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Fiduciary Governance of Waqf for Climate Adaptation Financing in Malaysia: A Legal Framework for Sustainable Development

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ABSTRACT

In Muslim majority jurisdictions, there is a greater need for legally secure, morally sound and community-based funding mechanisms, given the challenges of climate change. Waqf in Malaysia has great potential to invest in long-term assets to support adaptation to climate change, including adapting community facilities to be resilient to climate change, installing solar-powered water systems, establishing sustainable agricultural facilities, protecting nature, and developing climate-resilient waqf land. However, the governance of waqf is predominantly based on law, is institutionally fragmented, and is only remotely related to climate finance standards. This article critically analyses the current waqf governance system and sustainable finance mechanisms in Malaysia, and their sufficiency for mobilising waqf for climate adaptation financing. This article compares the position of State Islamic Religious Councils as sole trustees, Malaysian sustainable finance instruments (MSFI) like Climate Change and Principle-based Taxonomy and Sustainable and Responsible Investment Sukuk Framework (SRI Sukuk Framework), and recent Islamic social finance literature (ISFL) on climate resilience; all of this is done using a doctrinal legal method and critical policy analysis. It posits that the primary problem is not the lack of flexibility in the Shariah, since the existing materials and green waqf models can facilitate the development of waqf assets in line with social benefit. Instead, the core issue is a lack of a dispositional waqf framework to operationalise the fiduciary functions and obligations of waqf trustees – including alignment with climate change, prudence, environmental due diligence, transparency and impact reporting, and beneficiary participation. The article proposes a concentrated legal model to drive waqf-based financing for climate adaptation in Malaysia, including coordinated national guidelines, statutory adoption at the state level, Shariah and climate impact audits, and integration with the Islamic capital market. The conclusion is that if waqf can be used as an effective mechanism to achieve sustainable development, its governance system should be beyond the traditional religious system. It must transform itself into a Fiduciary Public-Benefit Institution, with clearly measurable, climate-smart aspirations and accountability mechanisms.

Keywords: waqf; climate adaptation finance; Islamic law; fiduciary duties; State Islamic Religious Councils; sustainable development; Malaysia; SRI sukuk.

INTRODUCTION

Today, climate change is a legal, economic, and moral challenge that demands institutional reform across public law, financial law, and the governance of religious endowments. The threats are particularly relevant to Malaysia in matters of flood management, food security, land use, coastal resilience, public health, and the vulnerability of vulnerable communities (International Bank for Reconstruction and Development, 2026). Within the Islamic legal framework, these are not outside the Shariah. These are closely connected to safeguarding life, property, human dignity, and the welfare of the people, and they fall within the scope of the high objectives of Shariah (Abu-Rayash & Sabbah, 2023). Al-Ghazali explain the objectives of Shariah as:

The Shariah's purposes of the creation are five: to preserve their religion, their souls, their mind, their offspring, and their money. Therefore, everything that includes preserving these five principles is considered an interest (maslahah). In contrast, everything that is contrary to these principles is harm that should be fought and turned into an interest. The prohibition of failing or restraining these five principles has always been included in all religions and Shariah, as Shariah comes for the interest of humankind." (Al-Ghazālī, 1413)

In such a context, the understanding of waqf as a traditional charitable endowment device limited to mosques, cemeteries, or religious schools is no longer valid (Kader et al., 2024). Moreover, it can also serve as an Islamic legal institution for financing durable public goods for both the present and future generations. This expanded knowledge can help waqf become a powerful tool for climate adaptation, resilient communities and sustainable development. Thus, the legal governance of waqf must change so that its assets are managed not only for the continuity of the religion but also for long-term social, environmental, and intergenerational benefits.

From a view, the potential of Islamic finance has become a growing area of interest in recent years within global policy debates. Forests play a crucial role in strengthening community resilience, and Islamic social finance instruments such as waqf and zakat, alongside micro-takaful, were identified as tools that can enhance community resilience, provided they are underpinned by appropriate standards, data systems and governance mechanisms (World Bank, 2025). In the same vein, recent studies on community-based climate resilience also suggest that waqf is better suited to long-lived community assets. In contrast, zakat is best for short-term relief and for deprivation-reducing interventions (Korkut, 2025). This distinction is significant from a legal perspective. Consequently, to fund climate adaptation, waqf must ensure that the benefactors are still benefiting and the endowed asset or capital is also being preserved, according to the purpose, will or wishes of the waqif and also based on the public interest. However, there are existing components of the climate finance ecosystem in Malaysia. Bank Negara Malaysia's 'Climate Change and Principle-based Taxonomy' classifies and groups economic activities based on climate adaptation activities, climate mitigation activities, prohibition of significant harm activities, remedial transition measures, and prohibited activities (Bank Negara Malaysia, 2021). Security Commission Malaysia's Sustainable and Responsible Investment (SRI) Sukuk Framework allows proceeds to be utilised across green, social, and waqf-related projects, such as climate change adaptation and waqf development of properties or assets (Securities Commission Malaysia, 2019). These instruments highlight the potential to support waqf-based climate adaptation projects through Islamic capital market structures, in theory.

There is, however, a gap in the levels of doctrine and institution. Under Islamic administration and waqf laws, waqf functions mainly through State Islamic Religious Councils (SIRC), which are the only trustees under the waqf. The main problems in the administration of waqf that persist in the latest research are fragmentation, a lack of uniformity in governance capacity, and various approaches by government states (Hassan et al., 2021; Hussin, 2021; Mustaffa et al., 2022). Therefore, having sustainable financial instruments is no guarantee of a cohesive legal instrumentation for waqf financing to address climate impacts. A waqf project might be shariah-compliant and financially innovative, but legally weak if it fails to meet trustee responsibilities, conduct an impact assessment, provide public disclosure, conduct environmental due diligence, and ensure an accountable beneficiary. Therefore, this article seeks to explore a pertinent legal question: what would it take to achieve a 'waqf for climate adaptation financing' that is both Shariah-compliant and has robust legal mechanisms to ensure accountability while demonstrably aligning with sustainable development goals in Malaysia? The article aims to fill this gap by discussing whether Islamic law could be applied to today's sustainable finance principles.

RESEARCH METHODOLOGY

This article adopts a localised focus, specifically examining the Malaysian context. Not all types of Islamic climate finance have been explored, nor has an empirical analysis of waqf institutions been carried out. It examines the law governing the use of waqf as a strategic source of financing for climate adaptation activities in Malaysia, notably the governance responsibilities of SIRC and the financing of waqf climate adaptation projects using cash waqf funds. The choice of climate adaptation rather than climate mitigation stems from its closer relationship to local vulnerability and community resilience, as well as to welfare functions traditionally linked to waqf. This study is a synthesis of classical Islamic jurisprudence (fiqh) on waqf and the provisions of various Malaysian laws and financial guidelines. This synthesis document can critically assess the current regulatory environment for the effective fulfilment of fiduciary obligations in complex, long-term climate adaptation projects.

Since the article employs a doctrinal legal research approach with critical policy analysis, it examines key legal and policy texts, including the Malaysian climate finance taxonomy, the SRI Sukuk Framework, waqf governance literature, and institutional texts such as Green Waqf and Islamic social finance in modern times. Meanwhile, comparative evidence to Malaysia's policy, such as the aforementioned Indonesian waqf and green zakat, is also used, not as a rule for the government of Malaysia, but as an indicator that institutions of Islamic social finance are increasingly designed for green and climate-based development. The key question is whether the presumption that waqf money immediately equates to "green money" and sustainable finance can be automatically assumed, thereby automatically supporting adaptation to climate change. However, not all of it is legal, but the issue is the Shariah-compliant nature of the money. It is the key to ensuring that the trustees of the waqf exercise their power in line with Shariah, the donors' intention, the benefits to society and nature, and tangible climate outcomes. Table 1 presents the analytical framework for assessing climate-waqf governance.

Table 1: Analytical Framework for Assessing Climate-Waqf Governance

Analytical Focus	**Legal Question**	**Critical Concern**
Shariah Permissibility	Can waqf assets or a cash waqf be used for climate adaptation?	Permissibility must be distinguished from governance sufficiency.
Trustee Authority	How should State Islamic Religious Councils exercise sole trustee powers?	Broad authority may produce opacity unless linked to fiduciary duties.
Sustainable Finance	Can SRI sukuk and climate taxonomy support waqf projects?	Financial eligibility does not guarantee waqf accountability.
Public Benefit	Who benefits from climate-waqf projects?	Adaptation projects must avoid elite capture and serve vulnerable communities.
Legal Reform	What regulatory model is required?	Harmonisation is needed without undermining state jurisdiction over waqf.

The legal, shariah, governance, financial, and public benefit principles will be analysed in the context of the climate-waqf initiatives across the following main focus areas identified in the framework. It first explores the permissibility, not the adequacy, of using waqf assets and cash waqf for climate adaptation. Then it moves on to identify the various contexts within which such decisions are made and the processes through which they are made. Then it discusses the authority of the State Islamic Religious Councils as the sole trustees, along with the congruence of that authority with a fiduciary approach, transparency, and accountability. The key components of the framework also include highlighting the important contributions of sustainable finance mechanisms such as 'SRI sukuk' and the 'climate taxonomy', and warning about the limitations of financial eligibility for waqf accountability. Finally, it reinforces the fact that climate-waqf projects should be useful to vulnerable communities, should not be adopted by elites, and should be backed by a harmonised regulatory framework that respects the state's authority over waqf.

Conceptualising Waqf-Based Climate Adaptation Financing

A significant aspect of the waqf is that it differs on both legal and moral grounds, as it involves two factors, namely the preservation of assets and the distribution of benefits. Typically, the property is kept in its principal, and its fruits or dividends are used for charitable, religious, or public purposes. This structure makes the waqf conceptually suitable for climate adaptation, as adaptation needs tend to be long-term assets rather than one-off emergency spending (Baharudin, 2022; Kader et al., 2025). Physical structures such as flood-resilient community centres, facilities for collecting and storing water, the three climate-resilient clinics, renewable energy systems for public institutions, structures to support sustainable farming, or initiatives for ecological rehabilitation must be continuously supported, maintained, and passed on to future generations.

In the concept of climate adaptation, the aspect of public welfare (maslahah) is deeply embedded in Islamic laws. Hence, the recent debates on Islamic social finance have begun to focus on how waqf and zakat can contribute to sustainable development, especially given their use alongside laudable social goals and tangible indicators of social impact (Korkut, 2025; World Bank, 2025). Where climate change is increasing disaster risk and a public health threat, the protection of life is implicated. Where floods, droughts, and environmental degradation kill livelihoods, protecting wealth becomes an issue. It is involved in safeguarding offspring by ensuring that future generations do not inherit unsafe environments, and in safeguarding the dignity of the human person. Climate adaptation is not merely a policy preference but can be approached as a public interest understood from an Islamic legal perspective. However, legal precautions must be taken. Waqf is not like general public spending. While the government can shift the budget in accordance with its priorities, the trustees of the waqf must adhere to the waqif's legal formality, his intention, and the conditions stated in the waqf document (Ismail et al., 2015). Hence, a legitimate climate adaptation project can only be set up if it does not conflict with the waqf's purpose, does not erode the waqf's capital stock or the value of its assets, and does not generate returns outside the permissible class of beneficiaries. That is the purpose of the fiduciary dimension.

Waqf-based climate adaptation financing entails financing adaptation projects using waqf assets, waqf returns, and cash waqf, as well as financing adaptation through Islamic capital market-based instruments without waqf asset preservation, while retaining accountability of waqf trustees and consideration of Shariah requirements. It encompasses direct waqf asset development, cash waqf investment, waqf sukuk, blended financing, and partnerships between SIRCs, Islamic financial institutions (IFIs), government agencies, and civil society organisations (CSOs). Table 2 presents the possible waqf-climate adaptation projects, legal advantages, and governance risks.

Table 2: Possible Waqf-Climate Adaptation Projects, Legal Advantages, and Governance Risks

Possible Waqf-Climate Adaptation Project	**Legal Advantage**	**Governance Risk**
Flood-resilient waqf community centre	Supports the protection of life and emergency response	Risk of poor maintenance or unclear beneficiary access.
Solar-powered water and sanitation facility	Creates a durable public benefit and reduces vulnerability	Requires technical due diligence and lifecycle cost planning.
Sustainable agriculture on waqf land	Supports food security and livelihood resilience	The risk of commercialisation is inconsistent with the waqf's purpose.
Waqf-linked green sukuk for adaptation infrastructure	Mobilises capital at scale	Requires strict proceeds management and impact reporting.
Mangrove or biodiversity restoration on waqf land	Supports ecological resilience and community protection	Requires long-term monitoring and land-use safeguards.

The table shows examples of how waqf assets can be utilised for real climate adaptation projects, such as building resilient community centres, promoting sustainable agriculture, installing solar-powered water facilities, issuing green sukuk, and rebuilding biodiversity. All these projects demonstrate the legislative and public-interest aspects of waqf in protecting human lives and promoting community resilience, food security, and ecological balance. Each project comes with its own set of governance challenges, especially regarding access to beneficiaries, technical due diligence, maintenance, and planning for lifetime costs. The table also indicates that proper management of proceeds, impact reporting, and accountability are necessary for large-scale financing instruments, such as waqf-based green sukuk. Implementing these waqf-climate adaptation projects requires effective governance and protection. In sum, the success of waqf-climate adaptation projects relies not only on their legal advantages but also on good governance mechanisms that ensure their continuity, consistent with the original waqf purpose and beneficial to vulnerable communities.

Malaysian Legal and Regulatory Landscape

The governance of waqf in Malaysia is piloted by the Malaysian constitution, which is based on the separation of powers and the administration of Islam at the state level. In reality, SIRCs are key players in waqf administration (Baharudin & Yusoff, 2025). Waqf properties are mainly in the hands of SIRCs, which are the sole trustees responsible for governing, managing, and developing the properties. With that institutional status comes great powers, as well as great responsibility and accountability for the prudent and transparent management of waqf properties (Hassan et al., 2021). The main issue is that the waqf law is inconsistent and scattered across Malaysia. Mustaffa et al. (2023) highlight variations in the regulation of waqf across the states and federal territories of Malaysia, and how this diversity gives rise to distinct governance issues. Hussin (2021) also notes that whenever a party wishes to establish a waqf, it needs SIRC permission, and that different states may have different considerations due to different enactments, and many more have not yet had specific waqf enactments. The diversity is reflected in Malaysia's federalism and constitutional structure. There are implications for projects in terms of standardised reporting, inter-sectoral cooperation, and investor confidence from a climate finance perspective, however. Another governance issue is that the management of assets under the waqf should be much stricter for climate adaptation projects. The combination of Shariah compliance, intricate requirements of land and planning, and principles of climate taxonomy, environmental protection, and detailed reporting demands a unified approach. Standardisation will improve Malaysia's ability to mobilise Islamic climate finance at scale, efficiently, and with investor confidence across different state domains. As a whole, Malaysia could lose the scale and credibility needed to effectively mobilise Islamic climate finance if each state has its own standards.

At the financial regulatory level, Malaysia has a more developed infrastructure. The bank's classification system, overseen by its climate change and principle-based taxonomy (CCPT), guides financial institutions in evaluating economic factors with climate adaptation in mind. It presents principles and guidelines to follow, including: mitigating climate change, no significant harm, remedial transition measures, and prohibited activities (Bank Negara Malaysia, 2021). The CCPT is targeted at financial institutions rather than waqf managers per se. However, its reasoning is pertinent to waqf financing, as it is becoming evident that SIRCs and waqf managers are increasingly in contact with Islamic banks, takaful firms, and capital market institutions. In particular, the SRI Sukuk Framework by the Securities Commission Malaysia is of great importance. Proceeds must be spent on eligible SRI projects, and the framework acknowledges a broad range of categories, including green projects, climate change adaptation, social projects, and waqf assets or properties (Securities Commission Malaysia, 2019). Properly structured waqf-linked sukuk can therefore be used to finance climate adaptation if they meet the use-of-proceeds, project selection, proceeds management, and reporting requirements of the framework. Therefore, the legitimate chance exists. There is a missing fiduciary connection, the waqf-specific fiduciary bridge between the obligations of SIRC trustees and sustainable finance standards.

Shariah Flexibility and the Limits of Permissibility

One such hindrance to the otherwise advocacy dialogue on changes in the legal landscape is that the traditional doctrine of waqf does not allow the flexibility required for modern climate adaptation projects. This statement should be viewed with care. Department of Awqaf, Zakat dan Hajj (JAWHAR) (2021) presents the results of a fatwa research study based on fatwa issuances in Malaysia, which suggests that special waqf land may be developed if it fulfils a need and does not violate any of the Shariah. The same compilation lists cash waqf among the things that may be applied and views the matter of State Islamic Religious Councils as the only trustees as an administrative policy matter rather than a Shariah matter (JAWHAR, 2021). From these materials, it can be concluded that there are mechanisms of adaptive governance in Islamic legal literature. Similarly, the Indonesian Green Waqf Framework proposes connecting the concept of waqf with ecological balance, sustainability, and socioeconomic impact (Badan Wakaf Indonesia, 2022). Green waqf can be implemented not only with religious endorsement but also with governance standards, as demonstrated by the above framework, despite differences in institutional conditions between Indonesia and Malaysia. However, there is a difference between Shariah permissibility and legal adequacy. The fatwa can be issued that the waqf asset has to be developed, or a cash waqf is allowed, or a certain environmental cause is in the service of public good. It does not automatically identify who is legally responsible when it stops working, how climate impact can be measured, whether beneficiaries were included, whether procurement was done fairly, or whether prudent investment risk management was in place. All of them are questions of fiduciary and regulatory.

Therefore, the main theme of this article is that waqf management should be immediately moved from the 'permissibility model', which only asks whether a project is halal, to the 'fiduciary governance model'. This higher-level model necessitates ongoing analysis and review to ensure the trustee's actions are, at all times, prudent, transparent, accountable, and devoted to the donor's purpose and to the broader goal of climate resilience. In a permissibility model, the question is whether a project is permitted. In a fiduciary governance model, the further question is whether the trustee's performance and actions have been prudent, transparent, loyal, accountable, and in accordance with the waqf's public-benefit purposes. The second model is necessary for climate adaptation financing.

Critical Legal Analysis: Governance, Fiduciary Duties and Regulatory Gaps

Fragmented Waqf Law and the Issue of Scale

The first legal gap is fragmentation, which is a legislative lacuna. In state-based waqf, there is a dilemma regarding the mobilisation of national climate finance due to the presence of religious authority at the local level. Frequently, climate adaptation projects involve technical knowledge and the standardisation of eligibility criteria, measurable outcomes, and long-term monitoring. Different approval standards, disclosure rules, and investment practices across SIRCs will create uncertainty for investors, donors, and development partners.

This division is not merely administrative; it has implications for legality and trust. Waqf revolves around people's trust in the management of endowed assets and their security. When governance is very different, it becomes difficult for the public to determine whether climate-waqf projects are genuinely good or merely 'sustainable'. That risk is compounded by the global phenomenon of "greenwashing", that is, the spreading of false claims about the environment.

Sole Trustee Authority and Fiduciary Accountability

The second gap concerns the legal significance of SIRCs being only trustees. Studies of Mat Hassan et al. (2021) state that the governance of waqf properties is the responsibility of SIRCs. In addition, governance issues have been identified in other studies (Hussin, 2021; Mustaffa et al., 2023). The term "sole trustee" should not be viewed merely as an administrative convenience. It implies the requirement for fiduciary responsibility.

A fiduciary system would entitle the waqf trustees to act in good faith, maintain integrity, prevent conflicts of interest, make wise use of waqf funds, respect donors' intentions, safeguard beneficiaries, and keep proper accounts. These obligations need to be extended to include climate-related prudence in the context of climate adaptation. Care may be compromised if a wali or nazir (in Arabic terms), acting as a trustee, invests waqf funds in an infrastructure project that has been poorly assessed and is highly susceptible to flooding, even though the project is ostensibly charitable. Likewise, a trustee that allocates climate-waqf funds to projects that are not particularly adaptation-rich could be a violation of the "duty of purpose alignment.

Absence of Standardised Climate Due Diligence for Waqf Projects

The third critical regulatory gap is the lack of standardisation of climate due diligence procedures for waqf projects. Although the CCPT contains strong recommendations for financial institutions, SIRCs are not obligated by law to conduct the same types of environmental and climatic risk assessments when they approve cash waqf investments or waqf land development. The no significant harm and climate adaptation principles outlined in the CCPT can serve as useful guidelines for financial institutions (Bank Negara Malaysia, 2021). However, waqf institutions are not automatically required to apply equivalent standards when approving waqf land development or cash waqf investment. This creates a regulatory mismatch. One bank providing finance for a project might have an obligation to classify climate risk, and the waqf landowner or waqf capital provider might not have the same type of climate-governance obligation.

A climate-responsive approach to waqf must entail at least four forms of diligence on the part of the trustees. First, the adaptation project's due diligence should ensure it is waqf-compatible with its purpose and that it has a beneficiary class. Secondly, climate due diligence must ask whether the project actually reduces vulnerability. Thirdly, financial due diligence must address lifecycle costs, maintenance, risk distribution and value protection. Fourthly, social due diligence needs to be developed in a manner that makes vulnerable communities the beneficiaries of projects and creates no risk of exclusion or displacement.

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Failure of Impact Reporting and Public Accountability

The fourth is reporting. Sustainable finance relies heavily on credibility. The SRI Sukuk Framework is already requesting proceeds and projects listed under the eligible projects (Securities Commission Malaysia, 2019). Public registries, Shariah and impact audits, as well as machine-readable reporting of service outputs and climate impacts, are also recommended in recent climate-waqf scholarship (Korkut, 2025). However, the normal practice of waqf administration is not yet familiar with such reporting standards.

The lack of impact reporting is a drawback to translating climate-waqf projects into the real world. For instance, an expenditure figure should not be the only measure of a waqf or water facility. Some additional measures should include details of served households, downtime, water quality, reduced climate change vulnerability, and maintenance. A flood-resilient waqf community centre should be documented in terms of its emergency capacity, Accessibility, Use in flood conditions, long-term asset condition, and construction cost. Financial accounting reporting is therefore no longer sufficient, as there must be integrated reporting on Shariah, financial, and climate impacts.

Commercialisation and Dilution of the Donor Purpose

The fifth potential gap is commercialisation. Handling partnerships with private developers, financial institutions and government agencies is often necessary to develop a waqf asset. While such partnerships might be deemed essential, they can lead to the waqf objective being lost if not carefully monitored. This risk would be particularly important for projects related to climate adaptation, which are often executed through blended finance, infrastructure, and land development. The adaptation project may, in fact, be driven by commercial profit or privileged access in the absence of legislation for protection.

This risk, however, does not imply a ban on waqf from market instruments. However, SRI sukuk, cash waqf and blended finance can be used to mobilise otherwise locked-up waqf assets. The essence is that the fiduciary obligation of waqf should be above the market instruments. The trustee’s loyalty is not to investors, developers, or political players, but to the waqf’s purpose and to proper and legitimate beneficiaries.

Proposed Climate Responsive Waqf Fiduciary System

This article proposes a Climate-Responsive Waqf Fiduciary Framework in Malaysia. The development of the framework aims to sustain the authority of the waqf at the state level and establish harmonious standards for projects executed with waqf resources and funds for climate adaptation financing.

Core Legal Principles

The framework shall be based on six legal principles. In other words, the fiduciary purpose strives to keep every project of climate-waqf within the constraints of the waqif’s intention as well as of the known purpose of the waqf. Secondly, if the assets are to be preserved, there is a need to protect the waqf’s corpus, including protection against the physical risks of climate change. Third, a focus on public benefit and public vulnerabilities requires prioritising communities vulnerable to the harms of climate change. Fourth, prudence and the absence of significant harm mean that environmental and financial risk assessments conducted in the pre-project phase can help approve projects. Fifth, transparency and disclosure involve public disclosure of funds, assets and outcomes. Sixth, Shariah and impact accountability need to be reviewed independently, both aspects of Shariah compliance and the effectiveness of adaptation. Table 3 presents the proposed legal principles, legal content, and practical indicators for climate-waqf governance.

Table 3: Proposed Legal Principles, Legal Content, and Practical Indicators for Climate-Waqf Governance

Principle	Proposed Legal Content	Practical Indicator
Purpose Fidelity	Project must match the waqf’s purpose and beneficiary class	Written Shariah-purpose opinion before approval.

Asset Preservation	Waqf corpus and long-term value must be protected	Lifecycle maintenance and climate-risk assessment.
Public Benefit	Vulnerable communities should receive measurable benefits	Beneficiary map and access policy.
Prudence	Trustee must assess financial, climate and legal risks	Due diligence report and risk register.
Transparency	Funds and outcomes must be disclosed	Annual public report and project dashboard.
Accountability	Shariah and climate outcomes must be audited	Independent Shariah audit and impact audit.

The table presents key governance principles for climate adaptation projects using waqf assets, including purpose fidelity, asset preservation, public benefit, prudence, transparency, and accountability. It highlights that the continuity of the original waqf's intention and target group must be maintained in every project before it is approved, and that a written opinion on the project's sharia purpose must be provided. It also calls for the safety of waqf assets and the preservation of their long-term value through lifetime maintenance planning and climate-risk assessment. Furthermore, there is a need for measurable benefits to be conclusively offered to the vulnerable beneficiaries through clear beneficiary mapping and an access policy. Lastly, due diligence, public reporting, project dashboard, independent Shariah audit, and impact audit are emphasised to verify that the climate-waqf projects are legally valid, transparent and accountable.

Harmonised National Guideline with State Adoption

The difficulty might be that federal legislation imposing direct uniformity on waqf may be constitutionally tricky, since it must pass at the state level. More practically, a national climate-waqf governance guideline should be developed cooperatively by the State Islamic Religious Councils (SIRC), JAWHAR, Bank Negara Malaysia, the Securities Commission Malaysia, climate agencies, and Shariah scholars. Then the guideline should be adopted by the respective enactments in the states in the matter of waqf and SIRC rules, or binding administrative rules.

This is a method which upholds the federal principle while decreasing uncertainty. It also reflects the current condition in Indonesia, where national instructions continue to exist to support the legal mandate in Malaysian states regarding waqf-related issues (Hussin, 2021). However, guidelines must not be aspirational. Climate-waqf projects that exceed a certain threshold should be made compulsory to be approved prior to the investment or partnership being executed.

Mandatory Climate-Waqf Project Approval Test

A structured approval test for projects of waqf-based climate adaptation should be put in place. The test question should be:

1. Is the project consistent with the waqf document, the intentions of the givers and the demands of the Shariah?
2. Is there a clearly identified climate adaptation risk addressed in the project?
3. Are no-significant-harm principles fulfilled by the project?
4. Is protection of vulnerable beneficiaries achieved?
5. Does the financing mechanism comply with Shariah and economics?
6. Is there control of procurement risk, conflict of interest/partner risk?
7. Can climate outcomes be measured and reported?
8. Does it have a maintenance and long-term governance plan?

This test would transform general trustee discretion into rigorous, legal trustee decision-making.

Integration with SRI Sukuk and Islamic Capital Markets

Whilst for bigger projects, waqf-based financing of climate adaptation should be combined with the sukuk framework. Such recognition of green projects, climate adaptation and waqf assets is already in the framework

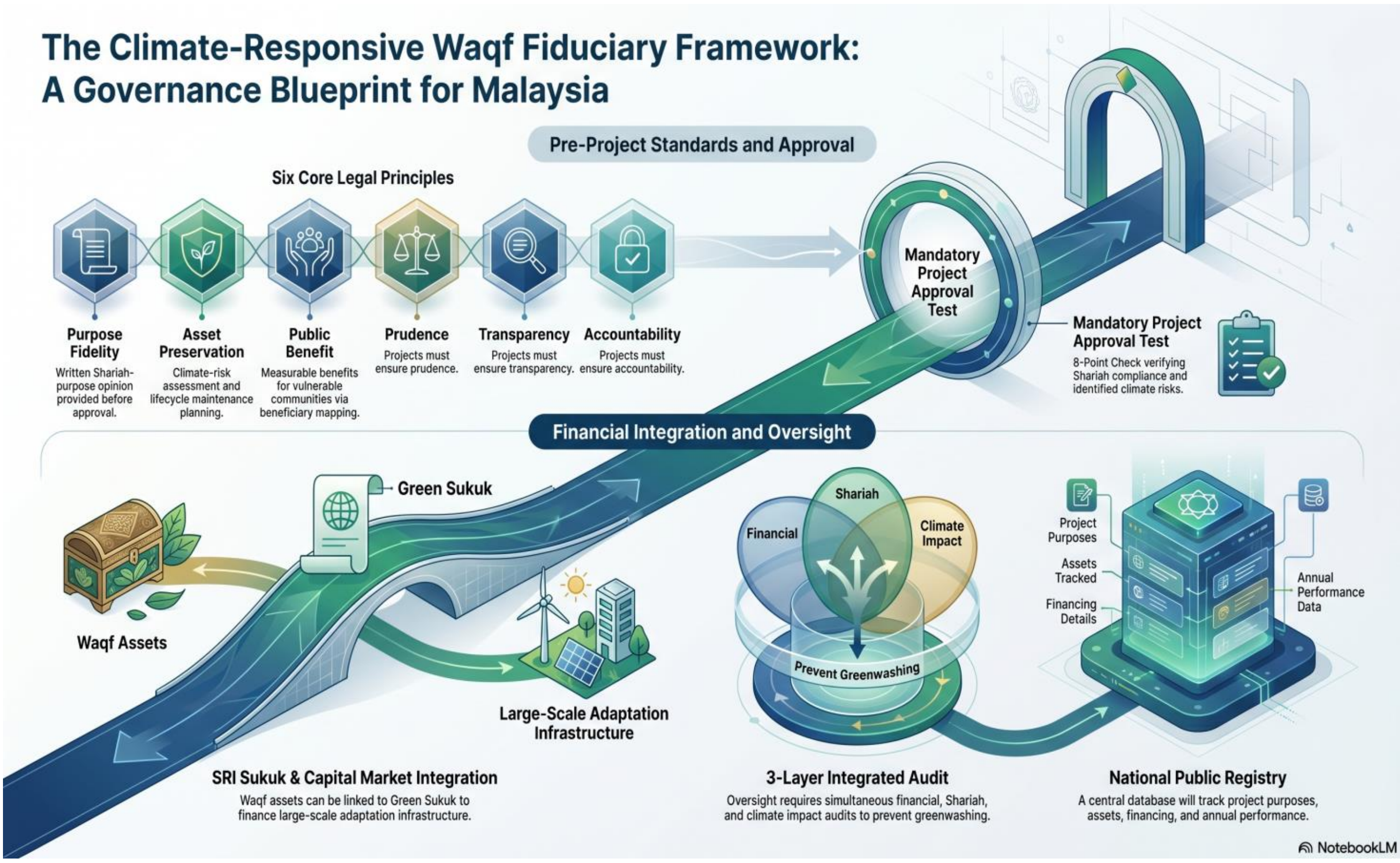
(Securities Commission Malaysia, 2019). The waqf could be used to finance adaptation infrastructure for a waqf-linked SRI sukuk, under which the SIRC provides land and waqf assets to finance the construction or upgrading of adaptation infrastructure. However, it needs a robust system of proceeds management, a segregated account, independent review, and regular impact reports. Therefore, the relationship between the fractions of investors and the beneficiaries of the waqf should be well organised. Return to investors can be derived from permissible project revenues, without affecting the waqf purpose. To safeguard the endowment's continuity, there also needs to be a legal document underpinning the waqf-related sukuk that clearly states that no financing scheme results in a change of ownership of waqf property, in violation of Islamic law. Moreover, strict legal ring-fencing should be provided to prevent any attachment that would stop the waqf from funding its well-being activities or lead to a gradual decline in the rights of the intended beneficiaries.

Public registry and integrated audit

A public register of all climate-waqf projects is needed in Malaysia. The registry should include information on project purpose, waqf asset engaged, financing mechanism, approval authority, beneficiaries, climate risks tackled, performance and audit outcomes annually. There is a particular connection between the proposal for public registries and impact audits, as introduced by Korkut (2025), and Islamic social finance in relation to quantifiable climate impacts. Consequently, the audit system should have three layers. First, a financial audit should examine accounts, proceeds and expenditure. Second, a Shariah audit should examine compliance with waqf principles and donor purpose. Third, a climate impact audit should examine whether the project has achieved adaptation outcomes. This integrated audit model would help prevent both financial mismanagement and greenwashing.

Figure 1 summarises the climate-responsive waqf fiduciary framework for Malaysia.

Figure 1: Climate-Responsive Waqf Fiduciary Framework



Discussion: From Religious Property Administration To Climate Public Trust

The overarching meaning of this article is that the governance of waqf in Malaysia ought to shift from a narrow administration of religious properties to a model of public trust. Thus, waqf is not secularised. Instead, it brings into force the Islamic concept of inheriting assets for a permanent benefit and of their caretaking to prevent misuse, waste, or neglect. Such a model is increasingly needed in the context of climate change. A trustee that does not take climate risk into account could be failing future beneficiaries. Strategies being implemented through the waqf fund to exploit land for urban development may be compromising the benefits it is meant to provide. Investing waqf funds in cash may raise concerns about harmony with Islamic law, potentially leading to environmental harm. Hence, waqf's responsiveness to climate can be considered a dimension of modern waqf prudence.

The proposed model can also sustain the development process. The World Bank (2025) highlight the importance of mainstreaming Islamic finance instruments, capacity development, data systems and scaling up Islamic social finance tools to make communities resilient to climate change. Malaysia is already well-equipped to respond, with well-developed Islamic finance regulations and waqf institutions. However, innovation will be insufficient to achieve institutional maturity. Must have a legal background. This article thus constitutes a critical stance. It is not enough to say that green waqf is Islamic and charitable, or to label it eco-friendly, to celebrate it. Legally, the test should occur. The waqf system can serve only as a means to fund climate adaptation if it is administered in accordance with legally binding fiduciary rules that safeguard waqf capital, uphold donors' will, benefit vulnerable communities, and deliver tangible climate adaptation impacts.

CONCLUSION AND RECOMMENDATIONS

Waqf has significant potential to help realise climate adaptation financing in Malaysia, particularly for long-term community assets and resilience infrastructure. The materials and literature available in contemporary Islamic legal point to the possibility of such use, both conceptually and institutionally, through the frameworks of green waqf and sustainable finance policies. There is also a need to clarify climate finance opportunities, and the regulatory landmark for managing and developing waqf assets has been set by the Institution of State Islamic Religious Councils (SIRC).

The existing framework, however, is inadequate. Its key failing is less the rigidity of Shariah and more the fragmentation of the law and immature fiduciary governance. Currently, there is no systematic climate due care duty under existing waqf administration, a harmonised approval standard for climate-waqf projects, a public register, and no integrated impact reporting. Thus, the financing of climate adaptation projects with waqfs can be characterised as symbolic, irregular, and greenwashing.

The article calls for five reforms. First, a harmonised national guideline for the implementation of climate-waqf should be developed in Malaysia and adopted by SIRCs. Second, waqf laws or regulations in the states must include climate adaptation as one of the waqf objects that can be done in public interest, provided it is in accordance with the waqf deed and the rules of Shariah. Thirdly, a climate-responsive fiduciary standard of purpose fidelity, prudence, no significant harm, transparency and beneficiary protection must apply to SIRCs. Fourth, waqf-linked SRI Sukuk and blended finance should occur strictly with ring-fenced proceeds, an independent review, and an integrated Shariah and climate impact audit. Fifth, there is a need to establish a public register of climate-waqf projects to disclose the financial, Shariah, and adaptation outcomes.

To sum up, waqf governance systems need to be reconceptualised as a strong fiduciary public trust to realise the full confidence that they can breach traditional boundaries and become a robust legal instrument for climate adaptation and sustainable development. The real challenge for Malaysia is not just to think about 'green waqf', but to ensure it is robustly institutionalised so that there is no doubt that waqf administration is faithful to Islamic legal principles, uncompromisingly accountable to its beneficiaries, and tangibly effective in making Malaysia climate-resilient for future generations.

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