance, Johor Corporation (Malaysia) pioneered the concept of *Corporate Waqf*, where company profits are allocated to Waqf funds for social development.

Through these adaptations, Waqf is becoming a global instrument for social finance, harnessing traditional Islamic principles to address modern socio-economic issues effectively.

4. Concept of Waqf in Pakistan

The concept of waqf in Pakistan has evolved significantly since the country's independence in 1947, adapting to social, legal, and economic changes. Pakistan inherited the Waqf framework from British India, where waqf was governed by Islamic traditions but regulated under colonial laws such as the Waqf Validating Act of 1913. Early Waqf institutions were mostly private, focused on mosques, shrines, and madrasas, with minimal state involvement. The West Pakistan Waqf Properties Ordinance (1959) centralized the management of waqf properties under state-appointed administrators, particularly those related to religious shrines and mosques, to prevent misuse and ensure proper administration. With the 18th Amendment (2010), Waqf became a provincial subject. Each province now manages Waqf properties through Waqf boards (e.g., Punjab Waqf Board). The present legal framework for Waqf in Pakistan includes the following:

(a) The Islamabad Capital Territory Waqf Properties Act, 2020
(b) The Punjab Waqf Properties Ordinance, 1979
(c) The Sind Waqf Properties Ordinance, 1979
(d) The Khyber Pakhtunkhwa Waqf Properties Ordinance, 1979
(e) The Balochistan Waqf Properties Ordinance, 1979
(f) The Mussalman Waqf Validating Act, 1913

It appears from the perusal of the above laws that they focus on physical properties used for religious, pious or charitable purposes; properties allotted in lieu or exchange of waqf property left in India; property acquired from proceeds of waqf property; income from boxes placed at shrines or offerings; properties dedicated to mosques, Takaia, Khankah, Dargah or shrines, etc. The Mussalman Waqf Validating Act, 1913, covers properties of family Waqf only. Therefore, these laws appear to fall short of providing an enabling framework for Waqf companies or Waqf in corporate structures.

Prominent examples of Waqf companies in Pakistan include Hamdard Waqf Laboratories, established by Hakim Saeed in 1948. Initially, it was an herbal medicine company; it was converted into a waqf in 1953, and now all profits are used for public welfare. This Waqf supported the creation of Hamdard University and healthcare systems through free Tibb clinics across the country. Sindh Madrasa-tul-Islam was originally a Waqf established to provide education; it became a university. Minhaj-ul-Quran Waqf is a modern Waqf supporting education, interfaith harmony, and religious research. It runs schools, colleges, and Minhaj University.

These Auqaf demonstrate how traditional Islamic endowments have been modernized in Pakistan to address contemporary needs, from healthcare and education to cultural preservation and poverty alleviation. In Pakistan, the management and administration of Waqf properties are primarily governed by various legislative frameworks at both federal and provincial levels. These laws aim to ensure the proper supervision, administration, and utilization of Waqf assets for religious, pious, or charitable purposes.

- ✓ **Family Waqf**: The Muslim Family Laws Ordinance, 1961, includes provisions on family waqf (e.g., waqf-alal-aulad) to regulate endowments for family members. Family Waqf are also governed under "the Mussalman Wakf Validating Act, 1913".
- ✓ **Provincial Management of Waqf:** Auqaf Departments in Punjab, Sindh, Khyber Pakhtunkhwa, and Balochistan manage shrines, mosques, educational institutions, and other waqf assets. Provincial Waqf property laws, e.g., Punjab Waqf Properties Ordinance, 1979, and Islamabad Capital Territory Waqf Properties Act, 2020, were updated in 2020 due to AML-related issues. However, the framework provided in these laws is primarily for the management of Waqf properties (shrines, others). Under these laws, a BPS-19 officer from district administration acts as "chief administrator".

In Pakistan, a significant number of Waqf assets exist, ranging from land and buildings to financial endowments. However, these assets are often underutilized due to inefficient management, lack of proper governance, and inadequate legal frameworks.

5. Waqf for Islamic social finance

The Waqf model, a traditional Islamic endowment system, offers huge potential for socio-economic development in Pakistan. Waqf is a vital tool in Islamic social finance, characterized by its unique features and potential to address social and economic challenges in line with Shariah principles. Islamic social finance represents a faith-based mechanism aimed at addressing socio-economic inequalities through redistributive and mutual cooperation models.

Waqf combines Shariah compliance, social impact, and financial sustainability, making it an effective tool for addressing modern socio-economic challenges. By integrating traditional principles with innovative financial models, Waqf can play a crucial role in Islamic social finance. Further, with the development of Islamic commercial finance in the form of Islamic financial institutions, Islamic financial products and services, and Islamic markets, there is now a need to integrate this concept into the overall Islamic finance ecosystem so as to ensure that with the development of the Islamic financial system, the benefits are reached by the masses.

The initiatives for social impact financing can also integrate with the concept of Waqf. Social impact financing generally refers to innovative financial strategies and investment models aimed at addressing societal challenges while generating measurable positive social outcomes and, in some cases, financial returns. The Waqf holds significant potential for driving social impact financing in Pakistan. By leveraging its assets and aligning with modern financial practices, Waqf can address pressing societal challenges such as poverty, education, healthcare, and infrastructure development.

6. Proposals for reinvigorating the Waqf

In view of the foregoing, to unlock the potential of Waqf and provide for a proper framework for Islamic social finance, this concept paper proposes a three-pronged approach, i.e., (a) to introduce an enabling legal and regulatory framework; (b) to support the establishment of Waqf as regulated persons; and (c) to develop Islamic instruments and financial services products. The details of each of the above dimensions are provided in the below sections:

(a) Proposal to introduce an enabling legal and regulatory framework for Waqf

The present legal framework is scattered and unsuitable for Waqf in corporate structures due to limitations in its scope and operational structure. Therefore, the proposal advocates for the introduction of the concept of “Waqf companies” under Section 42 of the Companies Act, 2017 of Pakistan. Currently, the management and utilization of Waqf assets face significant challenges, including governance inefficiencies, mismanagement, and lack of transparency. This proposal recommends establishing Waqf companies under Section 42, which will address these issues, promote accountability, and enhance the impact of Waqf assets.

(i) Rationale:

The practice of Waqf in Pakistan is deeply rooted in Islamic traditions, contributing to a wide array of charitable causes. However, due to insufficient regulation and oversight, many Waqf assets remain underutilized, and there is a lack of clarity in their governance. Further, the present legal frameworks neither provide for corporate-styled regulated Waqf nor are considered suitable due to AML-related concerns and other governance issues.

However, section 42 of the Companies Act, 2017, already provides a legal framework for establishing "not-for-profit" companies, which are allowed to operate in a transparent and accountable manner. Few of such registered companies are already operating as licensed NBFCs to provide micro-finance services.

There also exists a similar practice in Malaysian jurisdiction where the Companies Act 2016 of Malaysia provides the legal foundation for Waqf companies, particularly through the structure of Companies Limited by Guarantee (CLG). Many Waqf-based organizations in Malaysia are registered as CLGs, ensuring that assets and profits are reinvested into the Waqf’s charitable objectives.

Therefore, this concept paper proposes to introduce the concept of Waqf companies, combining the advantages of a formal corporate structure with the philanthropic goals of Waqf.

(ii) Objective:

The primary objectives of introducing Waqf companies under Section 42 of the Companies Act, 2017, are:

- To enable Waqf to operate with a clear legal structure, thus enabling it to connect better with the formal financial sectors for mobilizing financial resources and managing the Waqf assets.
- To ensure transparency, accountability, and proper management of Waqf assets, enhancing the confidence of stakeholders and attracting more donations and investments.
- To establish a framework that enhances the long-term sustainability and impact of Waqf initiatives in Pakistan.
- To provide regulatory oversight for Waqf companies, ensuring that affairs are conducted in a proper manner and funds are utilized effectively for the identified charitable purposes.

(iii) Proposed Structure of Waqf Companies:

Under the Section 42 framework, Waqf companies would be established as not-for-profit entities, managed by a board of trustees or directors with a mandate to ensure that assets are used strictly for charitable purposes. To provide enabling provisions, the Associations with Charitable and Not for Profit Objects Regulations, 2018, may be suitably amended to cover the following key features of Waqf companies:

- **Legal Entity:** The Waqf Company would be a distinct legal entity, providing a clear structure for ownership, governance, and accountability. The regulations may provide recognition and registration of Waqf companies.
- **Governance:** A board of trustees or directors, selected based on merit and experience in managing Waqf assets, would oversee the operations of the Waqf Company. The composition of the board should be diverse, with expertise in finance, law, social work, and relevant sectors.
- **Transparency and Reporting:** Waqf companies would be required to submit annual reports, financial statements, and audits to the relevant government bodies. These reports would be made publicly available to ensure transparency.

- **Capitalization:** Waqf assets could be capitalized through donations, investments, and endowments. The Waqf Company would operate in a manner that generates sustainable income from the capital while preserving the core assets.
- **Regulatory Oversight:** The SECP would have the authority to regulate and monitor Waqf companies, ensuring compliance with the Companies Act, 2017, and the principles of Waqf.

(iv) Expected outcome:

It is expected that the Waqf companies may provide enhanced accountability, sustainability, professional management, and increased public trust. Their corporate structure ensures transparent and accountable management of assets, generating income through investments and endowments. The formalization of Waqf companies attracts funds and investors, while clear governance structures and reporting requirements enhance public trust in Waqf companies.

We are cognizant of the fact that some traditional Waqf institutions may resist adopting a corporate structure, but this can be addressed given the voluntary nature of Waqf companies and through awareness campaigns and demonstrating accountability. Additionally, the successful introduction of the concept of Waqf Companies requires expertise in Islamic law and corporate governance, which can be addressed by recruiting skilled professionals and providing ongoing training.

In conclusion, we believe that introducing Waqf companies under Section 42 of the Companies Act, 2017, represents an innovative approach to modernizing the management of Waqf assets in Pakistan. By formalizing the governance and management of Waqf companies, this proposal has the potential to increase the impact, sustainability, and transparency of charitable initiatives across the country. The establishment of Waqf companies will contribute to the broader goals of social welfare, poverty alleviation, and the overall well-being of society. This proposal calls for the necessary legal amendments, regulatory frameworks, and stakeholder collaboration to bring this vision to fruition.

(b) Proposals for the establishment of regulated Waqf companies

This proposal seeks the promulgation of a licensing framework for Waqf companies with the regulatory domain of the SECP. A Waqf company engaged in Islamic financial services may be allowed to operate as a regulated person in the following areas:

(i) Islamic microfinance licensed as a non-banking microfinance company (NBMFC)

It is proposed to allow Waqf companies to be licensed by the SECP as non-banking microfinance companies (NBMFCs). Waqf, as a charitable concept, involves the allocation of assets for public welfare. By licensing Waqf companies as NBMFCs, these institutions can expand their financial inclusion efforts, provide microfinancing for low-income communities, and enhance their impact. This initiative aims to empower Waqf companies with the legal and financial tools necessary to support poverty alleviation, entrepreneurship, and social welfare while adhering to Islamic principles.

The licensed NBMFCs have proven to be a successful model for supporting underserved populations with small loans, promoting economic self-sufficiency, and reducing poverty. The SECP, under its regulatory framework for Non-Banking Microfinance Companies (NBMFCs), licenses institutions that provide microfinance services, including Qard-e-Hassan, financing, savings, and protection, if coupled with micro-takaful, to low-income individuals or communities.

This proposal seeks to leverage the existing regulatory infrastructure for NBMFCs to allow Waqf companies to operate under the same framework. By licensing Waqf companies as NBMFCs, these entities will be able to extend their charitable objectives to include financial services that foster entrepreneurship and economic empowerment in line with their Waqf-based social missions.

Suitable amendments are to be made to the NBFC Regulations to enable licensing of Waqf Companies and enable them to offer microfinance services to underserved and economically disadvantaged populations in Pakistan. Waqf companies are aligned with Islamic finance principles; therefore, they will be instrumental in promoting responsible financing and entrepreneurship. Key features of the proposed regulatory enablement include the following:

- ✓ Simplified licensing process with minimal operational requirements, such as capital adequacy, governance standards, and risk management protocols.
- ✓ The requirements to ensure that Waqf companies are regulated, audited, and compliant with the SECP’s framework for NBMFCs and Shariah governance.
- ✓ The focus of Waqf NBMFCs should be on providing small-scale financing, savings products, and other financial services aimed at improving the economic conditions of low-income communities, particularly in rural areas.
- ✓ Financial products can be tailored to meet the needs of the target populations, including interest-free loans (Qard Hasan) and other Shariah-compliant offerings that align with Islamic finance principles.

- ✓ Waqf companies, as NBMFCs, are expected to generate revenue through the provision of financial services, which can be reinvested to support the broader philanthropic goals of the Waqf.
- ✓ The earnings from microfinance operations will be used to support the identified objectives, including educational, health, and social welfare initiatives, thus ensuring the dual impact of financial inclusion and social development.
- ✓ Licensed Waqf companies may be required to submit periodic reports to SECP, including financial statements, impact assessments, SIP ratings, and compliance audits. This will ensure ongoing oversight and accountability.

Licensing Waqf companies as NBFCs offers several benefits. It will enhance financial inclusion by providing access to credit, savings, and financial literacy to underserved populations. It aligns with Islamic finance principles, ensuring interest-free or ethical financing models. Waqf companies can generate sustainable income for charitable projects, reducing dependence on donations. Microfinance services help alleviate poverty and promote economic empowerment, enabling low-income individuals and small businesses to access capital for entrepreneurial activities. Additionally, licensing ensures regulatory oversight and transparency, enhancing transparency and accountability in operations.

Licensing Waqf companies as NBMFCs by SECP may create a unique opportunity to modernize and expand the impact of Waqf institutions in Pakistan. By combining the social mission of Waqf with the financial services sector, this initiative can create a powerful tool for socio-economic development in Pakistan.

(ii) Waqf asset management as an asset management company (AMC)

It is proposed that through regulatory amendments, Waqf companies be licensed and allowed to operate as asset management companies (AMCs) with a limited and specialized scope. This is to allow Waqf companies to professionally manage their assets, ensuring sustainability and growth of resources dedicated to charitable causes. By leveraging the expertise of AMCs and adopting best practices in investment and asset management, Waqf companies can maximize the utilization of their assets, contribute to economic development, and expand their social welfare initiatives.

Waqf is a philanthropic system that involves dedicating assets for charitable purposes. These assets include financial assets like shares, Sukuk, mutual funds and other financial instruments. However, the traditional Waqf have not been able to manage financial assets optimally, resulting in underutilization and inefficiencies.

AMCs in Pakistan are regulated entities under SECP that manage pooled funds and investments on behalf of their clients. Allowing Waqf companies to operate as AMCs would enable them to professionally manage their assets, making use of modern investment strategies to generate returns that can be reinvested into charitable initiatives. This approach would increase the financial sustainability of Waqf companies, enabling them to scale their impact and reach.

The objective here is to create an enabling environment where Waqf companies can improve their asset management, ensuring efficient and sustainable resource use, generating higher returns on Waqf assets, aligning with modern investment practices, and ensuring regulatory compliance and transparency under SECP's regulatory framework.

The proposed regulatory amendments are required to enable Waqf companies to apply to SECP for licensing as specialized AMCs, providing them with the legal framework to manage pooled assets, funds, and investments. Waqf AMCs are to be governed by a board of directors with expertise in finance, investment, governance, and Islamic law, overseeing asset management strategies. They may appoint professional asset managers to handle day-to-day investment operations, utilizing diversified portfolios including shares, Sukuk, mutual funds and other approved financial instruments. Waqf AMCs will prioritize investments aligned with their social mission, such as funding education, healthcare, and poverty alleviation projects. They may also be required to submit periodic financial reports and annual audits to SECP to ensure transparency, accountability, and compliance with regulatory standards.

The benefits of Waqf AMCs include sustainability and growth of Waqf assets, enhanced governance and transparency, increased funding for charitable purposes, Islamic finance compliance, and broader financial inclusion.

(iii) Waqf companies as manager of takaful pools

This proposal recommends enabling Waqf companies to manage Takaful funds, i.e., pools of policyholder funds for licensed Takaful operators in Pakistan. As an integral part of Islamic finance, Takaful relies on Waqf structures to establish and manage risk-sharing pools based on mutual assistance and cooperation. Empowering Waqf companies to act as specialized fund managers for Takaful operators will strengthen the operational efficiency, governance, and transparency of Takaful funds. This initiative will enhance public confidence in Takaful while promoting compliance with Shariah principles and enabling Waqf companies to contribute to Pakistan’s Islamic finance sector.

In Pakistan, Takaful operators are licensed and regulated by the SECP under the Takaful Rules, 2012. A key component of Takaful operations is the Waqf fund, which acts as the pool of contributions used to cover participant claims and expenses.

Currently, Takaful operators are responsible for managing Waqf funds, but this dual role of managing both operations and funds can create inefficiencies and potential conflicts of interest. Delegating the management of Waqf funds to specialized Waqf companies will enhance transparency, improve fund governance, and allow Takaful operators to focus on their core functions of underwriting and risk assessment.

This proposal aligns with the broader objectives of promoting Islamic finance and strengthening the operational framework for Takaful in Pakistan. The proposal aims to improve operational efficiency and transparency for Takaful operators. This will enhance compliance with Shariah principles and promote the growth of Takaful in Pakistan. Waqf companies will apply for a specialized license from SECP, acting as independent fund managers. They will oversee the investment and disbursement of Waqf funds, adhering to Shariah principles and SECP regulations. A Shariah supervisory board or a Shariah advisor, will be mandatory for Waqf companies managing Takaful funds. Waqf companies will develop and implement Shariah-compliant investment strategies, focusing on permissible instruments like Sukuk, Islamic equities, and real estate. They will earn a pre-agreed management fee from Takaful operators, aligning with Shariah principles. Regular reports and audits will ensure compliance with regulatory and Sharia requirements.

We believe that by leveraging the expertise of Waqf companies, this initiative will strengthen the Takaful industry, build public confidence, and ensure compliance with Sharia principles.

(c) Proposal to allow Waqf companies to act as a manager of corporate CSR funds

This proposal recommends enabling Waqf companies to manage Corporate Social Responsibility (CSR) funds of other companies. By leveraging the governance structures and philanthropic focus of Waqf companies, listed and large companies can channel their CSR resources into impactful and sustainable social welfare projects. This arrangement will combine the strategic use of CSR funds with the Waqf model's inherent transparency, accountability, and focus on public welfare, ensuring better alignment with societal development goals. CSR has become an important component for many companies, as it encourages businesses to contribute to social development in areas such as education, healthcare, poverty alleviation, and environmental sustainability. However, many such companies face challenges in identifying, implementing, and monitoring CSR initiatives effectively.

Waqf companies, which are structured to manage charitable assets and funds, are well-suited to serve as stewards of CSR resources. These entities are designed to support long-term welfare projects while ensuring compliance with Shariah principles and maintaining financial and operational transparency. Allowing Waqf companies to manage CSR funds would create a symbiotic relationship where listed and large companies benefit from the expertise and infrastructure of Waqf companies, while the latter gain access to consistent funding streams for social impact projects.

This concept can be introduced by amending the Corporate Social Responsibility Voluntary Guidelines 2013 and creating a framework for Waqf companies to manage CSR funds. The aim here is to create a structured mechanism for companies to utilize their CSR funds, ensuring efficiency and accountability. The framework may include establishing dedicated CSR management committees and providing transparency and accountability through independent audits and annual reports. Waqf companies will focus on social development projects, environmental sustainability, and Islamic finance solutions, such as Qard Hasan and interest-free microfinance.

The benefits of allowing Waqf companies to manage CSR funds include enhanced efficiency and expertise, increased transparency and accountability, alignment with corporate values, promotion of Shariah-compliant practices, and scalability and sustainability. Waqf companies will provide a trusted platform for corporations seeking Islamic finance-aligned CSR solutions, allowing them to create sustainable projects with long-term impact, such as endowments for education or healthcare facilities. By partnering with Waqf companies, listed and large companies can align their CSR initiatives with their mission, vision, and societal goals.

(d) Proposal to allow Waqf companies to operate as social impact financial institutions

The federal government or any provincial government may establish social impact financial institutions (SIFIs) in the form of a Waqf company. Operating under the government's oversight, an SIFI can leverage the Waqf model to mobilize, manage, and deploy funds for sustainable development goals (SDGs). By combining Islamic philanthropy with modern financial tools, Waqf-based SIFIs can provide innovative and Shariah-compliant solutions, in line with Article 38(f) of the constitution, for education, healthcare, poverty alleviation, and environmental sustainability.

In modern contexts, integrating Waqf principles into structured financial institutions can help Pakistan address resource mobilization challenges for social impact initiatives. These institutions are dedicated to channelling funds toward socially beneficial projects while ensuring financial sustainability. Waqf companies, as SIFIs, can serve as effective vehicles for public and private sector collaboration in achieving socio-economic objectives, especially in underprivileged communities. The establishment of Waqf-based SIFIs aligns with the Government of Pakistan's vision for economic inclusion, poverty alleviation, and sustainable development.

The proposal aims to enable mobilization of philanthropic resources, promote social impact investments, ensure Shariah-compliant financing in line with the objectives of the constitutions, foster public-private collaboration, and promote financial inclusion. Waqf companies will be regulated by the SECP, paving the way to allow them through relevant regulations for offering financial solutions such as Islamic microfinance, issuing social impact Sukuk, creating education and healthcare endowments, and even establishing Waqf venture capital. A board of trustees can oversee each SIFI, with annual financial reports and impact assessments mandatory. External audits can verify compliance with Shariah principles and operational effectiveness. Partnerships and collaborations may include the government allocating matching funds or grants to support Waqf SIFI initiatives in priority sectors, encouraging corporations to contribute CSR funds or partner with SIFIs for joint projects, and attracting funding from global development agencies and Islamic finance organizations. Benefits of Waqf companies as SIFIs include sustainable resource mobilization, increased trust and participation, scalable impact, enhanced governance, and achievement of SDGs through focused investments in education, healthcare, and environmental sustainability.

(e) Proposals to develop Islamic instruments and financial services products for Waqf companies

Waqf companies can introduce products that promote trust, create sustainable social development projects, provide diversified revenue streams, and address Pakistan's socio-economic challenges. These products uphold Islamic values and principles, ensuring financial stability and playing a pivotal role in Pakistan's socio-economic development. Waqf companies can offer a range of Shariah-compliant financial and social products, focusing on Islamic principles and maximizing their impact on social welfare. Below is a list of such products categorized by their objectives:

(i) Fundraising and capital generation products:

- ✓ **Waqf Certificates:** A waqf company can issue Waqf certificates, which is a form of investment where individuals or institutions contribute to a specific Waqf fund. Funds can be used for pre-defined charitable or social development purposes. Contributors are rewarded spiritually without financial returns, as per Waqf principles. These certificates may or may not be transferable or redeemable.
- ✓ **Sukuk al-Waqf (Waqf Sukuk):** A Waqf company may issue, listed or privately placed, Waqf Sukuk to raise funds for projects such as building schools, hospitals, or housing. The Sukuk

certificate may carry zero or lower returns, and income generated by the assets acquired by Waqf Company can support the Waqf purpose.

- ✓ **Islamic Crowdfunding for social finance:** A Waqf company may mobilize funds through Islamic crowdfunding to collect sadaqah (voluntary charity), zakat (mandatory charity), and other donations. The collected funds are managed transparently to ensure alignment with Islamic principles and values.

(ii) Investment products for sustainable growth:

- ✓ **Ijarah (Lease Financing):** Waqf properties or assets can be leased to generate income, which is reinvested into charitable projects. This structure ensures sustainable financial growth while preserving the Waqf asset.
- ✓ **Istisna (Construction Financing):** Waqf company may use funds to construct infrastructure such as schools or housing, with a focus on public benefit. Income from these projects can be reinvested for additional social impact.
- ✓ **Murabaha (Cost-Plus Financing):** This structure can be used by Waqf companies to finance goods and commodity purchases by the customers. This can also be used for financing community development projects or income-generating ventures.
- ✓ **Musharakah (Partnership Investments):** Waqf companies can become partners with other entities to invest in profitable, ethical ventures. This can be achieved by the acquisition of shares of such companies and investing in Musharakah Sukuk. Profits received can be reinvested into Waqf's social programs.
- ✓ **Modaraba (Investment Management):** Waqf companies act as fund managers, investing pooled funds in Shariah-compliant ventures. Returns generated may support Waqf's charitable objectives.

(iii) Social and development-orientated products:

- ✓ **Qard Hasan (Benevolent Loans):** Waqf companies may provide interest-free loans to individuals or small businesses to support entrepreneurship, education, or emergencies. The customer's repayment can create a revolving fund for further extension of such loans.
- ✓ **Takaful (Islamic Insurance):** Waqf companies can establish Takaful funds to provide Shariah-compliant insurance for low-income individuals.

(iv) Innovative products for modern needs:

- ✓ **Renewable energy Waqf projects:** Waqf companies may have separate funds for investments in solar or wind energy projects to support underserved communities sustainably.
- ✓ **Waqf Venture Capital:** Waqf companies may make investments in start-ups addressing social challenges, such as fintech for financial inclusion or *ed*tech for education.

(v) **Corporate-specific products:**

- ✓ **CSR Fund Management:** Waqf companies may manage CSR funds from listed and large companies to align them with impactful social projects.
- ✓ **Waqf-based sukuk for companies:** Waqf companies may offer Shariah-compliant investment vehicles to companies, allowing them to fund social projects through Waqf companies.

7. Challenges and considerations

The key challenge in introducing the proposed concept would be the jurisdiction and legal considerations. While the jurisdiction for traditional waqf clearly lies with the provincial authorities, the jurisdiction for waqf companies formed under the Companies Act, 2017, may or may not transgress the said authority. In order to address this challenge, the following options can be considered:

(a) The existing provincial laws be suitably amended to introduce the concept of corporate Waqf and a dedicated framework be provided for administration, governance, operations, taxation, supervision, and reporting by such corporate Waqf; or

(b) An enabling provision be introduced in the Companies Act, 2017, for the registration of Waqf as a company subject to administration, governance, operations, supervision, taxation, and reporting by such Waqf companies, as per the provisions applicable to companies; or

(c) An amendment be introduced to the Association With Charitable and Not for Profit Objects Regulations, 2018, to enable registration of Waqf companies under section 42 of the Companies Act, 2017, subject to conditions applicable for such registered companies; or

(d) A combination of the above options.

8. Ways forward

These proposals are a compilation of initial ideas for reinvigorating the institution of Waqf in Pakistan. The objective of this concept paper is to seek stakeholders' comments and feedback to further refine the concepts before initiating the envisaged regulatory interventions. In order to take the matter forward, this concept paper has been made public to seek stakeholders' feedback and comments. Roundtable consultation sessions can be held with the stakeholders who choose to provide comments and feedback on this concept paper.

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