

Activating the Principles of Good Governance in the Management and Investment of Waqf Corporate Assets

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Abstract---The Waqf system has undergone significant development in the modern era, most notably through the introduction of innovative mechanisms for its investment. Among the most prominent of these is the emergence of Waqf corporations as an institutional model that combines the binding conditions of Waqf with commercial investment instruments. With this evolution, the need has arisen to establish the principles of good governance in the management of these corporations to ensure the protection and sustainability of Waqf funds. This article aims to elucidate the complex concept of governance in Waqf corporations, underscore its importance in improving and enhancing the effectiveness of institutional investment, and propose practical solutions to reinforce the efficacy of this model. The study employs a descriptive methodology to outline the conceptual and regulatory framework, and an analytical approach to examine the dimensions of governance and assess its practical applications. The findings reveal that the governance of Waqf corporations constitutes a strategic necessity to ensure a balance between the requirements of investment and adherence to the objectives of Islamic law (Maqasid al-Shariah). Moreover, the absence or weakness of governance mechanisms poses a serious threat to the sustainability of Waqf institutions and may undermine trust in the Waqf model itself.

Keywords---Waqf, Waqf corporations, good governance, Waqf investment, Waqf assets.

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Introduction

In recent decades, the **Waqf (endowment) system** has undergone substantial development, manifested in the diversification of its fields and the multiplicity of mechanisms for its investment. The scope of its utilization has significantly expanded; Waqf is no longer perceived as stagnant assets that obstruct economic circulation or foster dependence among beneficiaries of its proceeds. Rather, it has evolved into a **dynamic instrument** that contributes meaningfully to economic and social development. This transformation is attributed to the inherent **comprehensiveness and flexibility** of Waqf, which enable the formulation of modern investment mechanisms aligned with both its **Shari'ah conditions** and its fundamental objectives.

Within this evolving landscape, the **Waqf Corporation** has emerged as a modern innovation in the investment of endowment assets. Its goal is to **maximize Waqf revenues** and enhance community benefit, while ensuring the sustainability of endowed funds. This is achieved by integrating **Islamic legal provisions governing Waqf** with the **regulatory frameworks of commercial companies**, creating a unique model that harmonizes **Shari'ah, legal, and economic dimensions**.

This progress has brought to light the urgent need to **embed principles of good governance** in the management of Waqf corporations. Governance plays a pivotal role in ensuring **transparency, efficiency, and accountability**, while maintaining a balance between the **sustainability of Waqf assets** and their **social objectives**. Governance, as a modern administrative concept, concerns itself with organizing and directing institutional operations through rational principles aimed at achieving specific goals while ensuring compliance with relevant laws and regulations. Although there is no universally accepted definition of governance, its **practical essence** lies in the establishment of **clear mechanisms for decision-making, performance oversight, and the delineation of powers and responsibilities**, all of which enhance institutional discipline and foster trust among stakeholders.

The importance of studying the **governance of Waqf corporations** lies in its modern approach to enhancing the performance of endowments by integrating them within an institutional model that balances **Islamic specificity, legal compliance, and economic effectiveness**. Governance protects Waqf capital from waste and mismanagement, reinforces transparency and accountability, and strengthens the trust between donors and the wider society—thus supporting both the **sustainability and effectiveness of Waqf in achieving development**.

Accordingly, this research seeks to clarify the **complex nature of governance in Waqf corporations**, define its distinctive characteristics, and explore its role in improving institutional and investment performance. Additionally, the paper aims to identify the challenges hindering its activation and propose practical mechanisms to ensure **balanced and efficient management** of this model.

Based on the above, the central research problem can be articulated as follows: **How can the principles of good governance be established in the management of Waqf corporations in a manner that balances economic efficiency with adherence to the Shari'ah objectives of Waqf?**

To answer this question, the study is structured around three main axes:

- The first axis explores the **concept of governance in Waqf corporations**.
- The second axis addresses the **importance of governance in Waqf corporations**.
- The third axis presents the **pillars of governance for Waqf Corporation**.

Axis I: Theoretical Framework of the Concept of Waqf Corporations and Their Governance

Discussing the concept of governance in Waqf corporations requires first clarifying the concept of the Waqf corporation itself (*Section One*), followed by an exploration of the notion of its governance.

1.1 The Concept of the Waqf Corporation

To fully understand the term *Waqf Corporation*, it is necessary to examine the semantic components that constitute it. The word “corporation” generally refers to an economic entity primarily aimed at generating profit, whereas “Waqf” reflects a charitable, devotional act aimed at serving the community through sustainable resource allocation. Combining these two concepts allows us to form a comprehensive definition of this modern legal entity, which seeks to balance the religious requirements of Waqf with the objectives of commercial enterprise, through the following foundational clarifications:

1.1.2 Definition of a Corporation

The aim here is to analyze both the linguistic and terminological dimensions of the word “corporation” in order to facilitate a more coherent and integrated understanding of the composite term *Waqf Corporation*. This involves two levels of analysis:

(a) Linguistic Definition: The Arabic term *sharikat* شَرِكَة (corporation or company) is the plural of *sharika*. It may be pronounced in three forms: *shārīka* (with an open “sh” and a stressed “r”), *shārka* (with a silent “r”), or *shīrka* (with a broken vowel on the “sh”). These pronunciations have been recorded by various classical Arabic linguists.¹

Etymologically, the root verb *sharaka* (شَرَكَ) means “to share” or “to partner with.” For instance, the expression “sharaktu baynahuma fī al-māl” means “I combined their wealth.” Likewise, *ashrakatuhu* means “I made him a partner.” Thus, the linguistic essence of *sharika* revolves around the mixing or combining of ownership or effort between two or more parties².

1.1.2 Definition of Waqf

To fully grasp the term *Waqf corporation*, it is equally important to understand the meaning of *Waqf*—both linguistically and technically—as it constitutes the core of this compound concept. This is addressed as follows:

(a) Linguistic Definition : The term *waqf* is derived from the Arabic root *waqafa* (وَقَفَ), meaning “to stop” or “to hold.” The plural is *awqaf* أَوْقَاف. The word carries several connotations in classical Arabic:

- **To restrain or to prohibit movement:** For example, *waqafu al-sayyarah* (“I stopped the car”), or *waqafu al-dābbah waqfan* (“I restrained the animal for a charitable cause”).³
- **To cease an activity:** As in *awqafu ‘an al-‘amal* (“I ceased the work I was doing”).
- **To dedicate something for charity:** Such as *waqafa al-ard’ ala al-masākīn* (“He endowed the land for the poor”).⁴

From these usages, it is clear that the concept of *waqf* in its linguistic sense revolves around the withholding of an asset from personal use and dedicating its usufruct for charitable purposes, in accordance with specific conditions.

(b) Juristic Definition:

- **Ḥanafī Definition:** Imām Abū Ḥanīfah defined *Waqf* as: “The detention of the asset under the ownership of the endower, while donating its usufruct to the poor or for any charitable cause.”⁵

This definition implies that the corpus of the endowed property (*‘ayn*) remains within the legal ownership of the endower, who may, under certain conditions, reclaim, sell, gift, or bequeath the asset.

1 Muhammad Murtada al-Zabidi. *Taj al-Arus min Jawahir al-Qamus*. Edited by Mustafa Hijazi. Vol. 27. Kuwait: al-Turath al-‘Arabi, 1993, 148.

2 Abu al-Fadl Jamal al-Din Muhammad ibn Mukarram ibn Manzur. *Lisan al-Arab*. Vol. 2. 1st ed. Beirut: Dar Sadir, 1992, 333.

3 Ibrahim Mustafa et al. *Al-Mu‘jam al-Wasit*. 2nd ed., vol. 2. Cairo: Dar al-Da‘wah, 1972, 1051.

4 Abu al-Fadl Jamal al-Din Muhammad ibn Mukarram ibn Manzur. *Lisan al-Arab*. Vol. 2. 1st ed. Beirut: Dar Sadir, 1992, 359.

5 A group of Indian scholars, *Al-Fatawa al-Hindiyyah*, vol. 2, 3rd ed. (Beirut: Dar Ihya’ al-Turath al-‘Arabi, 2009), 350; Burhan al-Din Abu al-Hasan ‘Ali ibn Abi Bakr al-Marghinani, *Al-Hidayah Sharh Bidayat al-Mubtadi*, vol. 4, 1st ed. (Karachi: Idarat al-Qur’an wa-l-‘Ulum al-Islamiyyah, 1997), 426; Kamal al-Din Ibn al-Humam al-Hanafī, *Sharh Fath al-Qadir*, vol. 6 (Beirut: Dar al-Kutub al-‘Ilmiyyah, 2003), 190.

According to the most authoritative opinion in Abū Ḥanīfah's school, *Waqf* is permissible but not binding (jā'iz ghayr lāzim)—it is comparable to a loan for use ('āriyah), except in specific situations where the *Waqf* becomes irrevocable.

This view sets the Ḥanafī school apart from others by granting the endower a degree of flexibility and revocability in certain circumstances, particularly prior to delivery to the beneficiaries or public use.⁶

-Mālikī Definition: Mālikī jurists defined *Waqf* as: "The granting of the benefit (manfa'ah) of an object for the duration of its existence, while its corpus remains—at least notionally—in the ownership of the donor"⁷

From this definition, it is clear that both tangible assets and usufruct may be the subject of *Waqf* in Mālikī jurisprudence. The ownership of the endowed asset ('ayn) remains legally with the endower; however, they are prohibited from disposing of it through any transaction that transfers ownership, such as sale, gift, or inheritance.

Unlike other schools, the Mālikīs do not require perpetuity (*ta'bid*) as a condition for the validity of *Waqf*. They permit endowments for a limited duration, though scholars unanimously agree that mosques are a special category of *Waqf*, for which no private ownership is recognized. Mosques are considered entirely dedicated to God (*masājid lillah*), and no individual can claim title over them⁸

- Shāfi'ī Definition: Shāfi'ī jurists provided several formulations for the definition of *Waqf*. Among the most cited are: **Al-Shirbīnī** defined *Waqf* as: "*The detention of a property whose benefits can be utilized while its corpus remains, by preventing the endower and others from disposing of its substance, for an existing and permissible charitable purpose.*"⁹

Imām al-Nawawī similarly stated: "*The detention of a property that can be benefited from while its corpus remains, by restricting any disposal of its substance, for a legitimate and existing charitable use*"¹⁰.

These definitions share a common foundation: that the ownership of the endowed property is transferred entirely from both the endower and any potential beneficiaries to the dominion of God (Allah). Consequently, the object of *Waqf* must be a durable asset, whose benefits can be repeatedly derived without consuming the object itself.

Therefore, perishable goods—such as food, aromatic herbs, or items that are easily destroyed by animals or through regular use—do not qualify as valid subjects for *Waqf* under the Shāfi'ī school, as they cannot provide sustained benefit over time.

1.1.3 Definition of the *Waqf* Corporation

The *Waqf* corporation is a **modern legal construct** that has attracted increasing attention among contemporary scholars, particularly in the context of enhancing the investment of *Waqf* assets using

6 There are three exceptions to the general rule of non-binding endowments:

- (a) when the endowment is affirmed by a ruling of a judge or legal authority;
- (b) when the endowed property is a constructed mosque where prayers are regularly held;
- (c) when the endower issues the endowment in the form of a bequest, making it conditional upon their death.

7 Muhammad Alish. *Sharh Manhaj al-Jalil 'ala Mukhtasar Khalil*. 1st ed., vol. 8. Beirut: Dar al-Fikr, 1984, 108.

8 Wabbah al-Zuhayli. *An Ijtihadi Perspective on Contemporary Jurisprudential Issues of Waqf*. 1st ed. Damascus: Dar al-Maktabi, 1997, 10.

9 Al-Khatib al-Shirbini. *Mughni al-Muhtaj ila Ma'rifat Ma'ani Alfaz al-Minhaj 'ala Matn Minhaj al-Talibin*. Vol. 2. 1st ed. Beirut, Lebanon: Dar al-Ma'rifah, 1998, 485.

10 Abu Zakariya Muhyi al-Din ibn Sharaf al-Nawawī. *Tahrir al-Tanbih*. 1st ed. Beirut: Dar al-Fikr al-Mu'asir; Damascus: Dar al-Fikr, 1990, 259.

modern commercial mechanisms. As a **composite term**, it merges the legal and ethical attributes of *Waqf* with the structural and regulatory features of *corporate entities*.

Given its novel and hybrid nature, various **proposed definitions** have emerged, reflecting the **independent reasoning (ijtihād)** of modern scholars and practitioners. These definitions attempt to reconcile **Islamic legal principles** with **corporate law** and **investment practice**. The following section presents the **most prominent definitions** of the Waqf corporation, along with a **critical analysis** of their

The Waqf corporation is defined as: "*The aggregation of endowed assets and their management with the aim of engaging in commercial activity in accordance with commercial regulations.*"¹¹

From this definition, it can be inferred that it encompasses all forms of collective investment within the Waqf framework, including investment funds, even though such instruments may not be fully compatible with the nature of Waqf and its juridical and legal rules. This is because, for instance, an investor in an investment fund cannot dismiss the fund manager, whereas Waqf jurisprudence allows for the removal of the Waqf administrator (*nāẓir*) الناظر under certain circumstances.

Another definition describes a Waqf corporation as: "*The ownership by one or more Waqf institutions of the capital of a commercial company established for profit, with the intention of endowing the resulting profits for charitable purposes.*"¹² This definition rests on the following key elements:

- **Ownership:** The Waqf may hold ownership in the company either **from inception**, as in the case of a Waqf establishing the company itself, or **subsequently**, through the acquisition of shares in existing commercial entities.
- **Multiplicity of Endowers:** The definition allows for the establishment of a Waqf corporation through the participation of **one or more Waqf institutions**, based on the premise that each Waqf possesses a **distinct legal personality**, separate from that of its founders.
- **Company Capital:** By emphasizing capital investment, this definition **excludes partnership-based firms (Sharikāt al-Ashkhāṣ)** as a foundational model for Waqf corporations, favoring instead **capital companies (Sharikāt al-Amwāl)** that are more compatible with corporate Waqf structures.
- **Purpose of the Waqf Corporation:** The core objective is to engage in **commercial activities (muḍārabah)** مضاربة with the aim of **generating profit**, in a manner consistent with Shari'ah principles.
- **Profit Distribution:** Unlike conventional companies, the Waqf corporation does **not distribute profits among shareholders**. Instead, profits are allocated in accordance with the **stipulations set forth by the original endower**, directed exclusively to **Islamic charitable causes**.¹³

The Waqf Corporation is also defined as: "*The investment of Waqf assets through a modern corporate structure in accordance with the legal provisions governing Waqf.*"¹⁴

¹¹ Khalid ibn Abdulrahman al-Muhanna. *Waqf Companies under the Saudi Companies Law*. Publications of Sheikh Rashid bin Dayel Chair for Waqf Studies, Imam Muhammad ibn Saud Islamic University, n.d., 19.

¹² Khalid ibn Abdulrahman ibn Sulayman al-Rajhi. *Al-Sharikah al-Waqfiyyah: A Jurisprudential Applied Study*. 1st ed. Riyadh: Dar al-Tahbir li-l-Nashr wa-l-Tawzi', 2019, 41.

¹³ Khalid ibn Abdulrahman ibn Sulayman al-Rajhi. *Al-Sharikah al-Waqfiyyah: A Jurisprudential Applied Study*. 1st ed. Riyadh: Dar al-Tahbir li-l-Nashr wa-l-Tawzi', 2019, 41.

¹⁴ Muhammad Uwd Ali Khamis al-Fazee. "Establishment of Waqf Companies: A Comparative Jurisprudential Study with the Companies Law No. 1 of 2016 of the State of Kuwait." Paper presented at the *Eighth Forum on Contemporary Waqf Jurisprudential Issues*, under the theme "Emerging Issues and Sharia Foundations," organized by the General Secretariat of Awqaf in collaboration with the Oxford Centre for Islamic Studies (UK) and the Islamic Research and Training Institute (Jeddah), Oxford, United Kingdom, April 27–29, 2017, 50.

However, this definition has been criticized for its general and abstract formulation, as its wording lacks sufficient specificity and detail. In particular, it does not address key juristic debates such as those surrounding cash Waqf, time-limited Waqf, and the binding nature of Waqf declarations.

Moreover, the definition appears to restrict the scope of Waqf corporations solely to the investment of Waqf assets, thereby excluding other sources of capital, such as donated funds or strategic partnerships, which could be incorporated into the corporate Waqf model without violating Shari'ah principles.

Based on the preceding definitions and their analysis, a Waqf corporation may be defined as: *"A legal entity that combines the religious nature of Waqf with the legal framework of commercial companies. It is established by one or more Waqf institutions for the purpose of investing and developing Waqf assets to generate profit, which is then allocated to designated Waqf causes, in accordance with the Shari'ah rules of Waqf and the regulatory framework governing commercial enterprises."*

The authors believe that this definition most accurately captures the purpose and rationale behind the establishment of such entities, for the following reasons:

- It allows for the creation of a Waqf corporation by a single Waqf or multiple Waqf entities
- It respects and integrates both the legal framework and the religious character of Waqf and corporate law;
- It distinguishes between the commercial notion of profit distribution and the Waqf-specific notion of allocating profits exclusively to charitable endowments (*tasbil*);

It highlights the institutional nature of the Waqf corporation and subjects it to the rules of commercial law, ensuring legal clarity and regulatory compliance.

1.2 Governance of Waqf Corporations

1.2.1 Definition of the Term "Governance":

The term *"governance"* has attracted considerable interest from scholars and international institutions. Its definitions vary depending on the disciplinary lens through which it is viewed—be it economic, legal, or administrative.

On one side, governance is defined as: *"The structures and processes established by an organization to regulate and direct its activities in an efficient and economical manner, in order to achieve intended objectives and generate long-term value."*¹⁵

From another angle, it is described as: *"The mechanism through which authority is exercised in the management of a society's economic and social affairs. It reflects the degree of political, economic, and social stability, as well as the effectiveness of the legal and regulatory framework."*¹⁶

Accordingly, governance, in its essence, refers to a **set of principles and mechanisms** designed to maintain **balance among stakeholders** within an institution by clearly distributing **rights and responsibilities**. This fosters **transparency, accountability, and fairness**, and contributes to sound decision-making and the realization of institutional objectives.

¹⁵ Fuad ibn Abdullah al-Umar. *Rules of Waqf Governance: The Supervision of the Waqf Institution as a Model*. 1st ed. Riyadh: Dar al-Tahbir li-l-Nashr wa-l-Tawzi', 2019, 30.

¹⁶ Balla Bassi Zakaria. *Governance and Its Relation to Foreign Direct Investment: The Case of Algeria*. Master's thesis, Department of Economic Analysis, Faculty of Economic Sciences, Business and Management Sciences, University of Algiers 3, 2010/2011, 36.

1.2.2 Definition of Corporate Governance

The term “*corporate governance*” is a relatively modern concept that has received growing attention across economic, legal, and administrative literature. Definitions of the term vary depending on institutional perspectives and disciplinary approaches. Among the most notable definitions are the following:

- **International Finance Corporation (IFC):** Corporate governance is defined as: “*The system by which companies are directed and controlled.*”¹⁷
- **Organisation for Economic Co-operation and Development (OECD):** Corporate governance is described as: “*The system by which business corporations are directed and controlled. It involves the distribution of rights and responsibilities among different participants in the corporation—such as the board, shareholders, and other stakeholders—and lays out the rules and procedures for making decisions on corporate affairs. It also provides the structure through which the company’s objectives are set, and the means of attaining and monitoring those objectives.*”¹⁸
- **Legal Perspective:** From a legal standpoint, corporate governance is defined as: “*An integrated legal and supervisory framework designed to ensure good faith in the formation and execution of contracts arising from the company’s internal and external operations.*”¹⁹

It is also defined more simply as: “*The system through which companies are managed and controlled.*”²⁰

In conclusion, corporate governance serves as a **regulatory and supervisory framework** that ensures **sound and responsible management** within companies. It aims to **balance conflicting interests**, promote **transparency in operations**, and enhance **long-term performance efficiency**.

1.2.3 Definition of Waqf Governance

Waqf governance refers to: “*A set of rules, principles, and procedures aimed at ensuring optimal protection and balance between the state, the interests of the endowers (wāqifūn), and the beneficiaries (manqūf ‘alayhim).*”²¹

It regulates the relationships between all key stakeholders involved in the performance of the Waqf institution, including the **al- board of trustees (Majlis Naẓārah)**, **executive management**, and **oversight bodies**. The purpose is to enable performance monitoring and ensure adherence to both **Shari’ah** and **legal standards**, in pursuit of the higher objectives (*maqāṣid*) of Waqf.²²

Within this framework, Waqf governance contributes to the **financial and Shari’ah sustainability** of the Waqf institution, while enhancing its capacity to deliver **economic and social development** in a context of transparency, fairness, accountability, and responsibility. These elements are essential to restoring **public trust in the Waqf system**.

Accordingly, Waqf governance functions as a **strategic mechanism** that guarantees sound management of endowments within a complex and pluralistic environment, while preserving their **Islamic legal foundations** and **integrating them into the broader framework of national development**.

¹⁷ Hussein Samhan. “Governance in Islamic Banks.” *Al-Jouba Journal*, no. 33 (Saudi Arabia, 2011), 118.

¹⁸ Organisation for Economic Co-operation and Development (OECD). *Corporate Governance in MENA: Building a Framework for Competitiveness and Growth*. 2019. Accessed August 24, 2025: <https://www.oecd.org/publications/f8f22be1-ar.htm>

¹⁹ Ammar Habib Jahloul. *The Legal System of Corporate Governance*. 1st ed. Beirut, Lebanon: Zain Legal Publications, 1993, 28.

²⁰ Souhaila Yamina. *The Role of Corporate Governance in Improving the Efficiency of the Stock Market: With Reference to the Case of Algeria*. Master’s thesis, Department of Money and Banking, Faculty of Economic Sciences, Business and Management Sciences, Hassiba Ben Bouali University of Chlef, 2009/2010, 19.

²¹ Khalid ibn Abdulrahman ibn Sulayman al-Rajhi. *Al-Sharikah al-Waqfiyyah: A Jurisprudential Applied Study*. 1st ed. Riyadh: Dar al-Tahbir li-l-Nashr wa-l-Tawzi’, 2019, 225.

²² Sami Muhammad Hasan al-Salahat. *Governance of Awqaf and the Management of Their Core Operations*. 1st ed. Riyadh, Saudi Arabia: Sa’i Foundation for the Development of Awqaf, 2018, 43.

1.2.4 Definition of Governance in Waqf Corporations

The governance of a Waqf corporation is a **composite concept** that merges the principles of **conventional corporate governance** with the **legal and religious requirements of Waqf**. It serves as a **framework that regulates the relationships** among various stakeholders within the Waqf corporation—such as the **shareholders (i.e., endowers)**, the **beneficiaries**, the **board of directors or managers**, and **supervisory bodies**—with the objective of ensuring the **sound management, growth, and sustainability** of Waqf assets, in line with the **stipulations of the endowers and the public interest**.

Based on the aforementioned definitions, the governance of a Waqf corporation may be defined as: "A set of administrative and supervisory methods, mechanisms, and procedures through which the Waqf corporation is managed and its performance monitored, ensuring compliance with general corporate governance principles on the one hand, while also accommodating the specificities of managing and investing Waqf assets on the other".

Axis II: The Importance of Governance in Waqf Corporations

The governance of Waqf corporations is of great importance, due to the nature of these entities which are based on the management and investment of Waqf assets within an institutional framework that observes both Shari'ah and legal requirements. The governance model of Waqf corporations results from the intersection of the concept of "Waqf governance" on the one hand, and "corporate governance" on the other, which grants it a unique character in its application. The importance of governance in this context lies in several essential aspects, the most prominent of which are:

- Governance contributes to eliminating obstacles that hinder the functioning of Waqf institutions in general, and their commercial investment activities in particular, through the adoption of effective pre- and post-audit mechanisms that reduce violations and ensure the stability of the Waqf corporation. This, in turn, helps limit deliberate misconduct and errors committed by those managing and working within the corporation.²³
- Providing a solid legal and procedural environment: This ensures the optimal use of accounting systems adopted in public and private financial institutions and companies.²⁴
- Enhancing the competitiveness of Waqf institutions: This enables them to grow and expand, and qualifies them to achieve the economic and social efficiency set forth by the endower.²⁵
- Contributing to the improvement of Waqf corporation performance: By aiming to reduce administrative and financial corruption within the corporation through adequate levels of financial and accounting disclosure and the adoption of transparency in management²⁶. This helps prevent financial distress that could lead to the corporation's bankruptcy or dissolution²⁷.
- Achieving balance and strengthening the confidence of contributing endowers in the Waqf corporation: This is done by protecting the rights of endowers, beneficiaries, and administrators of the Waqf institution. It increases the institution's effectiveness and attracts new funding to support

²³- Buthaina Abdullah Abdulghani Nasser Al-Abdulghani. "Pillars of Waqf Governance and Their Impact on the Quality of Waqf Investments." *Arab Journal of Administration*, Arab Administrative Development Organization, League of Arab States, vol. 42, no. 3 (2020), 31.

²⁴ - Abdulaziz ibn Sadun al-Abd al-Munim. *The Saudi Waqf System: A Comparative Study with the British Trust Law, with the Waqf Supervision as a Model*. 1st ed. Riyadh, Saudi Arabia: Dar al-Kitab al-Jami'i li-l-Nashr wa-l-Tawzi', 2019, 179.

²⁵- Buthaina Abdullah Abdulghani Nasser Al-Abdulghani. "Pillars of Waqf Governance and Their Impact on the Quality of Waqf Investments." *Arab Journal of Administration*, Arab Administrative Development Organization, League of Arab States, vol. 42, no. 3 (2020), 31.

²⁶- Hassan Abdulmutalib al-Asraj. "Good Governance of the Islamic Waqf Institution." *International Journal of Islamic Economics*, Syria, vol. 2 (2012), 37.

²⁷- Aidh Sultan Marzuq al-Baqi. "The Development of the Legal Framework of Corporate Governance in the Saudi System: A Comparative Study." *Scientific Journal for Publishing Research*, issue 6 (June 2022), 10.

Waqf projects adopted by the corporation, thereby positively impacting its profit margins and sustainable growth.²⁸

Axis III: Pillars of Governance in Waqf Corporations

Discussing the pillars of governance in Waqf corporations first requires clarifying the foundational principles upon which the governance of commercial and financial companies is generally based. Afterward, those principles that can be applied within the framework of Waqf corporate governance should be identified, while taking into account the unique nature of Waqf assets, as they are of a devotional character. This imposes a strict obligation on those managing Waqf corporations to adhere fully to Shari'ah regulations in all financial and administrative transactions.

3.1 Pillars of Corporate Governance

The adoption of governance principles is considered a key factor for institutional success in general, and for commercial companies in particular, given the improvements it brings to financial and administrative performance, as well as the trust it builds among investors and stakeholders. The importance of having a sound corporate governance framework is reflected in the ongoing efforts of major international financial organizations to establish global principles for corporate governance. Among the most prominent of these organizations are: The Organization for Economic Co-operation and Development (OECD), The Basel Committee on Banking Supervision²⁹, and The International Finance Corporation (IFC), affiliated with the World Bank. The core principles and pillars of corporate governance can be summarized as follows:

a. Commitment to Transparency and Disclosure Rules

When discussing corporate governance, it is essential that those responsible for managing the company adhere to all procedures that ensure accurate and timely disclosure of both financial and non-financial information related to the company. This is particularly important in relation to:

- The company's financial position, including all relevant data and indicators that reflect its true financial status. This involves presenting statements of the company's profits or losses and conducting objective and independent external audits by state-approved auditors.³¹
- Timely publication of financial and operational reports, as well as annual accounting statements, in a transparent manner and made available to all partners and shareholders. This ensures fair and transparent treatment for all parties, and facilitates access to information for anyone who needs it,

28- Buthaina Abdullah Abdulghani Nasser Al-Abdulghani. "Pillars of Waqf Governance and Their Impact on the Quality of Waqf Investments." Arab Journal of Administration, Arab Administrative Development Organization, League of Arab States, vol. 42, no. 3 (2020), 31.

29- The Basel Committee is a body established under the Bank for International Settlements (BIS). In 1988, it issued the first Basel Accord, which aimed to provide adequate protection for those dealing with banking institutions by ensuring a minimum level of capital adequacy. In 1999, it released a consultative working paper (Basel II), which reached its final form in 2004 and entered into force in 2007. For further details, see: Radwan Hashim Hamdoun Othman, *The Legal Regulation of Corporate Governance in Arab Legislations*. 1st ed. Cairo, Egypt: Arab Studies Center for Publishing and Distribution, 2018, 76.

30- In 2003, this body established governance standards for all its institutions, which included the following: compliance with laws and regulations issued by local governments; adherence to the resolutions of the general assembly of shareholders; efficiency and effectiveness of the company's board of directors and senior management in achieving the company's objectives; objectivity and accuracy of the information and reports issued by the company; and the consistent application of the principle of disclosure and transparency. For further details, see: Radwan Hashim Hamdoun Othman, *The Legal Regulation of Corporate Governance in Arab Legislations*. 1st ed. Cairo, Egypt: Arab Studies Center for Publishing and Distribution, 2018, 76.

31 - Abdulmohsen bin Mohammed bin Othman Al-Muharij, *Waqf Governance: A Comparative Study* (PhD dissertation, Naif Arab University for Security Sciences, Saudi Arabia, 2016), 119.

through clearly defined and organized channels. It also involves specifying the company's medium- and long-term objectives and the extent to which they are achievable.³²

- Disclosure of information related to the board of directors, executive managers, employees, and staff, particularly concerning their salaries and benefits granted under the company's incentive and compensation policies.³³

b. Protection of Shareholders and Ensuring Equal Treatment

One of the most fundamental aspects of corporate governance is the protection of the rights of shareholders and partners, especially foreign investors and minor domestic shareholders. This is achieved by ensuring their secure ownership of shares or stakes in the company and the rights that stem from such ownership, including:³⁴

- The right of a shareholder or partner to receive their share of the company's profits, proportionate to their contribution to the company's capital.
- The right of shareholders to participate and vote in the general assembly meetings of the company. This constitutes the strongest legal guarantee granted to all shareholders—whether national or foreign, minority or majority holders—to take part in the overall governance and strategic direction of the company.

The right to full access to all company-related information, including any amendments to the company's articles of association that affect its legal or financial status. Such disclosure must occur in a timely manner, as required by the principles of transparency and disclosure.

- The right to transfer ownership of shares either to other shareholders or to third parties, in accordance with the procedures and conditions stipulated in the company's bylaws.

c. Responsibilities of the Board of Directors

Corporate governance is also manifested through this pillar, as it ensures shareholders the right to periodically hold the board of directors accountable for its performance over a given period. The rationale for reinforcing this right stems from the following considerations:³⁵

- Board members are obligated to act in the best interests of the company and its shareholders, ensuring the achievement of the company's long-term objectives. They are also responsible for evaluating the effectiveness of these strategies in delivering sustainable growth and added value for shareholders.
- Moreover, board members play a vital role in setting policies related to key functions within the company. This includes defining roles and responsibilities, ensuring the recruitment of qualified personnel, and determining compensation and benefits in accordance with employees' experience and qualifications. They are also accountable for reviewing and approving budgets and annual reports, to ensure that both financial and human resources are allocated efficiently toward achieving the company's strategic goals.

32 -Abdelsabour Abdelkawy Ali El-Masri. *The Legal Regulation of Corporate Governance: A Comparative Study*. Saudi Arabia: Maktabat al-Qanun wa al-Iqtisad, 2012, 67.

33- Abdulmohsen ibn Muhammad ibn Othman al-Muharij. *Governance of Awqaf: A Fundamental Comparative Study*. PhD diss., College of Criminal Justice, Department of Sharia and Law, Naif Arab University for Security Sciences, Saudi Arabia, 2016, 119.

34 -Muhammad al-Suwaidi, "The Legal System of Corporate Governance and the Impact of Disclosure and Transparency on It," *Journal of Social Studies*, University of Science and Technology, Yemen, no. 50 (2016): 155–156.

35- Abdulmohsen bin Mohammed bin Othman Al-Muharij, *Governance of Awqaf: A Fundamental Comparative Study* (PhD dissertation, College of Criminal Justice, Department of Sharia and Law, Naif Arab University for Security Sciences, Saudi Arabia, 2016), 119.

3.2 Pillars of Waqf Governance

Waqf governance is founded upon a set of core principles that enhance the effectiveness of its management and the fulfillment of its Shari'ah-based and developmental objectives. As Waqf assets possess a devotional character, they must not be misused or disposed of in any manner that contravenes the endower's conditions, the most prominent pillars include:³⁶

-Respect for the Conditions of the Endower: This refers to honoring the stipulations laid out by the endower in the Waqf deed, especially those related to the appointment of trustees (*nāẓir*) or the designation of beneficiaries of the Waqf revenue. These conditions must be adhered to **as** long as they do not conflict with Islamic law, in accordance with the legal maxim: *"The condition of the endower is akin to a legal injunction."*

-Competence and Integrity of the Trustee (Nāẓir), whether an individual or an institution: One of the most fundamental principles in Islamic jurisprudence regarding Waqf is that its administration must be entrusted to a person (or entity) who is trustworthy, capable, and able to manage the Waqf either directly or through delegation. The trustee must also have adequate knowledge of the relevant Shari'ah aspects. Jurists emphasized the necessity of justice in the trustee, as expressed in the saying of the Prophet (peace be upon him): *"Every leader of a community will appear on the Day of Judgment in shackles, which only justice can release or injustice destroy."* Therefore, internal regulations must be in place to ensure ³⁷ fairness for all stakeholders, especially in the distribution of Waqf revenues to beneficiaries.

-Documentation of Administrative and Financial Transactions Related to the Waqf: Among the trustee's obligations is to issue written acknowledgments when disbursing revenues to beneficiaries. The trustee must also keep detailed records of all actions involving Waqf assets and transactions.³⁸

-Preservation and Development of Waqf Assets: One of the trustee's primary responsibilities is the protection and growth of Waqf assets, ensuring that their proceeds are allocated to rightful beneficiaries. As such, the preservation of Waqf property is a fundamental rule in Waqf governance, which also includes refraining from misappropriation or illicit usage of Waqf funds.

-Transparency in Transactions, Decisions, and Information Disclosure: Transparency is a core principle in Waqf-related dealings. To achieve financial transparency, many Waqf institutions issue audited final accounts, conducted by an independent auditor, thereby reinforcing public trust and institutional accountability.³⁹

3.3 Integrated Approach to the Pillars of Governance in Waqf Corporations

To build a comprehensive and accurate framework for the governance pillars of a Waqf corporation, it is essential to consider the principles of **corporate governance** on the one hand, and **Waqf governance** on the other. Waqf corporations constitute **a hybrid model** that combines characteristics of the **for-profit sector**, through the investment of endowed assets and commercial activity, with those of the **charitable sector**, since their profits are directed toward Waqf causes with humanitarian and social dimensions. Given this intersection of economic, social, and Shari'ah dimensions, an integrated approach to the pillars of Waqf corporate governance can be developed, reflected in the following foundational elements:

36-Fuad ibn Abdullah al-Umar. *Rules of Waqf Governance: The Supervision of the Waqf Institution as a Model*. 1st ed. Riyadh: Dar al-Tahbir li-l-Nashr wa-l-Tawzi', 2019, 62.

37- Abu Abdullah Ahmad ibn Muhammad ibn Hanbal. *Musnad al-Imam Ahmad ibn Hanbal*. Edited by Shuayb al-Arnaut and Adel Murshid. Vol. 15. 1st ed. Beirut, Lebanon: al-Risalah Foundation for Printing, Publishing and Distribution, 1997, hadith no. 9573, 351.

38 -Muhammad Abu Zahra. *Lectures on Waqf*. Cairo, Egypt: Ahmad Ali Mukhaymar Press, 1959, 354.

39. - Djemai Saib. *Waqf Corporations: A Comparative Study*. PhD diss., Faculty of Law and Political Science, Mohamed Seddik Ben Yahia University, Jijel, Algeria, 2024/2025, 175.

3.3.1 Necessity of a Legal Framework Governing the Performance of the Waqf Corporation

Sound governance of Waqf corporations requires a **comprehensive and integrated legal arsenal**—legal, administrative, and accounting—that regulates the functioning of the Waqf Corporation in all phases:⁴⁰

-At the time of incorporation: This entails specifying the legal forms that a Waqf corporation may take upon its establishment, considering its unique features and characteristics that make one form more suitable than another. It also involves clarifying the conditions and procedures necessary to ensure that this legal entity is established correctly and produces its intended legal effects.

-During the company's operation: This requires specifying mechanisms and procedures for managing the operations of the Waqf corporation, developing its resources, distributing profits to beneficiaries, recording its financial transactions, and overseeing them through specialized bodies such as certified auditors—or even a state audit body if the company has a national scope or if its capital includes public funds.

-Upon termination of the Waqf corporation: There must be a legal framework that defines the fate of the assets endowed in the form of a Waqf corporation that is unable to continue its activities due to a legally or Shari'ah-recognized cause—such as a significant loss in capital.

3.3.2 Availability of Qualified Human Resources to Manage the Waqf Corporation

Most economic and administrative institutions—whether profit-oriented or non-profit—strive to **develop and train their human resources** to enhance their capacity and efficiency in achieving qualitative improvements in overall performance. This same approach must be adopted by the managers of Waqf corporations by:

- Drawing from and emulating **successful national and international institutional models**,
- Seeking to benefit from these experiences in ways that promote **high-level training and development** of the human element within the Waqf corporation.⁴¹

This must be done while ensuring compatibility between these successful models and the **Shari'ah and legal framework** upon which the Waqf corporation is based. Additionally, there is a need to **strengthen the leadership and managerial capabilities** of executive directors and similar decision-makers, as they are responsible for making strategic decisions that ultimately determine the success or failure of the Waqf corporation.⁴²

3.3.3 Existence of a Stimulating Financial and Tax Environment

In its broader conception, the Waqf corporation falls under the category of **non-profit institutions**, as its founders do not seek personal financial gain. Rather, their aim is to generate **high financial returns** that are then distributed to the designated beneficiaries (mawqūf 'alayhim الموقوف عليهم).

This feature necessitates the creation of a **favorable fiscal and financial environment** by the legislator, particularly in terms of **tax and quasi-tax exemptions**. In the absence of such incentives, the managers of the Waqf corporation may be compelled to engage in **false tax declarations**, such as:

- Underreporting revenue, or
- Inflating declared expenses.

The underlying motivation for such behavior is to **reduce the tax burden** imposed on the Waqf Corporation during a given fiscal year.

⁴⁰-Djemai Saib. *Waqf Corporations: A Comparative Study*. PhD diss., Faculty of Law and Political Science, Mohamed Seddik Ben Yahia University, Jijel, Algeria, 2024/2025, 176.

⁴¹- Meddane Naima and Qesoul Sofiane. "Human Resource Development for Achieving Competitive Advantage in Banks." *Ecovine Journal of Economic and Financial Studies*, Tahri Mohamed University of Bechar, Algeria, vol. 1, no. 1 (2019), 13.

⁴²-Djemai Saib. *Waqf Corporations: A Comparative Study*. PhD diss., Faculty of Law and Political Science, Mohamed Seddik Ben Yahia University, Jijel, Algeria, 2024/2025, 177.

Accordingly, the **implementation of sound governance in Waqf corporations** requires the **presence of a supportive and transparent tax regime**, one that encourages lawful compliance and operational integrity.

Conclusion

The Waqf corporation represents a **modern and promising institutional model** for the investment of Waqf assets in a way that integrates Shari'ah compliance with economic efficiency. This integration necessitates its governance under a **sound and robust governance framework** that ensures proper administration and achieves the essential objectives of Waqf.

This article demonstrated that governance in Waqf corporations **is not merely an extension of corporate governance in commercial enterprises**, but rather a **specialized approach** emerging from the intersection of **Shari'ah, legal, and economic dimensions**. It requires **regulatory mechanisms** that take into account the unique nature of Waqf funds and the conditions set by endowers (*waqifin*). It also underscored the **pivotal importance of governance** in enhancing transparency, accountability, and in protecting Waqf assets from misuse or mismanagement. Establishing the principles of sound governance in Waqf corporations is no longer an organizational preference—it has become a **practical necessity** to ensure the effectiveness and development of this model within dynamic legal and economic environments.

Findings:

1. The Waqf corporation is a **contemporary institutional innovation** in the management and investment of Waqf assets, designed to generate Waqf revenues while guaranteeing **sustainability, accountability, and transparency**.
2. Governance in Waqf corporations is a **hybrid concept**, blending the requirements of corporate governance with those of Waqf governance, thus offering a **unique institutional and Shari'ah-based administrative framework**.
3. Implementing governance in Waqf corporations contributes to **strengthening institutional discipline**, minimizing administrative and financial risks, and reinforcing trust among endowers, beneficiaries, and governance bodies alike.
4. The absence or weakness of governance mechanisms may lead **to the failure of the Waqf corporation's objectives**, adversely impacting the sustainability of the Waqf—particularly when balancing its commercial and religious dimensions proves challenging.

Recommendations:

1. Draft a **distinct legislative and regulatory framework** for Waqf corporations that defines their legal nature and management mechanisms, ensuring alignment with both Shari'ah rulings and modern governance standards.
2. Develop **tailored governance models** for Waqf corporations that reflect the unique character of endowed assets and clearly delineate the roles and powers of endowers, boards of directors, oversight agencies, and beneficiaries.
3. Require Waqf corporations to prepare **periodic transparency and accountability reports**, covering financial, Shari'ah, and social performance, subject to review by independent institutions or dedicated oversight bodies.
4. Provide **training and capacity building** for those managing Waqf corporations in governance, Waqf law, and financial administration to enhance their efficiency and ensure sound management.
5. Promote **academic research and practical field experimentation** in Waqf corporate governance, with the goal of developing improved models and facilitating knowledge exchange among Islamic countries and pioneering Waqf institutions.

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