

Enhancing The Role of Zakat and Waqf on Social Forestry Program in Indonesia

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Abstract: This research aims to initiate the integration model of zakat-waqf with Social Forestry Program. The study is a conceptual paper and qualitative using secondary data and descriptively analyzed. It reviews several existing models related to Zakat and Waqf's role in financing the agriculture and forestry sectors to formulating a novel model for poverty alleviation from communities in and around forests expected to reduce forest destructions in Indonesia. The study concluded that zakat-waqf could finance the Social Forestry program to overcome poverty, inequality and increase the welfare of people living in and around forests. It will provide economic and ecological benefits, especially in reducing forest damage. This research can encourage other researchers to explore the potential of zakat-waqf for financing forestry sectors.

Keywords: Islamic finance; Social Forestry; Waqf; Zakat

Abstrak: Penelitian ini bertujuan untuk menginisiasi model integrasi zakat dan wakaf dengan program Perhutanan Sosial. Penelitian adalah riset konseptual yang menggunakan data sekunder dan analisis deskriptif. Penelitian ini mengulas beberapa model eksisting mengenai peran zakat dan wakaf dalam membiayai sektor pertanian dan kehutanan untuk menyusun formula baru yang diharapkan mampu menjadi solusi kemiskinan masyarakat di dalam dan sekitar hutan, yang kemudian diharapkan menurunkan tingkat kebakaran dan kerusakan hutan di Indonesia. Hasil penelitian menunjukkan bahwa zakat dan wakaf dapat menjadi sumber pembiayaan program Perhutanan Sosial untuk

mengatasi kemiskinan, kesenjangan, dan meningkatkan kesejahteraan masyarakat di dalam dan sekitar hutan. Program ini dapat memberikan manfaat ekonomi dan ekologi, spesifiknya untuk mengurangi kerusakan hutan. Penelitian ini diharapkan dapat mendorong peneliti-peneliti lain untuk menganalisis lebih lanjut mengenai potensi zakat dan wakaf untuk membiayai sektor kehutanan.

Kata Kunci: Pembiayaan Syariah; Perhutanan Sosial; Wakaf; Zakat

Introduction

In Indonesia, forest destruction have become complicated problems. The Ministry of Environment and Forestry (2020) mentioned that encroachment, illegal logging, illegal trading of plants and wildlifes, and forest and land fires due to economic activities has resulted in disturbance to forest security. Regarding forest fires, The National Disaster Management Agency (BNPB) mentioned that a total of about 328 thousand hectares of land and forest had been burned on September 18, 2019 (Editorial Team of Polisi.news 2019). The Air Pollution Standard Index (ISPU) value in several regions in Indonesia is still at a hazard level (Ministry of Environment and Forestry 2019).

Rasyid (2014) and Macdonald and Toth (2018) stated that forest fires are structural causes, including poverty, development policies, governance, weak punishment for forest burners, and world demand for oil palm. This situation is exacerbated by the people's poverty around the forest, making it easy to burn and damage the forest to meet their daily needs (Sukwika et al. 2018).

Around 10.2 of 31.2 million (33%) poor people in Indonesia lived inside and around forests (Badan Pusat Statistik 2019; Kusmana 2011). This condition is cause for concern because Indonesia's forests are one of the world's largest and are known as the world's lungs. In addition, forests in Indonesia serve as a buffer to environmental balance and a place to live, economic resources, and a role in food security (Badan Pusat Statistik 2015).

The poverty that afflicts people living in and around forests is the impact of continued forest destruction. The destruction of the forest makes them lose their livelihoods. On the other hand, poverty also causes people to start encroaching on forests. One of the leading causes of forest loss in Indonesia is forest encroachment by the villagers due to needs.

Why are people willing to be told to burn forests? There are at least two reasons: poverty and lack of sense of belonging to forests. Having to fulfill their daily needs caused them to sacrifice many things - including forests - for short-

term needs. Therefore, a forest fire solution is related to handling the causes. If these two causes are correctly addressed, the potential for forest fires can be reduced.

To overcome poverty in and around forests, an approach needs to be taken from various aspects while maintaining forests' sustainability. As a country with the largest Muslim population globally, Islamic financial instruments can overcome these problems (Budiman 2011). Abdullahi (2019) also mentioned that waqf institutions could become an alternative to financing afforestation as a part of the voluntary sector through a private donation of wealthy individuals. In addition to Waqf as an economic instrument of Islamic development, Waqf is also sustainable (Fuadi 2018).

Nationally, ZIS collection data continues to increase exponentially. Zakat, including *infaq* and *sadaqah*, which publicly was only collected at Rp 68.39 billion in 2002, rose to Rp 6.2 trillion in 2017. The average growth of ZIS collection in this period reached 35.10% per year (BAZNAS 2018). In 2018, ZIS collection increased to Rp. 8.10 trillion (Asfarina, Ascarya, and Beik 2019).

This amount has been reached even though Zakat is not obligatory as in Saudi Arabia. However, if needed, with the trend of collecting Zakat, which has continued to increase consistently over the last 18 years, the potential for Zakat, which has been predicted to reach 217 trillion/year or 3.4% of GDP (Firdaus et al. 2012), is more likely to be achieved.

The same increase has also been seen in the waqf sector. Fauzia, Almuin, Rohayati, and Garadian (2016) states that in 2010, the recapitulation of waqf land data throughout Indonesia showed a total of 415 980 land waqf locations. This number increased to 435 395 sites of waqf land in 2013. The increase was also seen in the cash waqf, first initiated by BWI in 2010, with a total of IDR 2 billion. In 2016, the total collected waqf funds amounted to IDR 185 billion.

The collection of Zakat that continues to increase needs to be balanced by its distribution program's innovation. The distribution program developed

must provide an optimal impact for the beneficiaries. In connection with the distribution of Zakat, *amil* (zakat manager organization) and *nazir* (waqf manager institution) have also implemented several innovations. Initially, the distribution of Zakat only covered social, educational, and health services. Economic, humanitarian, and *da'wah* advocacy aspects are included in the issues addressed in distributing Zakat and Waqf. In July 2019, BAZNAS reported the distribution of zakat funds of nearly IDR 173 billion, which is 34.59% of funds were allocated for humanitarian programs, 22.4% of funds for education programs, 20.32% for economic programs, 18.50% for da'wah advocacy programs, and 4.19% for health programs (BAZNAS 2019).

The distribution of zakat funds by BAZNAS has also covered the empowerment of communities around the forest. In 2019, in collaboration with Bank Jambi, Jambi Government, and UNDP, BAZNAS developed an Agrotourism Village in Lubuk Bangkar, Jambi Province. Similar programs were also implemented in several other locations, for example, in Tana Toraja Village, South Sulawesi Province (Beik 2020; ZCD BAZNAS 2019).

The Indonesian government launched the Social Forestry (SF) program to overcome poverty and preserve the environment. The essence of SF is that the government gives more significant access to the community to manage the forest to have more substantial forest management participation. The (SF) program is expected to improve people who live in and around the forest (Sumanto 2009). In the past, forest rangers often chased indigenous peoples and people who lived around the forest because they stole wood, damaged, and even burned forests. At present, they are also given permission or the right to manage the forest (forest concession) (Susilo and Nairobi 2019). Therefore, it can be said that communities that were previously only considered as objects or even as forest disturbers are now the main subjects or actors in forest management.

Over time, government policies in allowing large companies to manage forests have proven to be misleading. Forest management by large companies

often causes forest destruction and social conflicts between companies and communities (Forest Digest 2017). The misleadings have caused the President of the Republic of Indonesia to issue Presidential Instruction No. 11 of 2011 for a moratorium on new concessions to convert primary natural forests and peatlands to oil palm and timber plantations (Presidential Instruction 10/2011 2011; World Resource Institute 2014). The forest moratorium continues to be renewed every two years until it ends on July 17, 2019 (Presidential Instruction 6/2017). The Presidential Instruction 5/2019 issued on August 7, 2019, finally established a permanent moratorium.

The government's commitment to the SF program is demonstrated in SF as one of the specialized programs in Nawacita 2015-2019. The Indonesian government has issued a policy on land allocation to be managed by the community through the SF program with a total area of 12.7 million hectares since 2014 (Nurfatriani and Alviya 2019). Despite the realization of SF nowadays covering only 3.28 million hectares (Directorate of Social Forestry Area Preparation 2019), the nominal size of the proposed forest area for SF reflects the government's seriousness in the program.

SF is a potential program to overcome poverty while at the same time preserving forests from damage, specifically forest fires. However, one of the government's problems is the limitations of the state budget. Existing fund budgets are not able to provide capital to all SF actors. Therefore, various financing alternatives to support SF need to be endeavor.

However, there have not been many innovations on zakat-waqf, including studies on the development of zakat-waqf utilization that accommodates the ecological dimension. Studies that investigated the integration of Islamic social funds to solve forest destructions are noticeably rare. The present study is conducted to fill this gap. This research aims to initiate the integration scheme of zakat-waqf blended with SF to overcome poverty, one of the leading fire and forest destruction factors.

Literature review

Poverty and forest destruction

The Indonesia Statistics Board (BPS) uses a basic need approach to measure poverty. Poverty is seen as the economic side's inability to meet the basic needs of food and non-food, measured along the poverty line. People are classified as inferior if they have an average per capita per month below the poverty line (Badan Pusat Statistik 2019).

In 2010, it was suspected that one-third of the poor people in Indonesia lived in and around the forest (Badan Pusat Statistik 2019; Kusmana 2011). The poor who live around the woods are poorly educated and highly dependent on the surrounding forest products to meet their daily needs. If the poor have jobs, the majority of jobs are informal with low wages. In general, they are too focused on meeting their families' needs, so they have less opportunity to increase their capacity (Dewi 2018).

Based on these characteristics, the poor around the forest often burn forests to obtain the cheapest and fastest way to clear land, agriculture, plantations, and housing. Thus, even though forest fires, in general, have a terrible impact, but for the culprit, forest fires can have a positive effect because it reduces costs for land clearing and meeting their daily needs (Suyatno and Khususiyah 2004).

Existing distribution program of Zakat and Waqf regarding the environment

Even though the environment has not been one of the main priorities, several zakat-waqf management institutions in Indonesia have initiated several zakat-waqf distribution programs related to the environment. For example, Dompot Dhuafa Republika, in 2014, started a program called "Semesta Hijau," which has four branches of financing instruments related to the environment. The four chapters of the program are tree alms, water for

life, renewable energy, and waste treatment. The massive potential of zakat funds in Indonesia makes it possible to carry out this program continuously (Dompét Dhuafa 2014; F. Hidayat 2016).

In connection with the distribution of waqf funds for the environment, waqf institutions have made several efforts. For example, Dompét Dhuafa Republika, in 2007, launched a Tree Waqf Movement titled "Tabung Wakaf Indonesia" (TWI). Muhammadiyah carried out a waqf movement for tree planting named "Muhammadiyah Citizenship and Tree Planting Movement." In line with the previous institutions, The Local Zakat Agency Board in Bangka Belitung province in 2009 also launched a tree waqf. Another example is Al-Qur'an Waqf Board; they have built wells to provide clean water to the local community (Budiman 2011; BWI 2010; Yaakob et al. 2017).

Social forestry

The legal sources underlie SF is based on the Ministry of Environment and Forestry Regulation P. 83/MenLHK/Setjen/Kum.1/ 10/2016 concerning Social Forestry. According to Minister of Environment and Forestry Regulation number 83 of 2016, social forestry is a sustainable forest management system that can be implemented in state forest areas or private/customary forests. This system is performed by the local community or conventional law community as the main actors to improve their welfare, environmental balance, and socio-cultural dynamics.

There are six SF schemes, namely Village Forests (*Hutan Desa/H.D.*), Community Based Forests (*Hutan Kemasyarakatan/HKm*), Community Plantation Forests (*Hutan Tanaman Rakyat/HTR*), Community Forests (*Hutan Rakyat/H.R.*), Customary Forests (*Hutan Adat/H.A.*), and Forestry Partnerships (*Kemitraan Kehutanan/K.K.*). Village Forest (HD) is a state forest managed by the village and utilized for its welfare. A community-Based forest (HKm) is a state forest whose primary purpose is to empower the community. Community plantations (HTR) are plantations in production forests

established by community groups to increase production forests' potential and quality by applying silviculture to preserve forest resources. Customary forests (HA) are forests within the territory of indigenous and tribal peoples. At the same time, forestry partnerships (KK) cooperate between local communities and forest managers, holders of forest utilization or forest service permits, lease-to-use forest area permits, or holders of primary industrial forest business licenses.

Meanwhile, the definition of community forest has been mentioned earlier in Forester Ministry Decision No 49 of 1997. Based on the law, a community forest is a forest owned by the people with a minimum area of 0,25 ha, with a canopy cover of woody plants and or other types of more than 50%, or it has at least 500 plants per ha in the first year (Ardiansyah 2019).

SF aims to achieve economic equality and reduce economic inequality through three pillars: land, business opportunities, and human resources (Hadi 2017). By making the community around the forest the main actors of SF, it is hoped that poverty in the communities around the forest can be overcome. At the same time, their capacity also increases (Dewi 2018). From the environmental aspect, SF is expected to overcome the case of forest encroachment. Therefore, from an economic perspective, SF was declared a new income source for the forest communities. From an institutional aspect, SF is expected to create a marketing network for commercial products from SF products. Meanwhile, SF is prioritized from the social point to resolve conflicts over tenure issues between the community and the government (Nurfatriani and Alviya 2019).

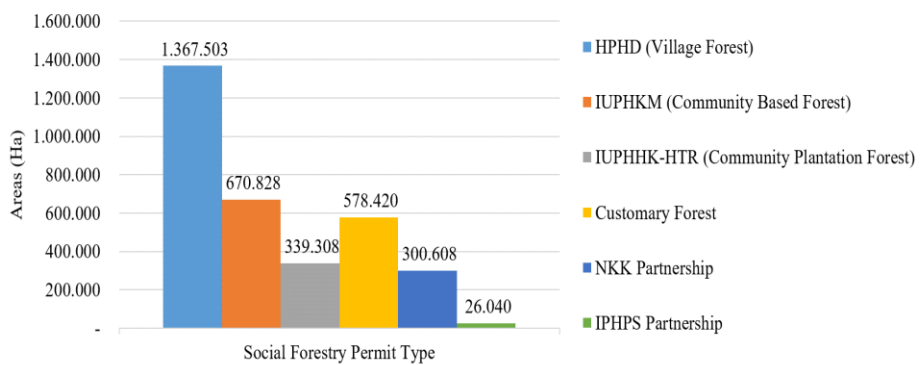
Figure 1 shows the land area that was accessed for the SF program from 2007 to 2019. The total land access is around 3.28 million hectares throughout Indonesia. The first place is the Village Forest Management Rights (HPHD) scheme, followed by HKM IUP or Community Forest Utilization Business Permit (IUPHKm) with around 1.36 million hectares and 670 thousand hectares, respectively. Forest Digest (2017) argues that the number of Village

Forest Management Rights occupies the most because they include customary forests and villages that grow in forest areas before implementing SF rules. From 70 thousand villages in Indonesia, 30 thousand are on edge and even located in the forest. Meanwhile, the Community Forest scheme is more desirable because it can be done in two types of forests: production forests and protected forests.

Regarding SF, Pratomo (2015) has researched the benefits of managing community forests with partnership patterns in the West Bogor region, a case study of the Rimba Lestari and Sejahtera Tani Group. The study found that forest partnerships in developing community forest enterprises can increase effectiveness, business opportunities, and business profits.

Susilo and Nairobi (2019) have conducted a study on the impact of SF on community income. The study results show the positive effect of SF in increasing its production and revenue (respondent farmers). However, some of the farmers' obstacles are limited access to raw materials, capital, markets, and traditional equipment.

Figure 1. Access to social forestry permits from 2007-2019



Source: Ministry of Environment and Forestry (2019)

Waqf forest model

Waqf forest is a forest built on private land, not on government-owned land or customary land. The forests constructed on land used as Waqf will guarantee the forest's sustainability because Waqf has unique characteristics: may not be sold, endowed, and granted. The waqf forest ownership has moved private to Allah SWT and utilized public interest (Ali 2019). The sustainability of waqf forests can be guaranteed because they are protected by two primary legal sources recognized in Indonesia, namely the Waqf Law and Islamic law (Jannah, Sarkawi, and Othman 2020).

Ali and Kassim (2020) conducted a waqf forest study as an innovative way to preserve forests and support SDGs. Based on the survey results, Waqf can protect the forest through the waqf forest program. In this program, the Waqf provided by the *muzakki* (in the form of land and money) will be managed by the nazir productively to provide tangible and intangible benefits to the *mauquf'alah* (waqf beneficiaries). In addition, some tangible profit will be returned to nazir and used for waqf development to maintain the waqf forest's sustainability.

Also, Ali and Kassim (2021) mentioned that SF is one of the opportunities to develop the waqf forest. For example, in the Bogor Waqf Forest, since some of the waqf forest locations is directly adjacent to the Mount Halimun-Salak National Park (TNGHS), it can become a buffer zone for the TNGHS.

In SF, the forest that will be the object of management is the state forest. This research still needs to show that the waqf forest financing model applies to private forests. Although different in principle regarding land ownership, both the waqf forest model and the zakat-waqf integration model for SF use Islamic social funds as the primary financing source.

Previous studies

Many researchers have studied the role of Zakat and Waqf for financing agriculture to its sub-sectors. These studies conclude that Zakat can be distributed for agricultural financing (Hossain et al. 2019; Obaidullah 2015) as long as the beneficiaries are *mustahik*. In addition, Zakat can also be allocated for livestock development (Kalimah 2018) and fisheries (Alhifni et al. 2019). Meanwhile, Waqf has excellent potential to become a source of agricultural financing (Ascarya 2021; Moh'd, Omar Mohammed, and Saiti 2017).

Shafiai et al. (2015) have researched the potential of Waqf in activating idle agricultural land. Based on the research, he proposed a model to boost waqf land development in Malaysia by applying the Islamic finance instrument (Waqf). The model states that the *al-muzara'ah* and *al-musaqqah* contracts can mobilize idle agricultural land, alleviating poverty in the village area. To the best of the authors' knowledge, however, research on financial schemes of zakat-waqf institutions (using zakat and waqf funds) for financing SF is still relatively rare and requires further development. Nevertheless, several studies are strongly related as follows.

Ali (2009) has researched community forest development strategies through Zakat, a case study in Karyasari Village, Leuwiliang District, Bogor Regency. The results showed that the zakat institutions were not involved in managing community forests at that time because they argued that the community forest business required a relatively long harvest time. However, the community forests' zakat financing model can be implemented by minimizing weaknesses and exploiting opportunities in five steps. First, *muzaki* pays Zakat to zakat institutions. Second, zakat institutions provide community forest farmers with a *qardh al hasan* scheme (interest-free loans). Third, the community forest farmer then sells his harvest to the market, and the zakat institutions can help community forest farmers access their markets. Fourth, community forest farmers get income from selling their products, and

last, community forest farmers return the interest-free loan to the zakat institution.

Methods

This study is a conceptual paper and qualitative and using a desk study method. A desk study, also known as desk research, refers to secondary data or data collected without fieldwork. This method will include searching in the libraries and the internet (Hague 2006). This study contains data about zakat and waqf potential, social forestry, and partnership schemes in social forestry. Several sources accessed to obtain the data include journals, books, laws, working papers, theses, and other related sources.

This study reviews several existing models related to Zakat and Waqf's role in financing the agriculture and forestry sectors to formulating a novel model for poverty alleviation from communities in and around forests expected to reduce the level of forest destruction in Indonesia.

Result and discussion

Zakat and Waqf as an alternative source for funding social forestry

In addition to access to raw materials, market access, and traditional equipment, capital access is one of the leading factors that complicate social forestry implementation. Therefore, HKM farmers, primarily classified as Micro and Small Enterprises (MSEs), need support and assistance related to access to raw materials, capital, market access, and modern equipment (Susilo and Nairobi 2019).

Still relating to these capital needs, there are three reasons why Zakat and endowments are suitable for alternative SF financing sources. These three reasons are as follows.

First, this is under the allocation of zakat-waqf funds, especially Zakat, prioritized for the needy and poor. Distribution of Zakat for the poor is a direct mandate from Allah SWT, as mentioned in the Qur'an.

"Zakah expenditures are only for the poor and for the needy and for those employed to collect [zakah] and for bringing hearts together [for Islam] and for freeing captives [or slaves] and for those in debt and the cause of Allah and for the [stranded] traveler - an obligation [imposed] by Allah. And Allah is Knowing and Wise." (Sura At-Tawbah, Ayah 60) (Saheeh International Translation 2010)

Based on the verses of the Qur'an that have been mentioned, it is clear that the priority of giving Zakat is for the poor. However, if the amount of zakat funds is considered large enough after the mandatory needs are fulfilled, it may be used in part to meet other *mustahik* needs and be used for productive economic activity (Hafidhuddin 1998; Fitri 2017). This verse is reinforced by the hadith of the Prophet Muhammad to Ibn Abbas (Al-Bukhari, 2009:1649, Vol 9 Book 93 No 469).

"When the Prophet sent Muadh to Yemen, he said to him, "You are going to a nation from the people of the Scripture, so let the first thing to which you will invite them, be the Tauhid of Allah. If they learn that, tell them that Allah has enjoined on them five prayers to be offered in one day and one night. And if they pray, tell them that Allah has enjoined on them Zakat of their properties, and it is to be taken from the rich among them and given to the poor. And if they agree to that, then take from them Zakat but avoid the best property of the people."

The above hadith explicitly states that Zakat is taken from the rich and given to the poor. This hadith confirms that the priority of *mustahik* Zakat is poor people. Therefore, Zakat is intended for the poor. Since many poor people live in and around the forest, it should be allocated for them.

At least one in three poor people in Indonesia live in and around the forest. The number of poor people in Indonesia in 2010 totaled 31.2 million,

and 10.2 million (33%) lived in and around the forest (Badan Pusat Statistik 2019; Kusmana 2011). Based on these data, it can be said; there are many *mustahik* zakats in and around the forest. It should then be a zakat institution and waqf institution concerned with the poor and makes a utilization program.

Second, the purpose of Zakat and endowments is for equity/distribution of wealth. This zakat purpose is under the word of God in the Qur'an,

"And what Allah restored to His Messenger from the people of the towns -it is for Allah and for the Messenger and for [his] near relatives and orphans and the [stranded] traveler - so that it will not be a perpetual distribution among the rich from among you. And whatever the Messenger has given you -take; and what he has forbidden you - refrain from. And fear Allah; indeed, Allah is severe in penalty." (Sura Al-Hasyr, Ayah 7) (Saheeh International Translation 2010)

This verse becomes the basis for the business of income equality in Islam. In addition, this verse emphasizes that Islam teaches that assets should not accumulate only among the rich but also revolve among the unfortunate (financial inclusion).

At present, Indonesia's Gini Coefficient is still relatively high (0.384) (Badan Pusat Statistik 2019). This Gini Ratio indicates that income inequality between rich and poor people in Indonesia is still relatively high. Zakat-waqf-based SF programs can be a strategy in overcoming this imbalance. It is because the range of SF is extensive. Not only at several points but evenly distributed throughout Indonesia.

At the very least, social forestry is planned to cover 12.7 million ha of forest areas throughout Indonesia. This area is equivalent to almost 10% of Indonesia's total forest area, which amounts to around 129 million ha (Badan Pusat Statistik 2015). Therefore, the extent of SF program outreach will be

directly proportional to the potential of equal distribution of community wealth.

Third, besides income distribution, the purpose of Zakat and Waqf is also to improve welfare. Zakat, a right for *mustahik*, serves to help and foster *mustahik*, especially the poor, towards a better and more prosperous life (Hafidhuddin 2002). The same thing can also be understood as one of the Waqf's goals: to increase the surrounding community's welfare, especially for those who need it. The waqf goal is reflected in the endowments carried out by the Companions in the Prophetic period, such as the land endowments in Khaibar by Umar ibn Khattab intended for the poor and needy (Kahf 2003).

The purpose of Zakat and endowments is undoubtedly in line with the objectives of SF itself. One of the goals is improving the welfare of the community around and in the forest, and reducing the activities of forest destruction/forest fire carried out by the community, of the three points mentioned, namely the allotment of Zakat and Waqf for the poor, as well as the purpose of Zakat and Waqf relating to income distribution and welfare improvement. Therefore, the distribution of Zakat for SF is inevitably appropriate, both from fiqh and the economic perspective.

In Indonesia, the use of zakat-waqf funds for SF funding is also possible. SF funding can come from the state budget, regional budget, forest development financing loans, village funds, forest and land rehabilitation funds, and other legal sources. According to the laws and regulations, this type of funds is stated in the Ministry of Environment and Forestry Regulation P. 83/MenLHK/Setjen/Kum.1/10/2016 concerning Social Forestry (2016).

A previous study by Ali (2009) states that Zakat's contract in the community forest financing model is *qardh al-hasan*. However, we did not use the contract because the *qardh al-hasan* contract was controversial in zakat distribution programs among Islamic scholars. After all, Zakat should be given to *mustahik* without any obligation to pay it back. This study does not propose

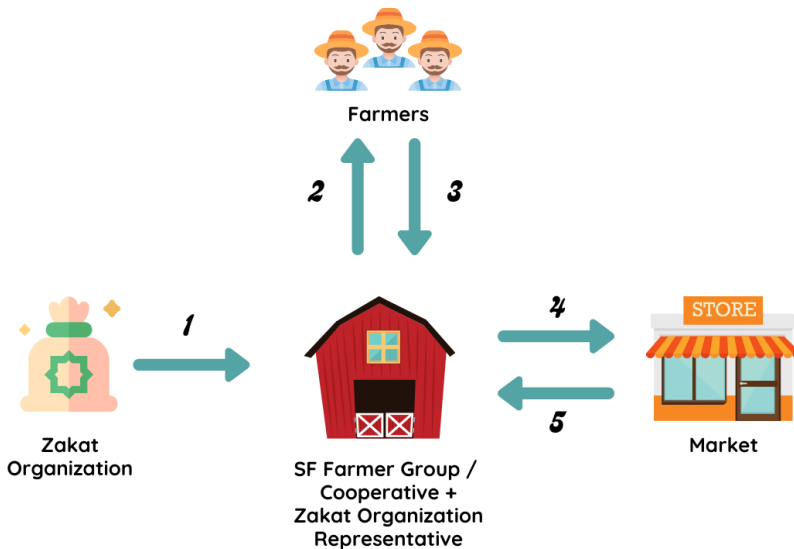
the *al-muzara'ah* and *al-musaqah* contracts (Shafiai, Moi, and Ahmad 2015) to produce idle agricultural land. It is still being debated among Islamic scholars, but the two contracts are business contracts that could cause difficulties for the farmers.

Zakat and Waqf-based social forestry financing scheme

Based on the desk study, three SF financial schemes have been formulated using zakat and waqf funds. The three schemes are presented in Figures 2, 3, and 4. The main difference between the three schemes is the funds used in each scheme to finance SF businesses.

Figure 2 shows the zakat-based SF financial scheme. This model is based on *zakat/infaq/sadaqah* (ZIS) funds, which are social funds that do not need to be returned from the SF farmer group to zakat institutions. This model is suitable for *mustahik* zakat farmer groups who are just starting their business. Farmers who are just beginning their business usually have a higher risk than farmers who have started their business.

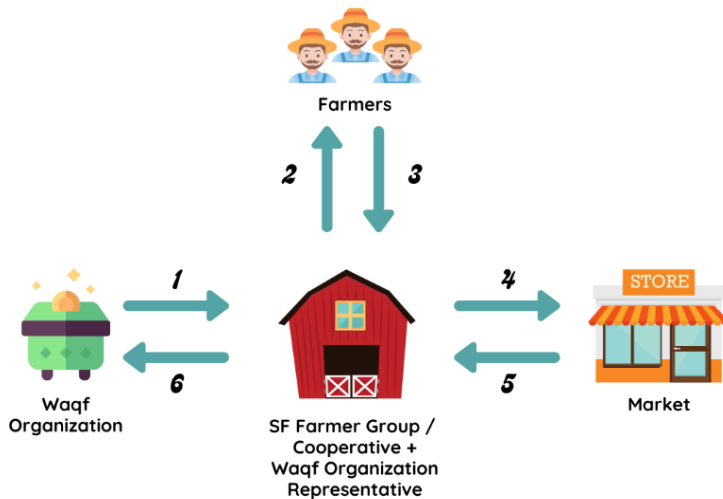
Figure 2. Zakat-based social forestry financial scheme



In summary, the scheme can be explained in several points. (1) The zakat institution provides ZIS funds to the SF farmer group. (2) The SF farmer group uses the funds to procure inputs for member farmers. Therefore, Zakat institutions need to send representatives to assist the SF farmer group. (3) Farmers deliver agricultural products to the SF farmer group. (4) The SF farmer group assisted by representatives of zakat institutions sells products to the market, and (5) the SF farmer group earns income from the market.

Figure 3 shows the waqf-based SF financial scheme. This model is based on *qardhul hasan* funds originating from profit from cash waqf investments. *Qardhul hasan* is a social contract like ZIS. The difference is that the recipient of *qardhul hasan* funds must return the funds to the giver. In this case, the SF farmer group that received the *qardhul hasan* must return the funds borrowed to the waqf institution at a particular time. This model is suitable for weak farmer groups but already have businesses. Farmers who have run their firms have a lower risk than farmers who have not started a business, so the opportunity to repay loans without interest is more significant.

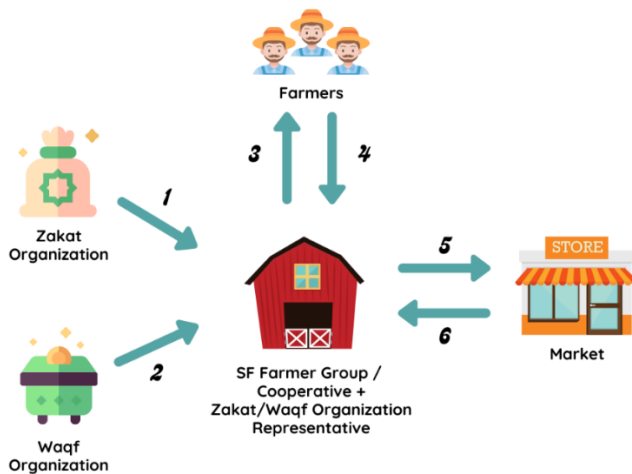
Figure 3. Waqf-based social forestry financial scheme



In summary, the scheme can be explained in several points. (1) The waqf institution provides interest-free loan funds (qardhul hasan) to the SF farmer group. (2) The SF farmer group uses the funds to procure inputs for farmers. Waqf institutions can send their representatives to assist the SF farmer group. (3) Farmers deliver agricultural products to the SF farmer group. (4) SF farmer groups assisted by representatives of waqf institutions sell products to the market. (5) The SF farmer group earns sales from the market, and (6) the SF farmer group returns interest-free loans to waqf institutions.

Figure 4 shows the zakat-waqf-based SF financial scheme. This model is suitable for farmers who are classified as zakat mustahik. It is because this model is based on zakat funds which must be distributed to mustahik. This model is considered better because most farmers are zakat mustahik. In addition, this model can accommodate the needs of farmers more comprehensively. ZIS funds provide operational expenditures such as labor costs and procurement of seeds or fertilizers. In contrast, waqf funds play a role in providing capital expenditure, such as constructing agricultural product processing plants.

Figure 4. Zakat-waqf-based social forestry financial scheme



In summary, the scheme can be explained in several points. (1) The zakat institution provides operational expenditure for the business needs of the SF farmer group using ZIS funds. (2) The waqf institution provides capital expenditure for the business needs of the SF farmer group using waqf funds. Waqf institutions can also provide financing to SF farmer groups with qardhul hasan contracts. Waqf institutions can develop waqf forests to support SF activities. Waqf forests are essential for more substantial land and asset security. (3) The SF farmer group uses the ZIS funds to acquire inputs for farmers and uses waqf funds for investment costs. Zakat and waqf institutions can send their representatives to escort the SF farmer group. (4) Farmers deliver agricultural products to the SF farmer group. (5) The SF farmer group accompanied by representatives of zakat and waqf institutions sells products to the market, and (6) The SF farmer group earns sales. If the waqf institution uses a qardhul hasan contract, the SF farmer group must return the funds to the Waqf.

The three schemes can be used as an alternative source of new funds to finance SF activities. However, determining the plan's selection to be used at each SF location may differ depending on the existence, access, and capabilities of the zakat and waqf institutions that will work with the SF business permit holder.

People who have improved their welfare with the zakat-waqf-based SF. The program will automatically protect the forest because the forest is a source of livelihood, which, if disturbed, also disturbs the source of income. The growing collection of Zakat and Waqf can be directed to the poor located in and around the forest. It can be directed with a social-economy program integrated with the SF program.

Conclusion

The study results concluded that zakat-waqf could finance the Social Forestry program to alleviate poverty, inequality, and upsurge welfare, especially for vulnerable people living in and around forests. It is vital because they are one of the cluster points of poverty in Indonesia. The model formulated in this study is the zakat financing model with a grant contract and the zakat-waqf integration model. As a result, zakat/waqf institutions, most concerned with poverty, can allocate their distribution programs to communities in and around forests. The program will provide economic benefits and ecological benefits, especially in reducing forest fire and forest destruction.

This study is expected to recommend zakat and waqf management institutions to distribute the zakat and waqf funds to communities around and in the forest. This study is also expected to provide a management innovation utilizing zakat and waqf funds as a new funding source for the social forestry program applied to various social forestry practices in Indonesia. Case studies or experiments might be needed to evaluate and examine this novel funding scheme's effectiveness for further research.

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