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Research Article

The Potential and Challenges of Waqf in Overcoming Economic Crises and Recessions

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Abstract. This research examines waqf's potential to revitalize economies during crisis-induced recessions. It presents an analysis of economists' theories on recession causes, addressing factors such as the separation between financial and real sectors and the influence of price speculation. The historical context of 20th and 21st-century economic recessions is explored, highlighting the consistent repercussions of reduced economic growth and activity. Additionally, the study delves into waqf's development across countries, revealing significant asset values yet limited productivity. We found various models of waqf development that offer avenues for progress, with potential economic benefits including increased economic activities, enhanced economic growth, price stability, improved production, reduced unemployment, and wealth disparity reduction. Despite this potential, we found that waqf's global impact remains limited due to inadequate administration, weak management, and a lack of government support. The research underscores the importance of effective waqf management and supportive policies to unlock its full potential and contribute to global economic stability.

Keywords: Waqf, Recession, Waqf Development, Waqf projects

INTRODUCTION

The looming specter of a global economic recession in 2023 has spurred nations worldwide to exercise greater caution and preparedness in facing this challenge head-on. Escalating global inflation and a downward spiral in economic growth, constraining budget deficits, serve as key drivers. The sharp decline in global economic growth, which reached -3.1% in 2020 (World Bank, 2023a) served as an example of this scenario. Notably, global inflation has surged from below 2% to more than 6% over the past year, marking the most significant increase since 2008. Furthermore, the recent upswing in commodity prices attributed to the Russian invasion of Ukraine further exacerbated inflationary pressures in 2022 (Ha et al., 2022). According to World Bank data, global inflation is projected to reach 8.3% in 2022 (World Bank, 2023b). Inflation arises from either inadequate production (output or service) or insufficient distribution (Yuliani, 2022), making it imperative for governments of all nations to prioritize boosting commodity production and distribution as a paramount concern. This action is vital to safeguard individuals' purchasing power and avert widespread layoffs.

This paper examines the potential for waqf-based initiatives to revive economies that have experienced recessions brought on by crises. We present a comprehensive analysis of economists' theories regarding the two fundamental triggers behind recessions within the world economic system: the disjunction between the financial and real sectors and the influence of price speculation. Analogous to ticking time bombs, these factors push the global economy into turmoil when confronted with unforeseen shocks. Consequently, they result in recurrent economic impacts, encompassing surging inflation, reduced economic activity, stock market collapses, and an upsurge in unemployment.

Subsequent to the "Great Depression" in the 1930s, the global economy experienced no fewer than five economic recessions, occurring in 1975, 1982, 1991, 2009, and 2020 (J. D. Guénette et al., 2022). Even though the underlying causes may be different, the effects have always been the same: a big drop in economic growth and activity across many different areas, leading to lower levels of production and distribution and, in the end, fewer job opportunities and higher prices. Our findings reveal that the value and quantity of such waqf assets are indeed substantial, encompassing both real estate and liquid assets. However, regrettably, the productivity associated with these assets remains considerably suboptimal. Several models for the expansion of waqf are viable, including waqf projects with Istisna', leasing (Ijarah), partnership (Musyarakah), Build Operate Transfer (BOT), Sukuk, Cash Waqf, Murabahah, and Mudharabah. We identified the potential of waqf to contribute to and stimulate the country's economic momentum towards a more positive and sustainable trajectory, thereby exerting influence on the economic state during periods of crisis. The developmental potential of waqf includes enhancements in economic activity, increased circulation of money, price stability, augmented production and distribution, decreased unemployment rates, amplified public facilities and amenities, and the mitigation of wealth disparities. Additionally, there are indirect effects whereby the benefits accrued from successful waqf projects are extended to those in need, such as the impoverished, scholars, academics, and others.

Regrettably, we found that due to the limited number of waqf development projects targeting existing waqf assets, the impact has yet to manifest on a significant and global scale, despite the substantial potential that exists. The study found a number of factors that contribute to this situation, such as: the fact that waqf isn't well managed or administered in many countries; there are a lot of unusable waqf properties, especially waqf lands; there isn't enough planning for waqf growth; communities and waqf administrators don't understand enough; and there isn't enough government support and oversight of waqf assets and their management.

RESEARCH METHOD

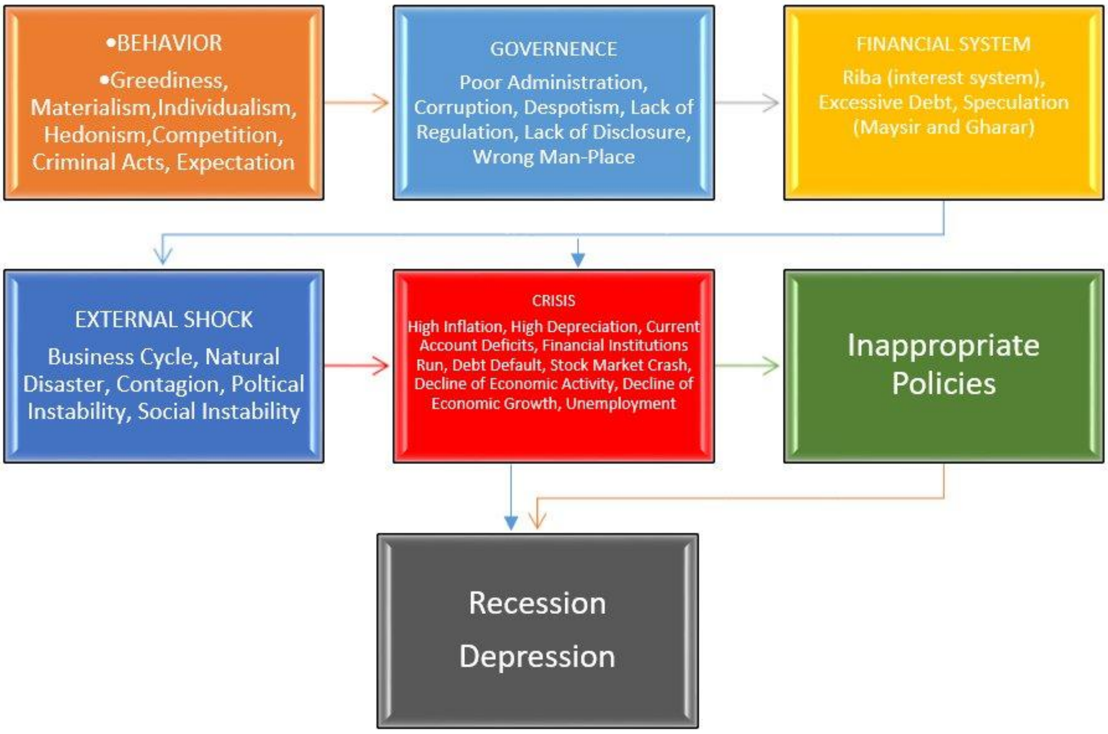
The methodology used in this study is qualitative research, involving an examination of past events related to economic crises, recessions, and waqf. We then sought to establish connections between various event variables, such as the causes and consequences of recessions and the potential relationship with the advancement of waqf. Subsequently, a phenomenological approach was adopted, involving an in-depth exploration of the phenomena (events, facts, and data) surrounding the occurrence of recessions and the development of waqf. This approach was chosen due to the unique and impactful nature of these facts, which captivate public attention and influence society. Leveraging insights from various economic theories, we scrutinized the phenomena of global economic recessions leading to negative output growth, encompassing the "Great Depression," "Great Recession," and the 2020 recession, as well as the impending threat of the 2023 recession brought about by the ongoing repercussions of the COVID-19 pandemic and Russia's invasion of Ukraine. Then we presented potential solutions to address these challenges, notably through the avenue of waqf development.

RESULT AND DISCUSSION

Economic Crisis and Recession

Economic crises and recessions can be likened to the flow of a river encountering obstacles and flooding. When the river's flow becomes obstructed due to various hindrances such as debris, mud, and other materials, the water gets dammed, making it difficult for it to flow towards the estuary. This results in water levels rising above the surrounding surface. As the water level continues to rise, flooding occurs, submerging anything above the water's surface. Economic recessions, in a similar manner, originate from crises that transpire within the economic sector. These crises extend across various sectors and occur within specific periods, causing a broad decline in economic activity that impacts economic agents, indicating that the economy is experiencing a recession. In line with the definition provided by the NBER's Business Cycle Dating Committee, a recession is a substantial decline in economic activity that spans all aspects of the economy and lasts for more than a few months. This decline is typically observed in production, employment, real income, and other indicators. A recession begins when the economy reaches its peak activity and concludes when the economy reaches its trough (Claessens et al., 2009). Now, the question arises: how do economic crises and recessions actually unfold?

Fig. 1: The process led to an economic crisis, recession, and depression:



A portion of the content has been sourced from: (Ascarya, 2017)

ANALYSIS

Potential of Waqf in Addressing the Causes of Economic Crisis

Behavior Issues

Moral issues, where human behavior (individual or collective) and desires are the primary drivers of all these disruptions. Waqf is one of the Islamic principles, wherein those who endow are willing to dedicate their wealth for collective utilization, seeking the pleasure of Allah 'azza wa jalla. Just as Allah subhaanahu wata'ala has said, "You will never attain righteousness until you spend [in the way of Allah] from that which you love. And whatever you spend, indeed, Allah is knowing of it." (Ali Imran: 92). Shaykh Abd al-Rahman al-Saadi - may God have mercy on him - explained in his commentary on Allah's statement, "Until you spend [in the way of Allah] from that which you love," that it refers to one's precious wealth, that which one's soul cherishes. Because if you prioritize love for Allah over love for material possessions, then you will utilize it to seek His pleasure. This demonstrates your sincere faith, the truthfulness of your heart, and the certainty of your righteousness (As-Sa'adi, 2007).

Therefore, initially, anyone who endows does not seek any material gain from the wealth they endow. This extinguishes greed, materialism, and individualism within a person. Likewise, with the waqf administrators, when they know that the endowed property does not belong to them and they do not gain substantial benefits from the waqf property except the pleasure of Allah 'azza wajalla, the feelings of greed and individualism vanish. As for the spirit to strive for and develop waqf assets, it genuinely arises from sincere faith and the desire to share collectively in managing the waqf. Waqf administrators are also permitted to receive a reasonable share of the waqf's earnings. If waqf management is conducted corporately, then there are predetermined wages for each worker.

Economic System Issues

Islamic economists such as (Chapra, 2008), (Siddiqi, 2009), (Al-Masri, 2009c), (A. M. Belouafi, 2009), (el-Din, 2012), (Ahmed, 2010), (Parameshwara & Aneesh, 2022) unanimously agree that, apart from moral issues as driving factors, two fundamental aspects lead to economic crises, recessions, and depressions. The first is the separation between the financial sector and the real sector, leading to the flaw of usury, where a significant portion of income and profit comes from generating money from money (such as interest), trading in debt, and baseless lending. The second is excessive speculation (maysir), particularly in derivatives. Both of these elements have become integral to the capitalist economic system, making crises inevitable. As American economist Lester Thurow (1996) wrote in his book "The Future of Capitalism," published in 1996, he likened the cyclical nature of the capitalist system to an earthquake. During a visit to China, he affirmed this notion by stating that economic crises cannot be avoided, just as earthquakes in San Francisco may occur tomorrow or perhaps after a century, the important point being their inevitability (A. M. Belouafi, 2009).

Debt and Interest (Riba)

Debt financing benefits lenders seeking guaranteed positive returns, but it can become unsustainable in the long term as not all endeavors generate additional wealth. Repaying debt with interest can lead to wealth transfers from entrepreneurs to capital owners, causing social inequality and tension. Dependency on debt financing and the growth imperative it entails contribute to environmental degradation and resource depletion, posing challenges to sustainable growth. The current monetary system, based on interest-bearing debt, exacerbates this issue by perpetuating the cycle of debt and monetary expansion (Siddiqi, 2009). As the principal debt may decrease over time compared to the accrued interest, this often results in individuals and even countries becoming unable to repay. This leads to debt payment crises and economic slowdowns, causing difficulties for middle- and upper-class individuals to balance debt and production processes (As-Shofi & Matarneh, 2009).

Interest's influence in the capitalist system has led to an increase in debt volume and loan expansion. Banks compete to provide loans using their own funds and deposits, escalating financial risk. Banks also direct financing toward unproductive activities in the market, increasing the likelihood of debtor defaults and bankruptcy. The way interest affects the capitalist system is by reviving economic activity during prosperous times and slowing it down during recessions. Banks lend based on their own needs, causing lending to surge during good times and freeze during bad times, resulting in cyclical economic cycles. Fundraising to rescue troubled banks instead of aiding the poor highlights capitalism's bias toward the economically strong. These issues only worsen when crises intensify and governments lose control (Al-Masri, 2009a).

Excessive debt, imbalances between assets and money, and speculative behavior have consistently triggered crises. For instance, the "roaring twenties" of the 1920s and the boom of subprime mortgages in the early 2000s foreshadowed times of crisis. Sovereign debt, like the increasing borrowing by America throughout the 1920s, led to the Great Depression. The US debt-to-GDP ratio (both private and total) sharply increased after 1929, when debt amounts remained constant while GDP decreased due to debt. Except for the anomaly of the Great Depression, the US has always maintained debt less than 200% of GDP (Alcidi & Gros, 2011). Between 1924 and 1931, the US was responsible for around 60% of total international loans, with about a third absorbed by Germany, as revealed by Feinsten et al (Crafts & Fearon, 2010).

BIS, in its 78th Annual Report, also concluded that excessive and careless lending by banks was a major cause of the 2009 financial crisis (Siddiqi, 2009). In an effort to stimulate rapid economic growth, the US Federal Reserve lowered interest rates from 6.2% to 1%. In reaction to this policy, Americans, both individuals and companies, rushed to invest in real estate, causing US real estate values to increase by around 85% during the period from 1997 to 2006 (Sa'adan & 'Ammari, 2010). This prompted individuals and companies across America to take out massive loans, hoping to reap significant profits.

Speculation (Maysir and Gharar)

The system implemented in stock exchanges and financial markets, which involves trading stocks, bonds, and commodities without the exchange of goods but rather repetitive buying and selling without transferring ownership, is an invalid system that exacerbates problems without solving them. This system leads to increased non-contractual trading, promoting speculation and volatility in the market (As-Shofi & Matarneh, 2009). Just as interest is the lifeblood of banks in the capitalist system, speculation (about prices) is the lifeblood of the stock exchange in this system (Al-Masri, 2009a). Speculation exacerbates price fluctuations as it thrives on instability, leading to economically unjustifiable price levels that do not reflect the true value of goods or shares (Al-Masri, 2009b; As-Saa'ati, 2009), necessitating monetary authority intervention to protect the market. Moreover, fluctuations in liquidity and monetary authority interventions can pose problems for monetary authorities in controlling inflation. Brokers, major speculators, and those with extensive knowledge are the ones benefiting from the heat of speculation. Sometimes, they manipulate prices and secretly collaborate using intrigue, plots, and rumors, effectively controlling the media. On the other hand, small speculators become victims, seeking profit and leading to poor financial resource distribution from small speculators to larger ones. Kia reveals that this leads to rapid stock trading and price hikes, misleading shareholders, as they cannot differentiate between increases resulting from company growth and those resulting from stock price speculation (As-Saa'ati, 2009).

Chapra reveals excessive speculation, particularly in derivatives like Credit Default Swaps (CDS), as a key contributing factor to financial crises (A. Belouafi et al., 2015). Despite claims of enhancing liquidity and market efficiency, empirical evidence shows that derivatives often invite speculative activity. The traded volume of derivatives, which far exceeds the world's GDP, indicates that the derivative market can be equated to a casino, becoming a zero-sum game with winners and losers (Siddiqi, 2009). According to data from the BIS in 2008, the notional amount of derivatives outstanding in America reached an all-time high of $692 trillion (including CDS at $62.2 trillion) in the first quarter of 2008, but then decreased to $600 trillion (including CDS at $54.6 trillion) in the second quarter. However, even after this decline, the amount was over ten times the total world output of $57 trillion (Chapra, 2008).

The Potential of Waqf in Addressing the Issues

According to (Siddiqi, 2009) and (Seidu, 2009), the prohibition of debt trading will reduce the overall volume of debt and strengthen the relationship between debt and real assets, thereby reducing speculation and volatility observed in the bond market. A more effective approach involves transactions supported by real assets, providing direct cash to consumers, small businesses, and homeowners to meet their financial obligations or stimulate new purchases, rather than exacerbating the debt cycle and potential future crises. Thus, projects based on waqf are expected to serve as a vehicle for implementing this.

Waqf must be operated in accordance with Sharia principles, including the prohibition of riba (interest), gharar (uncertainty), and maysir (gambling). Therefore, every waqf investment initiative should be based on the real sector. Although non-Islamic nations have their own endowments, they are not subject to the restrictions on riba, gharar, and maysir. This makes waqf investments counter to the conventional financial system, which is a source of economic crises. Through the massive and structured development of waqf, the growth of the real sector will also continue. Additionally, waqf has the potential to offer essential social services without government costs, which could contribute to gradually eliminating riba by leveraging voluntary contributions from affluent individuals to fund social services for society (Çizakça, 1998). In Islam, the prohibition of riba aims to curb injustices tied to financial exploitation that arise from opportunistic moneylenders who exploit debt repayment obligations without bearing associated commerce risks. Avoidance of gharar enhances transaction certainty, curbing information asymmetry and unethical asset appropriation. The ban on maysir fosters productive work ethics as opposed to unearned gains through gambling, which are known for their negative anti-social effects (Ayoub, 2012).

A sound financial system is one that contributes to justice. To achieve this, two conditions must be met: the sharing of risks between investors and entrepreneurs and the availability of financial resources for the poor. The Islamic financial system aims to achieve sustainable development by integrating justice into the financial system. To fulfill the first condition of justice, Islamic finance follows the principle of "no risk, no gain." The sharing of risk and profit is intended to encourage financial institutions to assess risks carefully and ensure the responsible use of funds by borrowers (Chapra, 2008) or business operators.

Another solution proposed by (A. M. Belouafi, 2009) involves significant public funding to rescue a fragile banking system as well as granting special grants to citizens, as seen in the case of Japan. This can alleviate panic and restore confidence in consumption and expenditure, thereby preventing prolonged recessions. This is similar to the idea of a global economist, Milton Friedman, who once humorously responded to a question about the fastest way to increase money circulation by saying, "Throw dollars out of an airplane." Joseph Stiglitz likened this money injection to a blood transfusion for someone experiencing bleeding, with the short-term positive effect being a reduction in panic and the restoration of trust.

Thus, the waqf system works by providing social benefits through the distribution of income while simultaneously being developed to continue growing and yielding larger results. This cycle of input and distribution will remain continuous, making its effects sustainable, which is why waqf is referred to as perpetual funding. Waqf stands as a legacy that can be preserved through effective management over time. Unlike private ownership, which may vanish with changing generations or holders of authority.

The benefits of waqf investment are not exclusively for the beneficiaries or the waqf itself. Collaborations between waqf and investors create mutually beneficial opportunities for the public (waqf) and the private (individuals or companies), rather than exclusively benefiting the waqf as a public entity. Through contractual schemes like ijarah, mudharabah, musharakah, murabahah, sukuk, istisna', Build Operate Transfer, and similar arrangements, waqf investments can also serve as intermediaries for the development of private enterprises. Moreover, if combined with the intention of mutual assistance (ta'awun) in goodness from the private parties, waqf will thrive and grow, providing broader benefits. There are no prohibitions in Islam against acquiring wealth, but Islam always encourages wealth to be beneficial to the wider society and the environment. With this principle in place, a balance will be created in the acquisition of personal profits, as individuals not only gain profit but also play a role in providing benefits to others.

The Potential of Waqf in Addressing the Impact of Economic Crises

Enhancing Economic Activity and Economic Growth

The flourishing of waqf projects inevitably affects the production and distribution sectors. The substantial waqf assets, whether in the form of properties (lands and buildings) or cash, present an extraordinary potential to boost the economy. Similarly, the government can create jobs and stimulate the national economy by initiating productive projects. This catalyzes all sectors of the economy, starting from mining, which provides raw materials, to factories, shops, the service distribution sector, contractors, technology, and even the food sector for workers. Everything moves together, like an interconnected chain.

From a profitability perspective, waqf does not differ much from a business built through the collaboration of several individuals seeking gains from their business endeavors. Waqf, on the other hand, is much better for the economy because it is universally and equally distributed and has no owner. (Ahmad, 2019) asserts that if waqf institutions are managed well and effectively, a significant amount of wealth can be accumulated from the private sector for the public good. This can aid the government in its responsibilities, including providing social welfare, managing public institutions, provisioning public goods, and promoting developmental and infrastructural projects. The institution of waqf also contributes to the provision of public goods and developmental projects in society, such as mosques, schools, hospitals, roads, water supply, and the construction of dams for irrigation farming. By utilizing waqf funds to finance such projects as new constructions, reconstructions, and rehabilitations of public goods, the government can reduce its expenditures or redirect funds toward other economic activities. The waqf system can play a significant role in achieving a key goal of modern economists: a substantial reduction in government expenditure, leading to a decrease in the budget deficit, reduced need for government borrowing, thus mitigating the "crowding-out effect," and ultimately lowering interest rates, which in turn removes a fundamental impediment to private investment and economic growth. The concept of waqf effectively addresses the issue of undersupply of public goods frequently seen in conventional economies. While conventional economics often faces underproduction of public goods due to free-rider problems, waqf, within Islamic economics, consistently provides an abundant supply of public goods. In this context, the challenge may shift from scarcity to an excess supply of public goods (Çizakça, 1998).

The development of waqf does not solely entail large-scale project construction. In certain countries, such as Indonesia, the output largely depends on small and medium-sized enterprises (SMEs), contributing approximately 61.07% to the GDP and collecting up to 60.4% of total investment (Limanseto, 2021). Through collaborative financing or the provision of facilities and infrastructure, waqf can stimulate the production and distribution sectors within SMEs. For instance, the establishment of markets, shopping centers, equipment, and strategically located properties for rent, funding through qardhul hasan, and more.

In the planning of waqf projects, especially large-scale ventures involving long-term contractual agreements, cooperation or consultation with the government is essential to creating a well-structured development plan aligned with national economic progress. Without such coordination, unintended consequences may arise, such as inflation, decreased purchasing power, and reduced profit margins in the long run. For example, the simultaneous development of multiple waqf projects in the same region can lead to significant additional demand for the construction industry. Assuming limited spare capacity within this sector, the effect would be price hikes negatively impacting the development of other properties (Nienhaus, 2018).

Maintaining Consumer Price Stability

Inflation, typically triggered by economic instability ranging from declining output growth to reduced job opportunities, has been exacerbated by recent circumstances. For instance, the recent inflation is a consequence of the sharp decline in output during the 2020 recession caused by COVID-19, now further compounded by the conflict in Ukraine, disrupting global production and distribution sectors. According to the World Economic Outlook report (2022-2023), global output contracted from 4.5% in 2021 to 2% in 2022. Global inflation is projected to surge from 4.7% in 2021 to 9.2% in 2022. World Trade Volume (goods and services) decreased from 10.1% to 5.1% (IMF, 2022, 2023). Since the onset of the Ukrainian conflict, coal prices have surged by 60%, European natural gas prices by over 30%, and wheat prices by around 40%. The European region grapples with a 400% surge in gas prices and doubled oil prices since January 2021 (J. Guénette et al., 2022). The International Energy Agency (IEA) reported that North Sea Dated (NSD) crude oil prices skyrocketed to $113/bbl in May 2022, peaking at $123/bbl in June. Prior to the oil price war, crude oil prices were below $80/bbl in June 2021 (International Energy Agency, 2022). These increases in staple commodity prices have caused cascading effects on various other commodities.

With a balance between waqf development and the distribution of its benefits, waqf is anticipated to exert an impact on price stability. Hence, its expansion must consider prevailing production factors and regional or national economic developments. The abundant waqf assets hold substantial potential to cover deficits in commodities experiencing drastic declines in production and distribution, particularly essential items like food and energy. Agricultural waqf and cash waqf can revitalize the production of key food commodities such as rice and wheat. In the energy sector, waqf can contribute to the development of renewable energy, especially within the framework of the ongoing green waqf initiative. The outcomes of these waqf projects can be directly distributed to those affected by crises and inflation, with the remainder reinvested.

Absorbing the Workforce

Historically the waqf system has played a significant role in addressing the issue of employment. In Turkey, the ratio of individuals employed by the waqf system compared to those employed directly by the state has varied over time: around 8.23% at the beginning of the century, 12.68% in 1931, and dropping to 0.76% in the 1990s. However, the waqf system's contribution to employment in the Turkish Republic seems to have diminished, notwithstanding the exclusion of self-employed retailers, small-scale producers utilizing waqf premises, and those employed by new waqf funds established under secular Turkish Civil Law. This decline can be attributed to both the broader decline of the waqf system in Turkey before the 1967 Act and a deliberate state policy aimed at reducing its influence (Çizakça, 1998).

With the increasing number of productive projects, it automatically absorbs a considerable amount of labor across various sectors. There are various ways to create employment opportunities through waqf projects, including financing and developing the SME sector. For instance, in Indonesia, 97% of the workforce is engaged in the SME sector (Limanseto, 2021), indicating that SMEs play a pivotal role in the Indonesian economy by employing nearly the entire workforce. Through waqf participation, whether through profit-sharing financing schemes, qardhul hasan financing, training and development programs, or the provision of business facilities via lease agreements (such as marketplaces and shopping centers) and digital platforms, waqf can have a significant impact on job creation and workforce competency development. However, all of this cannot be achieved in isolation; it requires full support from the government in terms of regulation, project mapping, and financial cooperation, as well as oversight.

There is a famous quote that goes, "Give a man a fish, and you feed him for a day. Teach a man to fish, and you feed him for a lifetime." Therefore, the distribution of waqf benefits doesn't always have to be in the form of consumable goods; it might be even more beneficial if the distribution is in a form that enables beneficiaries to sustainably benefit from waqf. This is especially crucial for the impoverished and unemployed. Thus, the presence of waqf should not only provide the fishing rod but also the pond. Waqf can offer its benefits in the form of capital for businesses, followed by business training programs in collaboration with the government and entrepreneurs. This approach also includes providing scholarships for students and equipping them with the skills to lead prosperous lives and contribute to the well-being of others in the future. Such a development model has already been implemented by ACT's Global Waqf. Based on data from ACT's Global Waqf as of July 2021, microenterprise waqf funds have supported approximately 3,905 micro-entrepreneurs, involving 167 assistants and employing 1,661 workers (Hamdi & Candra, 2022). Moreover, the projects related to infrastructure and public facilities carried out by waqf organizations align with employment growth efforts.

Opening Opportunities for Stock Market Growth

Apart from preserving stock market stability by curbing speculation, waqf can also contribute to the growth of the stock market. According to the State of the Global Islamic Economy Report (2022), Islamic financial assets are estimated to have grown to $3.6 trillion in 2021, marking a 7.8% increase from $3.4 trillion in 2020. This figure is forecasted to reach $4.9 trillion by 2025. Investments in the Islamic economy sectors in OIC and certain non-OIC countries grew by 118%, reaching $25.7 billion in 2020/21 from $11.8 billion in 2019/20 (Dinar Standard, 2022).

A key segment of the Islamic finance market is Islamic bonds, known as sukuk (Elasrag, 2012). In the first half of 2021, global sukuk issuances reached a record high of $100 billion, and this figure was expected to rise even further by year-end (Dinar Standard, 2022). Waqf projects and cash waqf have substantial potential to contribute to the issuance of sukuk through sukuk-based financing. Waqf can play a dual role: firstly, as project implementers who subsequently issue sukuk, and secondly, as investors who purchase sukuk with waqf funds for the development of projects that are deemed viable and meet the criteria.

Considering the abundant waqf assets in the form of real estate, sukuk issuance can be regarded as a popular option for financing the development of waqf properties (Hasan, 2014). Through sukuk issuances, everyone can participate in developing underutilized waqf assets, and waqf managers can undertake waqf projects more easily. Similarly, cash waqf funds can support important public projects through sukuk programs like mudarabah and musyarakah, among others. Modern times have made sukuk issuance quite straightforward, thanks to crowdfunding models via internet-based platforms, enabling anyone to purchase sukuk tied to waqf projects.

Several waqf projects have already utilized sukuk-based financing, such as the construction of the Zamzam Tower in Mecca through the sukuk intifa' scheme, successfully raising $390 million (Rafay et al., 2017), and the mixed-use property development project in Singapore carried out by MUIS through its subsidiary with Istisna' and Ijarah agreements under the musyarakah sukuk financing scheme, costing $35 million (Hasan, 2014). In 2021, APIF recorded sukuk investments amounting to $29 million, with $24 million issued by the government and $5 million by other entities (APIF, 2021).

An essential consideration in waqf asset development through sukuk is that the income due to beneficiaries will be withheld until the completion of the project, alongside rental income flows. Hence, it is crucial to ensure that beneficiaries continue to receive funds throughout the waqf asset development process, without any disruption (Hasan, 2014). Effective management by waqf administrators and collaboration among waqf institutions are vital to maintaining the balance between profitability and benefit distribution.

Reducing Wealth Inequality

One of the most prominent dark aspects of the capitalist system is the concentration of wealth in the hands of a small fraction of individuals or groups worldwide. From a human rights perspective, there is no problem with someone amassing great wealth. However, what is consistently questioned is whether this wealth has been acquired fairly and for what purpose it has been amassed. All of these concerns stem from materialistic and individualistic moral issues.

Research by (Michalopoulos et al., 2016) concludes that empirical evidence shows that Islam, with its economic principles aimed at balancing production factors and prioritizing wealth diffusion over-concentration, was able to manage various interests in regions with agricultural disparities during the 7th century when trade routes emerged. These principles fostered unity and helped construct a cohesive framework amidst geographic disparities. While it may have inhibited capital-intensive growth, impacting pre-industrial era progress, according to Michalopoulos, waqf, as one of the instruments of Islamic economics, theoretically encourages advancement. Although waqf is a public entity, it doesn't nullify the private sector's ability to thrive. With its abundant assets, waqf opens wide doors for collaboration in economic development. Hence, anyone with entrepreneurial capabilities can partner with waqf for development, similar to government projects that open opportunities for collaboration with the private sector to advance the national economy. This means that the state's assets can assist anyone with the ability to grow their wealth. This is far better and fairer than the current reality, where wealth is centralized among a few individuals and opportunities for further growth and advancement revolve mainly within their circles. Islam, in practice, doesn't fragment wealth comprehensively but rather proportionally in accordance with personal rights. It's distinct from socialism, which generally disregards private ownership rights. Similarly, Islamic inheritance concepts like waqf dzurry (family waqf) offer solutions. These ensure that successful businesses can continue to thrive with an equitable profit distribution. This approach emphasizes justice and broader shared well-being, moving away from individualism and greed.

Advancing waqf with the goal of providing benefits from its assets is a solution to mitigate wealth inequality. The waqf development system, with its investment and social distribution components, has had a fair and equitable wealth distribution impact. Especially when global waqf cooperation is implemented, equitable development can be easier, particularly for developing and impoverished nations. Some projects have already been implemented through funding from international waqf bodies like APIF, for instance.

Challenges

Poor Administration and The Lack of Effective Management

According to (Shalihat, 2018), there are seven principles that must be met for effective waqf management: transparency, accountability, combating corruption, empowerment and enablement, responsive governance, decentralization or institutionalization, and preserving waqif donors' rights. For the purpose of efficient and structured global waqf management, (Rashid, 2018) proposed the establishment of a global waqf institution, such as the World Waqf Development Corporation (WWDC), consisting of various departments dedicated to research, construction supervision, quality control, and auditing. He emphasizes the necessity of a research team to analyze ongoing construction projects, taking into consideration factors like feasibility, appropriate construction firms, and quality control methods. Adequate financing, estimated at approximately 500 million dollars annually, is imperative. The corporation should avoid government control to prevent bureaucratic hurdles and political influences, with a meticulous selection of board members possessing expertise in Islamic finance, law, construction, and auditing, while ensuring ethical and professional conduct. The formulation of its Articles of Association and Memorandum of Association is crucial for its success.

According to (Abdelrahman, 2021), several factors drive the globalization of waqf, including the complexity of contemporary life systems, the enhancement of waqf financing capabilities, particularly for large projects, the need for such large-scale projects, easily accessible communication channels, historical efforts to weaken the waqf system during the colonial era, the significance of Islamic waqf in humanitarian and global disasters, the Muslim community's need to participate in cross-border social activities, and the necessity to re-globalize the message of Islam after it receded behind the curtain of modern nationalism.

Indeed, due to differences in laws and regulations in each country, it is not easy to centralize management under one entity. It requires diligent effort to devise a specific formula for achieving this, which is not impossible. In fact, it may not be problematic if global waqf management does not operate under a single global institution. However, the presence of a global institution that, at the very least, compiles comprehensive data on the distribution and development of waqf worldwide is crucial. This would facilitate management, especially in fostering cooperation among institutions or countries and conducting studies on waqf development.

The lack of competence among waqf managers remains a significant issue. For instance, according to the findings of a CSRC survey, only 16% of nazhirs in Indonesia work full-time, while the majority (84%) do so on a part-time basis (Rozalinda, 2016). Consequently, waqf management lacks professionalism and often appears to be merely routine. However, nazhirs are key to waqf development. Therefore, there must be a solution to enhance the professionalism of nazhirs in managing and developing waqf assets. Indonesia has initiated a voluntary certification and standardization program for nazhirs, but its participation is limited, and its impact has yet to be significant. Nevertheless, as a starting point, this program is commendable, with hopes that in the future it can be implemented in other countries and made mandatory for all waqf managers.

Additionally, Rashid proposes the separation of waqf management into two categories: the Council of Religious Awqāf (such as mosques, graveyards, Imāmbārgāhs, etc.) and the Directorate of Secular Awqāf (investment management of awqaf) (Rashid, 2018). Under the supervision and direction of religious scholars, experts in each segment's respective fields would oversee and direct it to ensure compliance with Shariah principles. This division allows for a more focused approach to waqf development, thereby enhancing competence in waqf management. It serves to strike a balance between waqf profitability and the distribution of its social benefits. Importantly, this separation would still fall under the auspices of a single institution, ensuring efficient administration and accountability.

The existence of the APIF, for instance, as an institution providing financing for waqf programs in member countries of the Organization of Islamic Cooperation (OIC), represents significant progress in the wake of the weakening of the global waqf system in the modern era. To date, APIF, operating under the umbrella of the IsDB, stands as the largest and most prominent institution for waqf development through real estate property financing. As of the end of 2021, the APIF portfolio includes 55 completed or ongoing projects with a total value of US$ 1 billion. Of this amount, US$ 486 million is contributed by APIF, APIF Line, and IsDB, with the remainder coming from beneficiaries (APIF, 2021). APIF's comprehensive data collection efforts in recent years are well-documented in its annual reports. With this model in place, it is hoped that in the future, there will be an institution with the capability to comprehensively oversee and document waqf assets worldwide, or at least in OIC member countries.

Many Underutilized Waqf Properties, Especially Waqf Lands

History records that waqf once thrived as an advanced and integral component of the economic system in Islamic countries. This is why many Islamic economists now use the term "revitalization" of waqf to describe the development of waqf in the modern era. Waqf is not something new or in its nascent stages; on the contrary, it experienced rapid growth and subsequently declined. There are numerous waqf assets, particularly in several Middle Eastern countries, that should ideally serve as significant drivers of economic growth. However, their role has drastically diminished, if not diminished altogether, since the colonial era. For instance, in Saudi Arabia, 54% of waqf land remains unutilized. Volker Nianhaus (2018) reveals that the social welfare schemes of countries may have become less relevant, possibly true for some Muslim-majority nations but certainly not for all. He cites an OECD report on social and welfare issues, which shows that public social spending in Turkey has more than doubled over the past 25 years, from 5.5% to 13.5% of GDP, but it still falls far below the OECD average of 21% of GDP (Nienhaus, 2018).

There are many factors contributing to the poor management and low productivity of waqf assets, such as the incapacity of waqf administrators and asset managers, the geographic remoteness of waqf properties or their challenging development potential, and the lack of funding for waqf management. Therefore, governments can establish specific programs and regulations for waqf governance, such as transferring waqf assets from incapable administrators to more competent ones or applying ibdal and istibdal principles in accordance with Shariah and trust conditions. Collaboration between the government and administrators, or between administrators and private companies in waqf development, through arrangements like Build Operate Transfer, can also be beneficial. Additionally, there should be training programs for waqf governance involving all stakeholders, regulators, and experienced entrepreneurs, as well as financing programs for waqf through internet platforms and other means. Contemporary efforts to revive awqaf assets across various countries can be categorized into two main areas of development. Firstly, initiatives involve the establishment of relevant laws, Shariah regulations, and standards, creating an enabling environment for waqf growth. Secondly, strategies focus on amplifying the waqf sector's impact by expanding its scale and improving the efficiency, effectiveness, and productivity of waqf (UN Saudi Arabia & ICD, 2021). Additionally, the lack of modernization in waqf management remains an obstacle. With the advancement of technology in the modern era, it is expected that waqf administrators will also enhance their literacy and adopt more sophisticated and modern approaches. From project selection to waqf planning, funding, and oversight, more advanced models should be employed to optimize waqf development.

One approach to address financing issues while enhancing competence and modernizing waqf management is through waqf projects utilizing the Build Operate Transfer (BOT) or Modernize Operate Transfer (MOT) contractual systems, or similar forms. Under these agreements, waqf administrators collaborate with private companies to build projects on waqf assets or modernize existing project equipment and management techniques. This collaboration is an agreement between the landowner or his representative and a financier (the project company). Based on the agreement, an enterprise is established and managed by the financier, who will be entitled to its full returns (or as per arrangement agreed upon), for a specific period during which he redeems his capital investment and achieves a reasonable At the end of that period, ownership of the enterprise, in its desired operational form, is transferred to the landowner (International Islamic Fiqh Academy, 2009). Consequently, this contractual model not only enhances waqf management due to the involvement of experts in the field but also provides waqf managers with the opportunity to learn from project-executing companies about how to manage the waqf efficiently. Thus, upon contract expiration, waqf managers can attain two key outcomes: well-operated and modernized waqf assets, along with the competence to continue managing and developing these assets, resulting in revenue generation from the assets.

The Absence of a Well-Structured Waqf Development Roadmap

We observe that there has yet to be massive and structured global project planning for waqf development. Even in many Muslim-majority countries, this has not been earnestly and strategically implemented. The abundance of institutions or individuals managing waqf without a unifying body to oversee and coordinate waqf development has led to a lack of clear direction and well-organized development in this sector. Yet, the social potential of waqf is immense if it can be comprehensively and collaboratively planned.

Verifying asset data can be the first step in the planning phase, which can then include research on the distribution of waqf assets and potential projects. It's essential to recognize that different regions may require distinct development approaches. For example, urban and strategically located waqf assets differ from those in rural or suburban areas. Waqf administrators must prioritize projects that are important, feasible, and in need of immediate attention while delaying others. From both a technical and conceptual standpoint, it is not advisable to attempt to revitalize 25-30 thousand waqf projects simultaneously. Reasonable criteria for project prioritization can include internal rates of return or return on investment (Nienhaus, 2018).

Waqf development should also strike a balance between social impact and profitability. Thus, in devising a waqf development plan, administrators must consider both aspects. In reality, these two facets are not standalone but intertwined, as social impact is the ultimate goal of waqf, with profitability serving as the means to achieve it. An imbalance between these aspects can undermine the very purpose of waqf.

Zarqa (1994) argues that waqf should assign greater weight to the profitability of funds from waqf projects, in line with binding Shariah regulations. In most, if not all, Muslim countries, waqf administrations lack sufficient income to carry out their primary functions effectively in society. This, in turn, leads to a low quantity and quality of waqf services. For instance, in many Muslim countries, waqf cannot offer competitive salaries to mosque imams, making it challenging to attract qualified individuals for this vital role. In such circumstances, I believe that burdening waqf projects with objectives other than profitability could negatively impact waqf's ability to fulfill its other social responsibilities (Zarqa, 1994). It may be true as long as it does not entirely disregard the waqf's fundamental goal of consistently providing social benefits and if it is in the early stages of waqf development. Clear criteria should exist for determining when profitability is considered adequate so that benefit distribution can be maximized and sustained. Additionally, expenditures related to waqf earnings distribution are not purely consumptive, as economic theory itself emphasizes the need for government expenditures to stimulate economic circulation through social assistance or other incentive mechanisms. This is to create economic equilibrium.

Feasibility studies are also part of the planning process. Feasibility studies are crucial for the success of any development project. However, because feasibility studies estimate the amount to be invested, operational costs, and expected income, all of which are based on future events, it is always prudent to proceed with caution. Sometimes, it is wiser to commence with a "pre-feasibility" study. Moreover, one should be mindful of the "time gap," which refers to the time between conducting the study and the actual commencement of the project. This can impact budgeting and economic feasibility (Rashid, 2018).

The Lack of Understanding Among The Public And Waqf Managers

One of the reasons for the limited role of waqf in economic development is the lack of understanding among the public about waqf. According to the National Waqf Literacy Survey Report (2020) in Indonesia, the National Waqf Literacy Index (ILW) received an overall score of 50.48, falling into the low category. It consists of a basic understanding of the waqf literacy score of 57.67 and an advanced understanding of the waqf literacy score of 37.97 (Badan Waqf Indonesia (BWI) et al. 2020).

The real issue lies in the public's understanding of Islamic teachings itself. Most people are generally familiar with the basic principles of Islam without delving into the details, especially when it comes to Islamic economics. Even the simplest matters, such as the prohibition of usury (riba), are not well understood by many Muslims, and they often consider them common and insignificant, as if the prohibition of usury in Islam had never existed. However, the sin of engaging in usury is substantial. This is evident from the proliferation of online interest-based loans, which continue to thrive. The lack of understanding among the public about waqf, especially in Southeast Asia, can be attributed to several factors:

a. Insufficient comprehension of the virtues of waqf as an ongoing charity (sadaqah jariyah), where the rewards continue to flow even after the waqif (donor) has passed away.
b. Limited knowledge of the various forms or types of waqf, which encompass waqf of assets, waqf through money, and cash waqf. Consequently, the public tends to associate waqf primarily with assets such as land and buildings.
c. A misconception that waqf is solely for direct use, such as mosques, cemeteries, Qur'ans, schools, etc. Productive waqf, which can be developed and the proceeds utilized, is not widely understood. Most people believe that waqf is only for direct usage.
d. Lack of understanding regarding how to manage productive waqf to ensure continuous generation of income and broader development.

In some countries, there are already movements aimed at enhancing public literacy about the importance of waqf. For example, in Indonesia, the government launched the National Cash Waqf Movement (GNWU). It is hoped that in the future, governments and waqf management institutions can continue to collaborate to increase the literacy of the Muslim community regarding the virtues of waqf and the significance of engaging in waqf for sustainable economic resilience and its benefits for a broader society.

The Lack of Government Support and Supervision of Waqf Assets and The Management

Support, not the takeover of waqf authority by the government. Therefore, logically, the state, as part of the public sector, has no direct involvement in it except for general oversight for good governance purposes. This is how waqf administration was designed during the time of the Prophet (peace and blessings be upon him) and has continued like this for centuries. Although in history, there have been times when waqf was fully controlled by the state, such as during the Mamluk Dynasty (1250-1517) and the Ottoman Empire (1281-1918). However, the general Muslim population and some Muslim countries now increasingly believe that state intervention in waqf management is unhealthy, unwise, and counterproductive (Rashid, 2018). This is due to moral and political issues becoming problematic. Compared to zakat, which must be distributed directly, waqf is much more complex, with the requirement to preserve and develop its assets.

Government support for waqf management is crucial, given the importance of overseeing waqf management to ensure it aligns with the waqif's intentions and becomes more productive. Many problems arise from weak monitoring systems and regulations over waqf assets, leading to the loss of waqf assets. The loss of waqf assets can be attributed to several factors:

a. Poor administration and documentation of waqf assets, means that after the waqif or waqf supervisor passes away, there is no one to continue managing the waqf assets, especially when they involve land.
b. Misappropriation of waqf assets by untrustworthy waqf managers, especially when waqf is managed by individuals rather than institutions.
c. Disputes over waqf assets by heirs after the waqif's death. This is a common issue in Indonesia, where heirs often demand the return of waqf assets shortly after the waqif's passing, even though many waqf lands have already been developed for schools or other infrastructure. This is primarily due to the improper administration and lack of legal entities managing waqf.

After the colonial era, which led to the decline of waqf worldwide, many waqf assets were lost, undocumented, or misused by irresponsible individuals. For example, Macedonia lost over half of its waqf properties, or about 7,006,909 square meters of property area, leaving 6,412,013 square meters (Obaidullah & Shirazi, 2017). In Kuwait, 323 unregistered waqf properties were discovered, unknown to the secretariat (Al-Anba, 2021). In India, 70% of the land in Delhi was owned by waqf—now lost due to questionable management (Stibbard et al., 2012). In Indonesia, around 43% of waqf land, or approximately 252,937 hectares, is still without proper certification (SIWAK, 2023).

This is where the importance of government support through regulations, oversight, and periodic evaluation comes into play. The existence of a waqf body overseeing waqf management in accordance with existing regulations is crucial, whether it's an internationally or nationally scaled independent waqf body. Regulations should also mandate that waqf be managed by legal and registered institutions rather than individuals, as is often the case.

CONCLUSION

The imminent threat of a global economic recession in 2023, driven by escalating inflation and economic downturns, underscores the urgent need for proactive measures. Economists worldwide have recognized recurring extraordinary events as symptomatic of fundamental issues within the current global economic system. This system, seemingly bereft of fairness and predominantly propelled by greed, individualism, and materialism, disproportionately benefits specific societal segments, resulting in a plethora of consequences contributing to social instability.

Waqf, an ancient Islamic philanthropic instrument, has resurged to global prominence in the contemporary era due to its substantial potential for tackling these prevailing challenges. Waqf plays a pivotal role in mitigating moral issues underpinning economic downturns, such as greed and materialism, by fostering selflessness and collective well-being. Furthermore, Waqf aligns with Islamic economic principles that address systemic flaws in the global economic system, including the division between financial and real sectors and the detrimental effects of interest-based debt and excessive speculation. Adhering to Sharia principles, Waqf investments inherently link to the real sector, nurturing economic stability and sustainable growth.

However, there are a number of difficulties associated with this resurgence that call for strategic responses and combined efforts from governments, waqf institutions, and society at large. The principal challenge lies in the poor administration and ineffective management of waqf assets. Addressing this issue requires establishing clear principles for effective waqf management, including transparency, accountability, and anti-corruption measures. Proposals for creating global waqf institutions, like the World Waqf Development Corporation (WWDC), hold promise, provided they remain free from bureaucratic obstacles and political influences. Enhancing the competence of waqf managers through certification and standardization programs is crucial to elevating professionalism in waqf management. The underutilization of waqf properties, particularly waqf lands, represents a global concern. Governments must play a pivotal role in transferring assets from incapable administrators to competent ones, fostering public-private partnerships for waqf asset development, and promoting digital transformation in waqf management. These efforts can unlock the economic potential of vast, underutilized waqf assets. The absence of a well-structured waqf development roadmap poses another challenge. A clear roadmap ensures that waqf development efforts are well-organized, effectively targeted, and sustainable.

In conclusion, addressing these challenges demands a multifaceted approach encompassing regulatory reforms, capacity building, educational campaigns, and innovative partnerships. Waqf, as a powerful instrument for socioeconomic development, can only reach its full potential when all stakeholders collaborate to promote its efficient and ethical management. The revitalization of waqf transcends historical preservation—it represents a contemporary imperative for fostering sustainable economic growth and social well-being in Muslim-majority nations and beyond.

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