Building a Waqf-Based Economy: A Path to Freedom from Riba and Poverty A Case Study in Pakistan

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Personal Reflections

- In 1999, the Pew Charitable Trusts Funded a $10 million initiative called "Religion and the American Public Square," and Project MAPS at Georgetown University was among the seven projects. Pew Trusts is made up of seven endowments, all created by one family in Pennsylvania.

- In 2005, there were efforts to establish an endowment of $3 million at Georgetown University for the American Muslim Studies Program (AMSP). Regrettably, these efforts were unsuccessful.

- In 2009, a conference on "The American Mosque in the 21st Century" recommended establishing endowments for Masajid and Islamic Organizations

- I had some unanswered questions, and then I met Dr. Muhammad Fahim Khan in Pakistan. His reflections were unique.

The Historical Perspective

- Before the Ottoman Empire fell, Muslim economies thrived without the need of RIBA for more than a thousand years
- The Western scholars reshaped the economic landscape in eighteenth and twenties centuries.
- The focus shifted from people to capital, and faith played no part.
- Colonial powers dismantled the extensive Awqaf system within several Muslim countries in nineteenth century.
- Take India as an example.

The Incomplete Efforts

- It's important to remember that the current capitalist financial system often makes the gap between the rich and the poor bigger, which might lead to even more inequality.
- To try and fix this, the UN has set 17 Sustainable Development Goals for 2030, and the World Bank has a plan called "Sharing Prosperity" to help create a fairer world.
- But, even with these efforts, the core elements like capital, credit, interest (Riba) and the absence of faith still exist.

A Never-Ending Cycle

- Banks lend money to the most financially stable and credit worthy elite, often from wealthy families, charging them interest.
- They do this by keeping some of the money people deposit as a reserve and then using that reserve to create new credit, which is usually not easy to withdraw.
- This allows a few wealthy individuals to grow their capital, many of whom might own the banks themselves.
- As their businesses expand, they make the economy grow at macro level, create more jobs, which brings more deposit into the banks.
- This cycle of lending and depositing keeps the economy moving, boosting national income (GNP) and encouraging overall economic growth.
- However, the economic condition of the people remain unchanged; Prosperity and poverty are growing together, nationally and globally

Four FundamentalS of the Financial System

A. Economic growth requires financial resources (not human resources)

B. Financial resources can be provided by creating loans (credit).

C. Loans can be given only at interest for a stipulated period determined by the banks.

D. Only high-net-worth individuals can get the loans to make the economy grow.

Alternative Four Fundamentals

A. Economic growth requires entrepreneurship of human resources, not of financial resources.

B. The Financial resources are needed to be developed from the savings that families may provide as Al-afw.

C. The financial resources must be Riba-free; Focus strictly on fulfilling the need rather than on recovery.

D. Everyone can easily access the financial resources to help grow the economy, the poor first.

How to Make Riba-Free Economy Grow Better?

- Create alternative Islamic financial institutions with four Islamic features to compete with Riba-based banks?
- Apparently, a Mission Impossible. The Islamic banks created by Sharia scholars could only partially show feature (c).
- Mission Possible is: Give al-afw to a Waqf based financial institution who will convert them into income generating assets and this income must be given as Riba-Free loan (Start-up capital) to the poor first.
- This will make the economy grow in a better way and faster than Riba-based banks could even imagine.

A Story of a Pakistani Village

Theory is simple and can be proved mathematically and graphically, but we prove it from a story of a tiny village in the valley of Kashmir, Pakistan, about which the poet said

گر فردوس بر روئے زمین است

ہمیں است و ہمیں است و ہمیں است

"Gar Firdaus bar roo-e zameen ast, hameen ast-o hameen ast-o hameen ast"

If there is a paradise on earth, it is this, it is this, it is this.

This story is about Chatra Topy, a village in District Bagh, Azad Kashmir, Pakistan, and Maulana Zareen, the head of the madrassa.

The Model—i

- A revolutionary way to tackle poverty and end Riba (usury) altogether! It's called "A Journey Towards Shared Prosperity," and it's all about empowering the most vulnerable by providing them with knowledge, skills, and talents through Sadaqah (charity) and waqf (endowment).

- This model started small, with just three hundred thousand rupees in charity ($1000 donation) in a village in Kashmir. Now, it's grown into a powerful tool for economic independence, better education, skill building, and reducing poverty across the entire region.

The Model—ii

- The funds came together through WhatsApp and went towards two important projects: an IT and Skill Development Center and a Sewing Center.

- Both centers are connected to a mosque, and the mosque's imam, administrator, and volunteers are really taking this initiative seriously, seeing it as a way to help the community beyond just religious services.

Expansion of the Model

- Alhamdulillah, the administrator and his team from another major madrassa in the Bagh district headquarter have decided to replicate the model.
- They've gathered Pak Rs. 600,000 (approximately $2000) through donations to kick off the project.
- Meanwhile, Maulana Zareen has registered a RIBA Free financial company with the SECP to expand the work.
- May Allah swt bless their efforts with success, A'meen.

Foundations of the Model

- Sadaqat-Waqf (Charity-Endowment) Sadaqat converted into Income-Generating Assets, as waqf
- Leadership connected to Mosque and School (madrassah)
- Knowledge enhancement, Skill Development, Business Training and Start Up grants
- Two Ways growth in Revenue - Where the additional Sadaqat came from?
- Power of Sadaqah/Waqf in killing Riba-Based Lending
- Ripple effects

Just Imagine

- Imagine a society bursting with thousands of waqf institutions, educational and training centers, start-up grants, and riba-free loans!

- With all these resources, we could almost achieve an economy that's free from riba, poverty, and exploitation.

Thinking And Working Together

- The Challenge and Opportunity of the 21st Century: Building a Waqf-Based Economy Free from Riba, Poverty, and Exploitation
- The Dar-ul-Hikmah of the BRAINs Institute in Pakistan and the Center for Islam and Public Policy (CIPP) in the USA are teaming up to bring this project to life.
- We're counting on a diverse group of thinkers and doers to help us achieve our goals both in Pakistan and around the globe.

Thank You