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# Implementation of Islamic Bond Linked to Endowments (Cash Waqf Linked Sukuk; CWLS) in Indonesia

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DINI HANDAYANI<sup>1</sup>, GEMALA DEWI<sup>2</sup>, PALMAWATI TAHIR<sup>3</sup> AND HERU SUSETYO<sup>4</sup>

## ABSTRACT

*Cash waqf possesses a promising potential in Indonesia, yet its benefits are still on a limited scale. Among those reasons causing these problems are that the limitation of understanding toward cash waqf is possessed by public society; a waqf manager (a person responsible for managing waqf; Nadzir) experiences difficulty to carrying out the mandate in the regulations of waqf to invest cash waqf accompanied by risk insurance; and the packaging of cash waqf has not attracted potential waqf givers (wakif). Based on these problems, the integration of cash waqf and sovereign sukuk as a social investment is emerged. It is equally recognized as Cash Waqf Linked Sukuk (CWLS). This study aims at discovering the implementation of the first CWLS in Indonesia. Data employed were secondary data supported by library research and interview techniques. Then, the data are analyzed qualitatively and presented descriptively. This study discussed the implementation of CWLS as an instrument that can ensure the integrity of cash waqf, is free of risk, can provide significant benefits for the beneficiaries of waqf and can support national development. Exactly on March 10, 2020 the government has issued a special series Sovereign Sukuk SW001 with a nominal value of IDR 50.849,000,000.00.*

**Keywords:** *Waqf, Islamic bond, sukuk, CWLS.*

## I. INTRODUCTION

Indonesia, one of the countries with the largest Muslim communities in the world with a population of 266,927,712 people, possesses potential in encouraging community empowerment through Islamic philanthropy, especially waqf. In practice, waqf continues to be developed as an instrument for community welfare. It is supported by the most recent data from Ministry of Religious Affairs of the Republic of Indonesia until 2018 showing the aggregate number of donated (waqf) land in Indonesia is 365,661 locations with an area of 49,510.50 Ha (Waqf information system (*Sistem informasi wakaf*; SIWAK), 2020). Based on the calculations

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from the Ministry of Religious Affairs, if it is calculated in number, the amount obtained from the donated (waqf) land is IDR 590 trillion (Iwan Agustiawan Fuad, 2019)

Based on data on Ministry of Religious Affairs of the Republic of Indonesia, Waqf is typically utilized for mosques (44.34%), *mushalla* (28.42%), school (10.68%), grave yard (4.45%), other social activities (8.61%) and 3.49% for Islamic boarding schools (Waqf information system (*Sistem informasi wakaf*; SIWAK), 2020). Only few donated (waqf) land are managed productively in the form of a business in which the results can be utilized by the community. (Hasanah, 2006, p. 4).

In its development, waqf undergoes a paradigm shift to be able to innovate due to social changes, economic theory, and the needs in the substantial sector. Hence, it can maximize its function with the emergence of cash waqf which can be used as a social investment tool. Cash waqf is the result of the interpretation and innovation of *fiqh* of waqf considered being able to offer a solution to the stagnation of waqf so far, in which it is only limited to immovable objects because cash waqf is considered to have flexibility in its collection, management and distribution.

Although history has recorded the existence of cash waqf during the Ayyubid dynasty in Egypt in 1178 AD/572 H, there were still scholars from *mazhab Syafi'i* feel strange about the allowance of cash waqf when the discourse of cash waqf began to be socialized again. The scholars are worried the principal of cash waqf will be lost or reduced. However, regarding this issue, Imam Az-zuhri (671-741 H) and his student, Muhammad bin Abdullah al-Anshori from the *mazhab Hanafi* have explained by saying we will invest the funds into business capital (*mudarrabah*) and the profits are donated to beneficiaries of waqf (*mauquf alaih*). Therefore, the principal of the money is fixed, and only the proceeds is donated to the construction of preaching, social and educational facilities for Muslims today. (Department of Religion of the Republic of Indonesia, 2006)

According to Qahab (2000), he states Waqf has the meaning of holding property either permanently or temporarily, to be used directly or indirectly, and the results are taken repeatedly in the way of good, general or special. (p.52) In most cases, the definition of cash waqf is the transfer of waqf assets in the form of cash which cannot be transferred and frozen for other than public interests that do not reduce or eliminate the principal amount (the essential substance of waqf). (Nasution. 2002, p.21 )

Cash waqf opens up unique opportunities for the creation of religious, educational and social service investments. Savings from high-income community members can be used through the

exchange of Cash Waqf Certificates (Mannan, 2001, pp. 36-37). Cash waqf can be treated as an investment providing returns on investment that can be extracted to provide benefits to society (a means of creating multiplier effects both from an economic and social perspective) (Donna and Mahmudi, 2020, pp. 6-7). In addition, the amount of cash waqf varies with whatever nominal fraction a person can donate money to.

Apart from waqf, Islam possesses an economic instrument that is currently in immense demand by the community, businessmen and government in the field of Islamic investment, which is shown by the emergence and growth of a form of Islamic securitization (sukuk) demonstrating a significant ability to offer innovative financial solutions. It is not only the product undoubtedly contributing to the effort to make product innovation, but also its resonance comparable to other conventional capital markets. The products between countries (sovereign) are actively considered by this new alternative issuing company, for financing and investment needs (Huda dan Nasution, 2008).

Based on Article 1 Paragraph (1) of Law No. 19 of 2008 concerning State Sharia Securities or State bond (hereinafter abbreviated to the SBSN Law) states that securities (SBSN) or State bond (sovereign sukuk) are state securities issued based on the principle sharia, as evidence of the participation of SBSN assets, both in rupiah and foreign currencies. Furthermore, the definition of bond (sukuk) according to the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) in the sharia standard No. 17 is "Certificates of equal value representing undivided shares in ownership of tangible assets, usufruct and services or (in the ownership of) the assets of particular projects or special investment activity."

In the context of developing an Islamic economic system and efforts to establish the optimal management of state finances, the integration of cash waqf and Sovereign sukuk was emerged as a creative breakthrough in the form of social investment initiated by the Ministry of Finance of the Republic of Indonesia and the Indonesian Waqf Board which is currently known as Cash Waqf Linked Sukuk (CWLS). The significant potential of cash waqf needs to be optimized to include economic value and its benefits by developing cash waqf investment through state bond (sukuk) which for ten years has performed an substantial role as a source of funding for the State Budget (*Anggaran Pendapatan dan Belanja Negara*; APBN).

This study aims at determining the implementation of Cash Waqf Linked Sukuk (CWLS) in Indonesia, which is an integration between cash waqf and Sovereign sukuk carried out by the Indonesian Waqf Board as nadzir of waqf as a sukuk holder and the Ministry of Finance of the Republic of Indonesia as a sovereign sukuk issuer in the health sector, especially in Ahmad

Wardi Eye Hospital, Serang, as the beneficiary.

### **(A) Methodology**

In this study, data collection techniques are based on library data (library research) and interviews obtained directly from interviewees/informants. Library research is a data collection technique by conducting a review on books, literature, notes, and reports related to Cash Waqf Linked Sukuk (CWLS). Concurrently, the interview technique is carried out on institutions of waqf nadzir, namely the Indonesian Waqf Board which is an independent state institution.

The research objectives to be achieved from this activity method are: first, collecting required data and information to determine the development of cash waqf management, second: collecting required data and information to be able to recognize the development of State bond (sovereign sukuk), third: collecting required data and information related to the implementation of Cash Waqf Linked Sukuk (CWLS) management at Ahmad Wardi Eye Hospital, Serang.

## **II. CASH WAQF**

Learn from the experiences of other countries that have successfully practiced waqf, like Egypt and Bangladesh, accompanied by an assessment of the flexibility of cash waqf, and guided by the opinion of the school of thought allowing cash waqf including the *Mazhab Hanafi* and some opinions of the *Mazhab Shafi's* that have pushed the Indonesian Ulema Council (*Majelis Ulama Indonesia*; MUI) issued a fatwa permitting cash waqf (*waqf al Nuqud*) on May 11, 2002. Apart from the fatwa MUI, legal certainty is needed for the practice of waqf in the form of movable objects in Indonesia. Therefore, the Government issued a waqf regulation which can optimally develop waqf assets.

In mid-2004 in Indonesia, Law no. 41 of 2004 concerning Waqf was passed. In the waqf regulation, an innovative breakthrough is made, namely, waqf assets consist of immovable and movable objects like money, as regulated in Article 16 paragraph (3) of Law No. 41 of 2004 concerning Waqf explains that: "movable objects as referred to are property that cannot be used up due to consumption, including money, precious metals, securities, vehicles, intellectual property rights, lease rights; and other movable objects in accordance with the provisions of the sharia and prevailing laws and regulations." In addition to the Waqf Regulation, Government Regulation No. 42 of 2006 implements Law No. 41 of 2004 concerning Waqf regulating the implementation of waqf in Indonesia.

According to Mustafa Edwin Nasution (2005), assuming the potential for cash waqf in Indonesia is based on a monthly income level of IDR 500.000. with a population of 4 million

with a monthly waqf rate of IDR 5.000, has a monthly potential of 20 billion and the potential for cash waqf per year is 240 billion, IDR 1.000.000 to IDR 2.000.000 per month with a population of 3 million with a monthly waqf rate of IDR 10,000. has the potential for waqf per month of 30 billion and the potential for waqf money per year is 360 billion, monthly income is IDR 2.000. 000. to IDR 5.000.000. with a population of 2 million with a monthly waqf rate of IDR 50,000, - has the potential for waqf per month of 40 billion and the potential for waqf money per year is 1.2 trillion, monthly income is IDR 5.000.000 to IDR 10.000.000. with a population of 1 million with a monthly waqf rate of IDR 50.000. has the potential for waqf per month of 100 billion and the potential for waqf money per year is 1.2 trillion, so that the total per year is 3 trillion (P. 22). However, in reality, The amount of cash waqf based on information from the Indonesian Waqf Board has only reached approximately IDR 255 billion (National Development Planning Agency (BAPENNAS), 2016, p. 139).

The implementation of cash waqf having been implemented in Indonesia has proved its benefits even though it is still on a limited scale, due to the obstacles faced: First, the socialization of the waqf law has not been maximal in introducing productive waqf, especially cash waqf to the public, people's understanding on waqf immovable objects in Indonesia is still limited. Second, the fund mobilization system has not been effective in collecting funds of cash waqf; hence, several institutions have different methods. Third, the commitment to the risk assurance system has been well undeveloped. Fourth, the packaging of cash waqf is still less attractive to waqf candidates, thus it needs to be made more innovative to attract *wakif* to place their funds, such as placing cash waqf funds, for instance, in the investment sector adjusted to waqf. (Fanani,2010,p. 69)

The concept of waqf teaching continues innovating, especially cash waqf, because developments in society have economic implications through the use of waqf while maintaining the immutability of the principal value of cash waqf as the principle of waqf teaching as mandated in the Waqf Law. Based on Article 28 of Law No. 41 of 2004 concerning Waqf explains that: "a person wanting to perform waqf (*wakif*) can submit cash waqf through a Sharia Financial Institution receiving cash waqf (*Lembaga Keuangan Syariah Penerima Wakaf Uang; LKS-PWU*) having been appointed by the Minister." Furthermore, Article 48 paragraph (2) of Government Regulation No. 42 of 2006 concerning the implementation of Law no. 41 of 2004 concerning Waqf regulates that: "the management and development of cash waqf can only be done through investment in LKS products and/or Islamic financial instruments; hence, their usefulness can last a long time for the welfare of the community, especially in Indonesia."

*Nazhir* is responsible for managing cash waqf to maintain the principal value of cash waqf;

hence, the risk of business loss which can result in reduced value of cash waqf can be minimized, as regulated by Article 43 paragraph (3) of Law No. 41 of 2004 concerning waqf, states that: "In terms of management and development of waqf property, a guarantor is required. Next, a sharia guarantor institution is used." The same thing is stated in Article 48 of Government Regulation No. 42 of 2006 which explains that:

paragraph (4) management of development funds for cash waqf assets carried out in Islamic banks must follow the deposit insurance agency program in accordance with the laws and regulations.

Paragraph (5) explains that the management and development of cash waqf assets carried out in the form of and investments outside a sharia bank must be insured under sharia insurance.

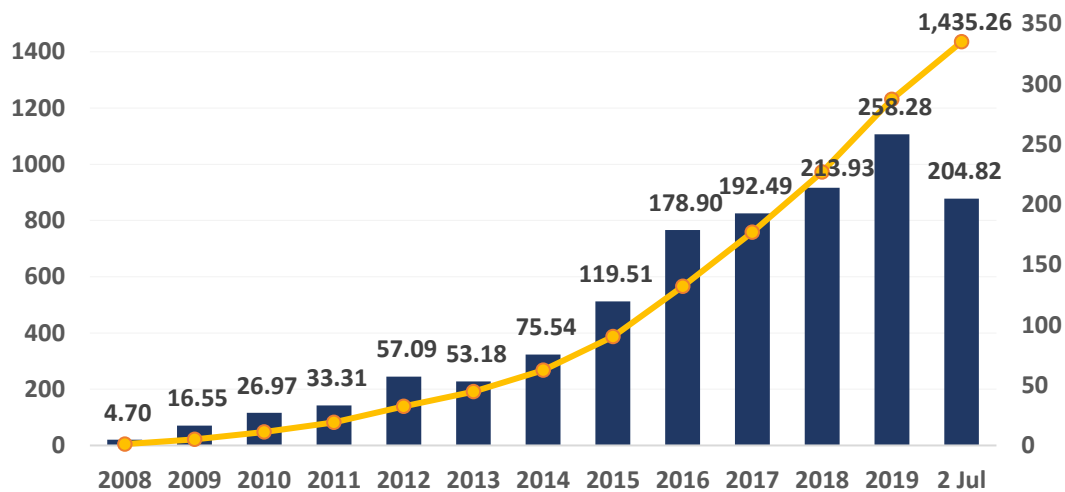
In the implementation of cash waqf, according to Rachmat Ari Kusumanto (commissioner of the Indonesian Waqf Board), it is still difficult for Nadzir to invest cash waqf by obtaining sharia insurance in ensuring the business is being run; hence, deposits are a fairly safe instrument in investing current cash waqf in sharia financial institution receiving cash waqf (*Lembaga Keuangan Syariah Penerima Wakaf Uang*; LKS-PWU). However, considering the significant potential of cash waqf in Indonesia, it is necessary to have an investment instrument possessing a higher level of security and better returns than deposits. Still according to Rahmat explained, cash waqf has significant potential, so an investment instrument is capable of producing profitable returns and has a high level of security assurance (zero risk investment) in managing cash waqf. Therefore, the principal value of waqf is eternal and sustainable, then the benefit can be precisely felt by the community. In this case, according to the Indonesian Waqf Board, state bond (Sovereign sukuk) is the right solution as an instrument in developing cash waqf that can ensure a high level of profit and security compared to other instruments because it is ensured 100% by the Government.

### **III. SOVEREIGN SUKUK**

In Indonesia, the development of sukuk as an investment instrument just started in 2002, the pioneer of sukuk issuance in Indonesia was PT Indosat launching the initial sukuk under a mudharabah agreement worth ID 175 Billion. This decision was followed by many companies, while the issuance of sukuk by the state just started in 2008 after the issuance of the SBSN law and Government Regulation Number 57 of 2008 concerning the Establishment of State Sharia Securities Issuing Companies as the legal basis. The initial issuance of SBSN or sovereign sukuk was carried out in August 2008 by prioritizing the SBSN issuer type of Ijarah, which can

be said to be a sale and lease back (sale and lease back) agreement with a term of over 5 years and asset-based. In accordance with sharia principles, it uses the underlying asset. (Iyah Faniyyah, 2017, p.6)

Graph 1 : Total Issuance of Sovereign Sukuk from 2008 to 2020



Source: Ministry of Finance, Directorate General of Budget Financing and Risk Management, 2020.

Based on the Total Issuance of Sovereign Sukuk table for 2008-2020, the Government has issued Sovereign Sukuk (SBSN) worth IDR 1,435.26 trillion from 2008 to July 2, 2020. It can be seen that the great interest of the community is to mobilize their savings to invest in state bond (sukuk) which largely contribute to financing in the homeland. According to Dwi Irianti Hadiningdyah (Director of Sharia Financing, Ministry of Finance, Directorate General of Budget Financing and Risk Management, 2020), explained that, in general, the proceeds from the issuance of sukuk are used for the construction of toll roads and bridges in 30 provinces, construction of railway lines (in Java, Sumatra, Sulawesi), 456 Construction of water resources projects (dams, irrigation, groundwater supply and management), development and revitalization of Hajj dormitories in 74 locations, construction and rehabilitation of 701 religious affairs offices (*Kantor Urusan Agama*; KUA) and Hajj rituals, construction and development in 54 tertiary institutions, construction and development of 293 madrasas, development of 13 national parks (Baluran Pangrango, Akatajawe-lolobata/Halmahera, and others), construction and development of 3 laboratories.

The implementation of state bond (sukuk) in Indonesia is based on the Fatwa of the National Sharia Council-Indonesian Ulema Council (Fatwa of DSN-MUI), namely Fatwa No.69/DSN-MUI/VI/2008 concerning State Sharia Securities, Fatwa No.70/DSN-MUI/VI/2008 concerning the method of issuing State Sharia Securities, Fatwa No.72/DSN-MUI/VI/2008 concerning



State Sharia Securities ijarah sale and lease Back, Fatwa No.95/DSN-MUI/VI/2014 concerning State Sharia Securities Wakalah, and several other fatwas related to sukuk adjusted to the type of contract used in its issuance.

The existence of an underlying asset as the basis for issuance of SBSN makes investors more secure in investing their funds into SBSN, and this is what distinguishes it from conventional securities, in addition to fundamental differences like sharia principles and the absence of usury, maisir and gharar. The existence of an underlying asset in SBSN is a distinct advantage of investment through SBSN compared to investment through conventional securities although, in fact, the underlying asset is not a guarantee only as a basis for issuance (Iyah Faniyah, 2017). Thus, legal certainty is still needed for Sovereign sukuk holders to guarantee returns to the event of default.

In the issuance of SBSN used as the underlying asset based on the provisions of Article 10 paragraph (2) of the SBSN Law, it is state assets in the form of land and/or buildings and other than state-owned land and or buildings. Each unit of this sovereign sukuk is technically the ownership of the state assets, so that investors is entitled to have share of the proceeds obtained from these assets." Furthermore, in Article 9 paragraph (2) of the SBSN Law provides a guarantee by stating "The government is obliged to pay rewards and the nominal value of each SBSN, whether issued, in accordance with the provisions in the SBSN issuance contract" and Article 9 paragraph (3) states "Funds to offer compensation and the amount of compensation as referred to in paragraph 2 is provided in the State Budget every year until the end of obligation.

#### **IV. IMPLEMENTATION OF CASH WAQF LINKED SUKUK (CWLS) IN INDONESIA**

Waqf Sukuk or Cash Waqf Linked Sukuk (CWLS) is a form of social investment in Indonesia, where cash waqf is collected by the Indonesian Waqf Board as *Nazhir* through Bank *Muamalat* Indonesia and Bank Negara Indonesia Syariah as Islamic Financial Institutions Receiving Cash Waqf (LKS-PWU). It will be managed and placed in the Sovereign sukuk or SBSN (State Sharia Securities) issued by the Ministry of Finance. The proceeds from the sukuk issuance by the government will be used for project development. Meanwhile, the return from the government by *Nadzir* will be channeled for the benefit of the community (BWI, 2019). Waqf sukuk has received a sharia opinion from the National Sharia Supervisory Board of the Indonesian Ulema Council (DSN-MUI), namely the suitability of sharia issued by parties who have the authority and expertise in the field of sharia, stating that the sukuk issued are not against the principles sharia.

According to the author, cash waqf linked sukuk is one of the management recommended by

Monzer Qahaf explaining one form of management that can be carried out by waqf bodies as recipients of cash waqf to be used in funding certain projects, and the profits are given to *mauquf alaih*. In this case, waqf bodies are *nadzirs* acting as investors, and waqf bodies can invest directly in companies/business entities or invest in sharia financial institutions based on the principles of *mudharabah* or *ijarah* (p. 305-316), in the implementation of CWLS. BWI places cash waqf management in Sovereign sukuk as an instrument categorized as zero risk investment. (Rozalinda, 2016, p.3).

Cash Waqf Linked Sukuk involves five stakeholders, namely: 1) Bank Indonesia as an accelerator in encouraging the implementation of CWLS and Custodian Banks. 2) Indonesian Waqf Board (BWI) as regulator, leader and Nazhir managing CWLS. 3) Ministry of Finance as the SBSN issuer and fund manager in the real sector. 4) Nazhir of Waqf Productive as a BWI Partner raising waqf funds. 5) Sharia Banks (Bank Muamalat Indonesia and BNI Syariah) as Sharia Financial Institutions Receiving Cash Waqf (LKS-PWU) and BWI Operational Banks.

Exactly on March 10, 2020 the government has issued a special series State Bond (Sukuk) "SW001" with a nominal value of IDR 50.849,000,000.00 with special features, namely placement of cash waqf funds in SBSN through a mechanism of *private placement*. Type of wakalah contract, 5 year tenor, non-tradable, payment of a discount and coupon as well as a fixed rate of return paid periodically and issued as non-retail sukuk. Further, the Government will utilize the proceeds from the issuance of Sovereign sukuk Series SW 001 to finance public service projects of State Budget. The yield will be given by a discount to be paid once at the beginning of the issuance transaction and the remaining return in the form of a coupon will be paid every month until the due date. The yield in the form of coupons received by the Indonesian Waqf Board (BWI) is not deducted by taxes, so that distribution can be maximally to social welfare programs. The yield SW001 will be used by BWI for the development of new waqf assets, namely renovations and purchases of medical devices. (Ministry of Finance of the Republic of Indonesia, 2020)

The principles of the terms and conditions of the Cash Waqf Linked Sukuk (CWLS) SW001 issued are as follows:

Table 1: Main terms and conditions of Cash Waqf Linked Sukuk

No	Description	SW001
1.	Nominal Value	IDR 50,849,000,000.00

2.	Forms and Types of State Bond (Sukuk)	Non-Tradable
3.	Types of Contracts	<i>Wakalah</i>
4.	Yield	6.15%
5.	Level of Yield/Coupon	Fixed 5,00% (yearly)
6.	Date of issue	March 10, 2020
7.	Date of Maturity	Monday, March 10, 2025
8.	First Yield Payment	April 10, 2020
9.	Date of First Yield Payment	Every Date 10 monthly

Source: Ministry of Finance of the republic of Indonesia, Directorate General of Budget Financing and Risk Management, 2020

The issuance of CWLS is carried out using the private placement method in which the issuance of SBSN, in this case the government, sells securities to investors/sukuk holders (BWI) with mutual terms and agreements. *Wakifs* deposits their cash waqf through sharia financial institutions on behalf of *nadzir* of BWI consist of several companies, Islamic banking financial institutions and non-banking financial institutions, and several social institutions.

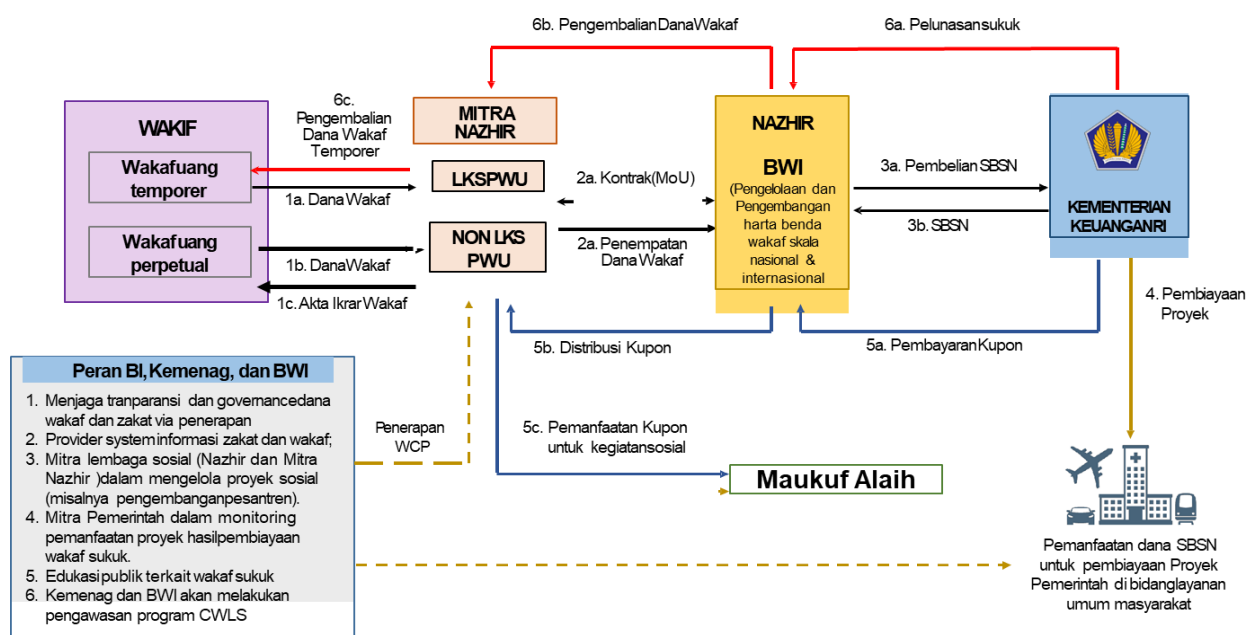
The collection of CWLS has taken quite a long time since the end of 2018 until the publication of March 2020, raising funds for IDR 50,849,000,000. If you look at Article 12 of the Regulation of the Minister of Finance Number: 75/PMK.08/2009 concerns the Issuance and Sales of SBSN by means of a private placement, direct investment through Sovereign Sukuk can be made with a minimum amount of IDR 250 billion or 100 million USD. The nominal value of the CWLS is still far from the nominal standard of the nominal sovereign sukuk if you look at this regulation. However, this CWLS issuance aims at synergizing the potential of cash waqf in developing the Islamic economy and support independence in the management of State funding sources with broad community participation through sovereign sukuk which is a good initial momentum in developing cash waqf through sovereign sukuk. It is hoped that the next CWLS issuance can be well socialized to the whole community, so that the funds collected are bigger nominal. Therefore, the benefit can be felt by the wider community.

In the implementation of Cash Waqf Linked Sukuk (CWLS) uses two contracts, namely the sukuk with the *ijarah* contract and the *wakalah* contract. State Sharia Securities (SBSN) with *ijarah* contract are sovereign sukuk issued based on an *ijarah* contract where one party can act

alone or through a representative to sell or lease beneficial rights over an asset to another party based on an agreed price, without being followed by transfer of ownership of the asset itself. The provisions applying to the SBSN *ijarah* must refer to the pillars and conditions of the *ijarah* contract (Burhanuddin S, 2017). In Indonesia, the State Sharia Securities (SBSN) with *ijarah* contract having been issued consist of sale and lease back SBSN *ijarah*, SBSN *Al-Khadamat* and Asset to be leased SBSN.

In the structure of Sukuk with *Wakalah* contract, it is a sukuk representing a project or business activity managed based on a *wakalah* contract (a contract of delegation of power by one party to another in certain cases), by appointing certain agents (representatives) to manage the business on behalf of the sukuk holder (Khaerul umam. 2013. P. 190). In the implementation of CWLS by appointing a trustee authorized by the sukuk holder through the State Sharia Securities issuing company (Special Purpose Vehicle/SPV) as a representative of the sukuk holder (investor of sukuk).

Scheme 1: The scheme of Cash Waqf Linked Sukuk (CWLS)



Source: Ministry of Finance of the republic of Indonesia, Directorate General of Budget Financing and Risk Management, 2020

Flow of implementation of Cash Waqf Linked Sukuk (CWLS) series SW 001 as in scheme of CWLS, as follows: (Rahmat. June, 12 2020)

1. *Wakif* can provide cash waqf to *nadzir* of cash waqf through Islamic financial institutions receiving cash waqf (LKS-PWU/sharia bank) or Islamic non-financial institutions receiving cash waqf with two options, temporary and perpetual cash waqf

in the name of *nadzir* of waqf of Indonesian Waqf Board (*Badan Wakaf Indonesia*; BWI) accompanied by a waqf pledge deed by the *wakif*.

2. Islamic financial institutions receiving cash waqf as custody (*wadiyah*) partners with *nadzir* of waqf of BWI in collecting cash waqf and placing cash waqf
3. The Indonesian Waqf Board (BWI) will invest by purchasing the Sovereign Sukuk or State Sharia Securities (SBSN) series SW 001 issued by the Ministry of Finance. In this case, BWI as the holder of State bond (sukuk) issued by the government with a term (tenor) of 5 years
4. The government as the issuer of Cash Waqf Linked Sukuk (CWLS) SW 001 will use the sukuk issuance proceeds to support public service development projects for national development.
5. The government will pay returns in the form of coupons and discounts to *nadzir*. The coupon will be distributed to *Mauquf alaih*. In this case, the beneficiary of Cash Waqf Linked Sukuk (CWLS) is the Acmad Wardi Eye Hospital, Serang
6. After maturity, the government will pay back 100% of the waqf funds as guaranteed by the State Securities (SBSN) law.

The implementation of CWLS SW 001 has been fully unimplemented transparently for the wider community, both in the use of underlying assets and the use of CWLS issuance funds to support the development of public service infrastructure. The management explanations are only given to investors. Transparency is a substantial thing to provide the community a trust in the management of CWLS; hence, it can encourage people to donate money through State Bond (Sukuk).

The nominal of Cash Waqf Linked Sukuk (CWLS) series SW 001 is IDR 50,849,000,000 issued on March 10, 2020, with a coupon received of 6.15%, a term of 5 years. Therefore, the total yield obtained is approximately IDR 15,636,000,000 and the implementation of the yield is carried out by means of a discount paid at the beginning of the first year in the amount of IDR 2,400,000,000. Subsequently, the coupon disbursement period is monthly.

The yield funds provided by the government from Cash Waqf Linked Sukuk (CWLS) are aimed at the health sector in supporting public health by helping build a retina center at Achmad Wardi Eye Hospital located in Serang, Banten. Meanwhile, coupons are paid every month and will be used for free surgery services on cataract for the poor at the same hospital with a target number of *dhuafa* for 5 years of 2,513 patients, as well as the provision of ambulances to reach patients

far from home. Furthermore, the sukuk funds will return 100% when the waqf series SBSN matures and the cash waqf will be returned to the waqf waiting the money temporarily, of course without yield (Ministry of Finance of the Republic of Indonesia, 2020) the establishment of the Ahmad Wardi Eye Hospital is a momentum for the implementation of productive waqf originally in the form of a land area of 1,420.48 m<sup>2</sup> with a building area of 927.5 m<sup>2</sup>, given as waqf by family of Mr. Ahmad wardi. Dompot Dhuafa (DD) is in collaboration with the Indonesian Waqf Board (BWI) to establish a Special Eye Hospital in Serang, Banten. Indonesian Waqf Board (*Badan Wakaf Indonesia*; BWI), 2019)

BWI together with hospital management. Achmad Wardi, initiated an early prevention program against blindness by adding and building a Retina Center facility with an estimated fund of around 13 billion needed. The construction of Retina Center facility includes:

Table. 2: The construction of Retina Center facility

No	Statements	Total Investation
1	Construction/Renovation	1.000.0000.000
2	Medical tool	8,817,485,140
3	Non-medical tool	500,000,000
4	Ambulance	543,900,000
5	Start Up Cost	2,072,876,052
	Total Investation	12,934,261,192

Source: Indonesian Waqf Board (*Badan Wakaf Indonesia*; BWI), 2019

The construction of a Retina Center requires funds of around IDR 12,934,261,192, so that before maturity on March 10, 2025, the development fund had been fulfilled, considering that the yield obtained was IDR 15,636,000,000. In addition, the yield has been given by discount at the beginning of the issuance of the CWLS amounting to IDR 2,400,000.0000, and the next coupon will be given per month aimed at the Achmad Wardi Eye Hospital in Serang. (Rahmat Ari. June, 12 2020)

The use of waqf in the health sector is the right choice because health problems are still a problem faced by the Indonesian. For this reason, the central and local governments need to think about and determine priority steps including the importance of community participation in realizing health improvement.

## V. CONCLUSIONS

Innovations in the concept of waqf especially cash waqf continues to be promoted for they bring significant economic implications while the immutability of the core value value of cash waqf is maintained. Based on the waqf regulations concerning the management and development of waqf, cash waqf can only be administered in the form of investment in Sharia Financial Institutions (LKS) and / or Islamic financial instruments to guarantee its sustainable usefulness for community welfare. In addition, the management and development of cash waqf assets must be carried out within absolute guarantee or insurance.

Sovereign sukuk makes the most appropriate instrument for cash waqf investment as it offers high profit and security, while it is rather risk-free compared to other instruments. The integration of cash waqf and state sukuk known as cash waqf linked sukuk is the latest product innovation in sharia financing system which combines investment and social funds generated from large community while it preserves the principal of cash waqf ('ain) since the return is 100% guaranteed by the government. It is also one of government programs regarding the development of Islamic financial market investments and independence in managing State funding sources in which participation from broader community is involved in the form of Sovereign sukuk. This investment also significantly supports the national development through cash waqf linked sukuk

The weaknesses Of The cash waqf linked sukuk (CWLS) include the limited understanding of some people regarding cash waqf. CWLS has not been well socialized in all levels of society, in the implementation of the CWLS it still does not show transparency related to underlying assets and management of sukuk issuance funds

The slightest risk can even occur the safest investment instrument. Thus, futher studies need to be carried out to maintain the integrity of the cash waqf and its usefulness for the community. In addition, the legal basis for implementing cash waqf link sukuk is considered new. Hence, the legal basis used is the law regarding waqf and securities. Therefore, the researcher believes that it is necessary to develop specific regulations regarding cash waqf linked sukuk for better implementation.

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