THE ROLE OF WAQF IN SOCIO-ECONOMIC DEVELOPMENT: GLOBAL EXPERIENCES AND CASH WAQF OPPORTUNITIES IN UZBEKISTAN

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Abstract. *Waqf, an integral institution in Islamic finance, plays a pivotal role in socio-economic development, providing essential services in areas such as education, healthcare, and poverty alleviation. This article examines real-life waqf models from Turkiye, Malaysia, and Indonesia, highlighting their contributions to social welfare through modern adaptations, including cash waqf initiatives. In Uzbekistan, the waqf sector is currently overseen by the Waqf Public Charitable Foundation, which manages waqf properties and donations collected at religious sites. This study analyzes Uzbekistan's waqf governance, reviews successful global waqf models, and offers practical recommendations for enhancing the waqf sector's socio-economic impact in the country, with a particular focus on cash waqf potential.*

Keywords: *Waqf, Islamic finance, socio-economic development, Uzbekistan, cash waqf, poverty alleviation, waqf governance*

INTRODUCTION

The term waqf, originating from the Arabic waqafa (to hold or restrain), traditionally involves dedicating assets for perpetual social benefit. Historically, waqf has underpinned the development of Islamic civilizations by funding essential public institutions, including mosques, schools, and hospitals (Al-Arif, 2010). The concept has evolved with the introduction of cash waqf, allowing monetary donations to support socio-economic projects across a wider spectrum. This article analyzes successful waqf models globally, with a particular focus on cash waqf initiatives, to provide a framework for optimizing waqf's impact in Uzbekistan. Given that Uzbekistan has a population exceeding 37 million, with more than 93% are Muslims, the potential for cash waqf as a widely embraced socio-economic tool is significant. This strong Islamic demographic foundation represents an invaluable opportunity to expand the waqf sector by increasing public participation in cash waqf.

GLOBAL WAQF APPLICATIONS AND GOVERNANCE STRUCTURES

Overview of Waqf in Turkiye Waqf, known as foundations in Turkiye, has historically been a central institution in supporting socio-economic development. Dating back to the Ottoman Empire, waqf has been instrumental in establishing public services, including education, healthcare, infrastructure, and religious facilities, creating a well-organized welfare system for the community (Insight Turkiye).

Regulatory Framework in Turkiye, waqf activities are regulated by the Foundation Law of 2008, which outlines the legal structure for managing and safeguarding waqf assets. The Directorate General of Foundations (DGF), an agency under the Prime Ministry, is responsible for overseeing waqf operations. The DGF’s role includes managing and monitoring waqf properties, ensuring that they are preserved, economically managed, and aligned with their intended charitable

purposes. This organization ensures transparency and accountability in the waqf system, especially for cash waqf (Wikipedia - Directorate General of Foundations).

Types of Waqf Turkiye's waqf system encompasses several types, each with unique governance and management protocols:

Fused Foundations (Mazbut): Inherited from the Ottoman period, these waqf institutions are managed directly by the DGF.

Annexed Foundations (Mülhak): These are family waqfs still under the management of the original family or the DGF, depending on the specific foundation.

New Foundations: Established after the Ottoman period, these foundations are registered and monitored by the DGF, ensuring they adhere to modern waqf regulations (Insight Turkiye).

Emphasis on Transparency and Accountability To maintain stakeholder trust and ensure effective management, the Turkish waqf governance system emphasizes transparency and accountability. The DGF mandates regular audits, applies comprehensive accounting principles, and publishes reports on waqf activities. Such practices bring waqf governance in line with non-profit best practices, helping to secure the rights of all stakeholders, including donors and beneficiaries (Academia.edu - The Ottoman Cash Waqf as Altruistic Finance Model).

Contribution to Education Waqf plays a significant role in supporting higher education in Turkiye. Waqf funds provide scholarships, research grants, and essential infrastructure for various universities, including both public and waqf institutions. A prominent example is Istanbul Sabahattin Zaim University, which was established by the Ilim Yayma Foundation. This university exemplifies a successful waqf-funded educational model, continuing the tradition of supporting higher learning and research through waqf-based funding (Academia.edu - The Ottoman Cash Waqf as Altruistic Finance Model).

Directorate General of Foundations' Broader Mission The DGF's mission extends beyond managing waqf properties. Its broader objectives include:

Promoting social and cultural services through waqf

Maintaining national and international coordination for waqf-related activities.

Establishing cultural centers, museums, and libraries to preserve and promote Turkiye's rich waqf heritage.

The DGF's comprehensive mandate demonstrates Turkiye's commitment to preserving waqf assets, expanding waqf's reach, and maintaining a governance structure that respects the waqf's charitable and perpetual nature.

Cash Waqf in Turkiye Cash waqf, a form of endowment where the principal is in cash rather than physical assets, has played a significant role in Turkiye's socio-economic development. Cash waqf allows for a flexible and inclusive form of waqf, enabling individuals from various income levels to contribute. Funds from cash waqf are invested in Shariah-compliant ventures, with returns used for public welfare projects such as healthcare, education, and microfinance (Insight Turkiye - Ottoman Cash Waqfs: An Alternative Financial System).

Modern Applications and Integration with Islamic Finance Cash waqf in Turkiye integrates well with Islamic finance, particularly with instruments like cash waqf-linked Sukuk (Islamic bonds). These bonds enable waqf funds to be invested in Islamic bonds, generating consistent income for waqf projects. This approach not only ensures sustainability but also aligns with Turkiye's waqf governance standards (DergiPark - The Cash Waqf Model in Turkiye).

WAQF MANAGEMENT IN MALAYSIA

Legal Framework and Governance

In Malaysia, waqf is governed by state authorities under the jurisdiction of the State Islamic Religious Councils (SIRC), with each council acting as the sole trustee for waqf properties within its respective state. This governance structure reflects Malaysia's federal system, where Islamic matters are managed at the state level, creating a decentralized approach to waqf management (Rani & Aziz, 2010). The Federal Constitution of Malaysia grants the King authority over Islamic matters in states with a Sultan, while states without a Sultan, such as Penang and Sabah, fall under the jurisdiction of the Yang di-Pertuan Agong or other designated leaders for Islamic governance. Matters related to the administration of Islam, including waqf, are managed by the states and supported by specific state legislation, as prescribed in Schedule 9, List II of the Federal Constitution (Rani & Aziz, 2010).

In 2004, the Department of Awqaf, Zakat, and Hajj (JAWHAR) was established at the federal level to coordinate waqf, zakat, and hajj administration across Malaysia. This department supports the standardization of waqf management practices and aids the development of waqf properties through collaboration with SIRCs, promoting a more systematic approach to waqf governance (Rani & Aziz, 2010).

Types of Waqf and Innovations

Malaysia has introduced innovative waqf products to enhance socio-economic development. These include:

Cash Waqf: This type of waqf allows individuals to donate cash rather than physical assets, making waqf contributions more accessible and inclusive. Cash waqf funds are pooled and invested, with the returns directed toward public welfare projects, such as schools and hospitals (Mat Rani, 2010).

Corporate Waqf: Corporate entities, such as Johor Corporation Berhad (JCorp), have developed waqf shares, whereby corporate assets are endowed, and the proceeds are distributed for social welfare. This approach has been effective in mobilizing corporate resources for public benefit (Rani & Aziz, 2010).

Medical Waqf: Medical waqf funds healthcare facilities and equipment to meet Malaysia's rising healthcare demands. This specific waqf model provides essential medical services and facilities, supporting public health infrastructure (Rani & Aziz, 2010).

Agricultural and Commercial Waqf: These waqf types aim to promote food security and economic sustainability through income-generating projects, such as property development and agricultural initiatives, thereby contributing to Malaysia's socio-economic resilience (Mat Rani, 2010).

Sole Trustee Role of the Islamic Religious Councils

The Islamic Religious Councils serve as the sole trustees for all waqf properties, whether categorized as general or specific waqf. This designation ensures adherence to Shariah principles and mitigates risks of asset misuse. The councils are responsible for preserving, maintaining, and developing waqf properties, ensuring these assets continue to benefit intended recipients as specified by the waqf donors (Rani & Aziz, 2010). This centralized trustee role, mandated by the state enactments, supports a structured and transparent waqf management system that aligns with both Islamic principles and Malaysia's legal framework.

Cash Waqf in Malaysia: Overview and Significance

Cash waqf, a financial endowment in cash rather than physical assets, allows individuals to contribute to public welfare by donating funds that are invested in Shariah-compliant ventures. In Malaysia, cash waqf is a flexible and inclusive tool that has expanded the reach of waqf beyond traditional land or property donations.

In 2007, Malaysia's National Fatwa Council declared cash waqf permissible, broadening waqf participation to include contributions of any amount, which has increased public involvement (Chowdhury et al., 2011). Cash waqf funds in Malaysia are generally managed by Islamic banks or State Islamic Religious Councils (SIRCs), which act as trustees. These institutions ensure that waqf funds are invested responsibly, with profits directed toward charitable projects in education, healthcare, and poverty alleviation. Cash waqf provides sustainable funding for public welfare initiatives. Examples include the development of schools and hospitals, funded by the returns from cash waqf investments (Chowdhury et al., 2011). Corporate waqf models, such as Johor Corporation Berhad (JCorp), have incorporated cash waqf by transferring shares to waqf, thus generating continuous income for charitable activities.

Innovative Cash Waqf Models:

Waqf Certificates: Introduced by institutions like the Social Investment Bank Limited in Bangladesh and adapted in Malaysia, these allow individuals to endow cash waqf with low entry amounts, making waqf accessible to a broader audience.

Microfinance Initiatives: Cash waqf funds are also used for microfinance, targeting poverty reduction by offering non-interest-bearing loans to entrepreneurs who lack access to conventional financing (Chowdhury et al., 2011).

Proposed Cash Waqf Model: Chowdhury et al. (2011) propose a hybrid cash waqf model involving Islamic banks as trustees. These banks oversee fund collection, investment, and profit distribution, ensuring transparency and Shariah compliance.

The model suggests using funds for high-impact projects such as SME loans, microfinance, and emergency relief, while enabling profit reinvestment to maintain waqf sustainability.

Malaysia’s Waqaf An-Nur Corporation Berhad (WANCorp) demonstrates corporate waqf’s potential, combining state resources with corporate endowments to fund healthcare and community projects. WANCorp, endowed with shares valued at RM141 million in 2006, grew its assets to RM1.2 billion by 2024. The corporation's strategic investments in equities, Islamic REITs, and the Ar-Rahnu gold business allowed it to impact over 2.5 million people, illustrating the waqf sector's capability for significant socio-economic contributions through strategic investment and reinvestment (Shah et al., 2020). Healthcare Initiatives (Prishatin): WANCorp has significantly contributed to healthcare by offering accessible medical services through Waqf-funded clinics, dialysis centers, and mobile clinics. As of December 31, 2023, WANCorp operated 11 Waqf clinics, 9 dialysis centers, and 10 mobile clinics, serving a cumulative 2.1 million patients. The first clinic, established in 1998 in Johor Bahru, has since expanded nationwide. Healthcare services are provided at subsidized rates to ensure affordability for low-income groups: Dialysis treatment: RM130 per session, Clinic treatment: RM10 per visit. Educational Projects: WANCorp funds educational initiatives, such as the Senior Citizen Islamic Education Centre in Pasir Gudang, Johor. Built on a 5.4-acre site, this center offers lecture halls, cottages, homestay facilities, and a café, serving around 200 elderly beneficiaries monthly and approximately 10,000 public visitors annually. This project is funded through internal funds and crowdfunding, emphasizing lifelong learning and social welfare for senior citizens.

Indonesia - Cash Waqf Linked Sukuk (CWLS) Model. Indonesia's Cash Waqf Linked Sukuk (CWLS) integrates cash waqf and Sukuk to fund social development projects. CWLS exemplifies how a structured cash waqf mechanism can support socio-economic projects by engaging both private and public sectors. Oversight by the Indonesian Waqf Board (BWI) in collaboration with Bank Indonesia ensures compliance with Islamic finance standards and effective waqf asset management (Yusroni & Chandhiq, 2021).

Healthcare Example: In 2020, CWLS funds allocated IDR 50 billion to develop the Achmad Wardi Eye Hospital, Indonesia's first waqf-based retina center, which provides specialized care for underserved communities.

Public Engagement: The CWLS retail series SWR001, launched in October 2020, raised IDR 14 billion through 1,340 donors, showcasing strong public support for cash waqf in Indonesia. The Indonesian Waqf Board (BWI) oversees CWLS in collaboration with Bank Indonesia, ensuring compliance with Islamic finance standards and promoting effective waqf asset management.

Bangladesh - Cash Waqf for MSME Development. Bangladesh mobilizes cash waqf to support micro and small businesses through its Small and Medium Enterprise Development Unit (SMEDU), creating economic inclusion by providing financing for entrepreneurs who lack conventional credit options. This structured model also reinvests returns in Islamic banks or waqf beneficiaries, balancing operational costs with socio-economic impact (Marzuki et al., 2012).

WAQF AS MANAGEMENT AND CHARITABLE OUTCOMES

The waqf system primarily involves the endowment and careful management of assets. A founder dedicates assets (land, property, or cash) as waqf, entrusting these resources to be managed by a trustee or administrator (often called a mutawalli). This management includes preserving, maintaining, and potentially investing the assets in a way that ensures they continue to generate income over time. The charitable benefits resulting from waqf-managed assets are the intended outcomes, with profits or returns from these assets directed toward initiatives like education, healthcare, poverty alleviation, and public welfare. This structure aligns with waqf's purpose of creating a sustainable source of benefit for society.

CASH WAQF AS A KEY FINANCIAL INSTRUMENT FOR SOCIO-ECONOMIC IMPACT

Cash waqf has emerged as a transformative tool in waqf systems, offering flexibility, inclusivity, and sustainable growth potential. Unlike traditional waqf assets, cash waqf allows monetary contributions that can be invested in Shariah-compliant ventures, generating returns for public welfare projects.

Importance of Cash waqf

Flexibility and Accessibility: Cash waqf democratizes waqf participation, allowing contributions of any size from all income levels, fostering a culture of continuous giving.

Sustainability and Perpetuity: Cash waqf generates regular returns, supporting long-term projects without depleting principal amounts.

Effective Resource Allocation: Cash waqf funds, when pooled, can be directed toward sectors like healthcare, education, and poverty alleviation.

Enhanced Economic Inclusion: Cash waqf creates financing opportunities for micro, small, and medium enterprises (MSMEs), promoting entrepreneurship and bridging economic disparities.

THE ROLE OF CASH WAQF IN SOCIO-ECONOMIC DEVELOPMENT IN UZBEKISTAN

Uzbekistan's Islamic demographic provides a fertile environment for cash waqf development, supporting projects in healthcare, education, and economic empowerment. Models such as Indonesia's CWLS or Malaysia's healthcare waqf clinics can serve as blueprints to enhance Uzbekistan's public services, especially in underserved communities. It is essential to recognize that waqf itself is a system focused on the management of endowed assets, whether these assets are physical properties, investments, or cash contributions. Through this management framework, waqf assets are preserved and maintained in ways that allow them to generate continuous income. The charitable benefits resulting from waqf-managed assets are the intended outcomes, contributing to societal welfare through funding projects like healthcare facilities, educational institutions, and poverty alleviation initiatives. Cash waqf in Uzbekistan presents an impactful opportunity for enhancing social services, inspired by global models like CWLS.

UZBEKISTAN'S WAQF SECTOR: CURRENT STATUS AND POTENTIAL

The Waqf Public Charitable Foundation, established in 2018, manages Uzbekistan's waqf sector, overseeing waqf assets and donations at religious sites. In the first half of 2024 (Table 1), total donations amounted to 15,892.49 million so'm, with nearly 50% of this amount (7,371.78 million so'm) attributed to Zakat, Fitr, and Ushr contributions (https://vaqf.uz/oz/transactions/statistics). These funds were primarily allocated to mosque maintenance, support for low-income families, assistance for citizens in need of medical care, aid to vulnerable segments of the population, and initiatives aimed at fostering the religious, scientific, and intellectual development of citizens. However, the potential for maximizing the impact of these donations is currently limited due to the lack of Sharia-compliant investment options and challenges in effectively managing and growing these funds. Additionally, the shortage of skilled professionals in Islamic finance and wealth management further constrains the optimal deployment of these resources. Therefore, the development of an Islamic capital market and the establishment of a robust Islamic finance ecosystem are seen as essential steps toward ensuring the effective and sustainable utilization of these charitable funds.

Months (2024 year)	Total donations (in mllion so'm)	Out of them: Zakat, fitr, ushr (in mllion so'm)	Expenses (in mllion so'm)
January	1 524,50	486,60	329,04
February	1 088,61	118,12	613,03
March	2 119,19	504,88	995,20
April	7 364,96	5 663,12	1 646,56
May	1 729,95	321,87	1 372,24
June	2 065,28	277,19	815,90
Total	15 892,49	7 371,78	5 771,97

Table 1.

Despite these efforts, the Foundation's activities remain largely focused on religious and basic charitable projects, with limited extension into broader socio-economic initiatives (Imamnazarov, 2020). A 2020 UNDP survey underscores the sector's challenges in awareness,

transparency, and governance. Only 36% of businesses and 34% of individuals are familiar with waqf, while 49% of businesses and 62% of individuals expressed dissatisfaction with current activities. Additionally, 36% of businesses and 46.81% of individuals emphasized the need for a comprehensive legal framework governing waqf assets, and 35% of businesses, along with 46% of individuals, advocated for increased transparency. Concerns over fund distribution transparency led some to opt for direct donations to local mosques or known individuals, reflecting a need for clear monitoring and reporting mechanisms to build public trust (UNDP, 2020). Expanding waqf activities to broader socio-economic initiatives, guided by successful models from Bangladesh and Indonesia, could unlock substantial potential in Uzbekistan's waqf sector.

THE FOLLOWING FACTORS AND ECONOMIC INDICATORS PRESENT SIGNIFICANT OPPORTUNITIES FOR THE DEVELOPMENT OF WAQF (INCLUDING CASH WAQF) IN UZBEKISTAN

Economic Growth and Rising Incomes: Uzbekistan's economy has shown steady growth, with GDP expected to increase further due to broad economic reforms and industrial diversification initiatives (Asian Development Bank, 2023). These developments have contributed to a gradual rise in income levels, improving the population's capacity for charitable giving, which creates favorable conditions for expanding waqf contributions and social finance initiatives.

Youthful and Dynamic Demographic Structure: With over 60% of the population under 30, Uzbekistan's demographic structure is ideally suited for long-term waqf development. Younger generations in Uzbekistan have shown increasing interest in social finance and community support, contributing to a promising environment for waqf expansion (World Bank, 2022).

Advancing Islamic Finance Reforms: The Uzbek government has introduced significant reforms to develop a legal and regulatory framework for Islamic finance. These reforms, supported by partnerships with international institutions, aim to incorporate Shariah-compliant financial instruments, thus expanding the scope and management of waqf assets (Islamic Development Bank, 2023). Additionally, it has been estimated by the Islamic Development Bank that up to $10 billion annually could be attracted to Uzbekistan through Islamic banking, contingent upon the implementation of the necessary legislative norms. Alignment with Social Finance Initiatives: Waqf aligns well with Uzbekistan's goals in social finance, offering innovative funding mechanisms for key socio-economic priorities like healthcare, education, and poverty alleviation. According to the United Nations Development Programme's (UNDP) 2020 report, integrating waqf into social finance could provide sustainable support for welfare projects, particularly in underserved communities in Uzbekistan.

RECOMENDATIONS

Establish a Central Waqf Authority to empower the Waqf Public Charitable Foundation to oversee waqf assets, ensure Shariah compliance, and enhance transparency.

Adopt Cash Waqf Schemes to introduce flexible models encouraging contributions to fund sustainable social welfare projects.

Develop a Legal Framework to regulate waqf asset management and protection, empowering managers and building public trust.

Leverage Technology by creating digital platforms for online cash waqf contributions to engage a broader audience.

Ensure Transparency through regular reporting of waqf fund usage and impact to build public trust.

Expand Shariah-Compliant Markets to attract investment and grow waqf resources sustainably.

Build Expertise through training programs in Islamic finance and waqf management to support sustainable administration.

CONCLUSION

Uzbekistan can enhance its waqf sector by integrating successful practices from Turkiye, Malaysia, and Indonesia. Legal reforms, public engagement, and innovative models like cash waqf can empower Uzbekistan's waqf institutions to support socio-economic development goals, fostering economic growth and social welfare through well-governed and widely embraced waqf initiatives.

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