

T.R.

ISTANBUL SABAHATTIN ZAIM UNIVERSITY

GRADUATE EDUCATION INSTITUTE

DEPARTMENT OF ISLAMIC ECONOMICS AND FINANCE

**WAQF-BASED FUNDS IN SUSTAINABLE FINANCING
OF FRAGILE SMALL BUSINESSES: THE LIBYAN
CASE**

Ph.D. DISSERTATION

Mohamed Idris Awad BADER

Istanbul

March-2024

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This study has been approved in partial fulfillment of the requirements for Ph.D. degree in Islamic Economics and Finance

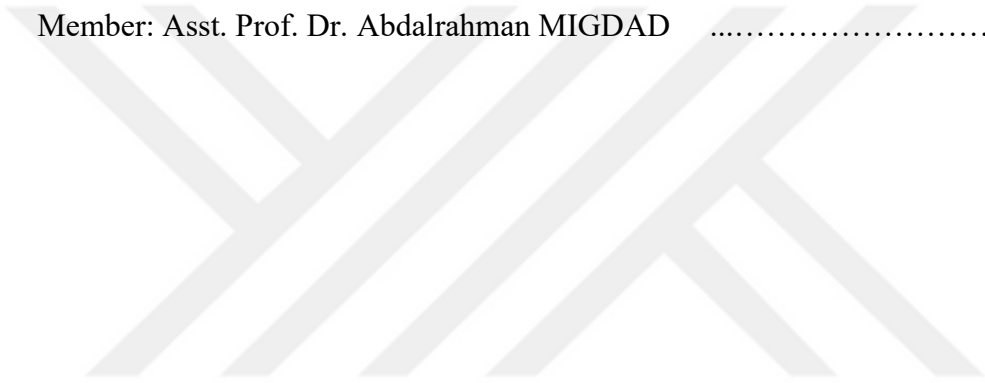
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DECLARATION OF SCIENTIFIC ETHICS AND ORIGINALITY

I declare that the work in this thesis (**FOUNDATION-BASED FUNDS IN SUSTAINABLE FINANCING OF FRAGILE SMALL BUSINESSES: THE LIBYAN CASE**) was carried out in accordance with scientific ethics and guidelines on thesis writing at Sabahattin Zaim University, and no part of the thesis has been submitted as part of the fulfillment of another qualification or degree from any other institution. I have fully referenced, in both the text and bibliography, all direct and indirect quotations and all sources I have used in this work.

Mohamed I.A. Bader

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ABSTRACT

FOUNDATION-BASED FUNDS IN SUSTAINABLE FINANCING OF FRAGILE SMALL BUSINESSES: THE LIBYAN CASE

Mohamed Idris Awad BADER

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Similar to numerous other developing nations, the private sector in Libya, particularly small enterprises, faces challenges in obtaining external financing. Indeed, the persistent lack of access to finance remains a significant obstacle impeding the progress of SMEs in Libya. The objective of this thesis is to address the issue of limited funding sources for small enterprises in Libya by proposing a funding solution aligned with Islamic legal principles and that will be an additional financing option along with the available sources of financing: external sources (from banks in the form of debts) as well as internal sources (personal savings, relatives, friends, and partners). The descriptive approach and an inductive approach were adopted for this study. The study uncovered several notable discoveries. It found that 88.5% of Libya's private sector comprises small enterprises. Additionally, it revealed that Libyan small projects owners and managers primarily depend on internal sources such as personal savings, family savings, friends, relatives, partners, retained earnings, and trade credit for capital during startup and expansion phases. Moreover, the research highlighted that in Libya, the banking sector serves as the primary external financing source for small enterprises. However, accessing this funding poses challenges due to factors like high interest rates, the need for strong connections with bank officials, bureaucratic hurdles, strict collateral requirements, extensive paperwork, and centralized decision-making processes as well as it's important not to disregard the religious aspects concerning interest. The research indicates that introducing and executing the concept of Waqf funds in Libya is feasible, given the adherence to the Maliki school of thought, which recognizes cash waqf. Moreover, the existing waqf legislation includes pertinent regulations and legal provisions that facilitate the potential adoption of this concept. The study concluded with several recommendations that policymakers should examine and take into account

to address and alleviate issues related to the limited financing options available to small enterprises.

Keywords: Waqf, Cash Waqf, Waqf Fund, Islamic Finance, Small Enterprises, Financing Gap.



ÖZET

KIRILGAN KÜÇÜK İŞLETMELERİN SÜRDÜRÜLEBİLİR FİNANSMANINDA VAKF-BAZLI FONLAR: LİBYA ÖRNEĞİ

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Gelişmekte olan diğer birçok ülkede olduğu gibi Libya'da özel sektör, özellikle de küçük işletmeler, dış finansmanı güvence altına almakta zorlanmaktadır. Finansmana erişim eksikliği, Libya'da KOBİ'lerin gelişimini engelleyen en büyük engellerden biridir. Bu tezin amacı, Libya'daki küçük işletmelerin finansman kaynaklarındaki eksiklik sorununa, İslam hukuku ilkelerine uygun ve ek bir finansman seçeneği olacak bir finansman kaynağı sağlayarak çözüm sağlamayacak bir çerçeve geliştirmektir. Mevcut finansman kaynakları dış kaynaklar (borç şeklinde bankalardan) ve iç kaynaklar (kişisel tasarruflar, akrabalar, arkadaşlar ve ortaklar) olarak sınıflandırılabilir. Bu çalışmada betimsel yaklaşım ve tümevarımsal yaklaşım benimsenmiştir. Araştırma bir dizi ilgi çekici bulgu ortaya çıkarmıştır. Libya'daki özel sektörün yüzde 88,5'inin küçük işletmelerden oluşmaktadır. Libya'daki küçük işletmelerin sahip/yöneticileri, başlangıç ve genişleme aşamalarında işletmelerini finanse etmek için ticari kredinin yanı sıra büyük ölçüde iç kaynaklara (kendi tasarrufları, aileleri, arkadaşları, dağıtılmamış karları ve ortakları) dayanmaktadır. Libya'da bankacılık sektörü, küçük işletmeler için ana ve tek dış finansman sağlayıcısı olmaya devam etmektedir ve bu kaynağa erişimin, yüksek faiz oranları, finansman ihtiyacı gibi bir dizi zorluk ve kısıtlama nedeniyle işletmeler için oldukça zorlayıcıdır. Bankadaki karar vericilerle yakın ilişki, çok fazla bürokrasi, yüksek teminat gereklilikleri, çok fazla belge gerekliliği ve yavaş karar alma (yüksek derecede merkezileştirilmiş) işletmeleri zorlayan başlıca unsurlardır. Tüm bu engellerin yanında faizle ilgili dini hususların da gözden kaçırılmaması gerekir. Çalışma, Libya'da bağış fonu fikrinin benimsenmesinin ve uygulanmasının, Libya'nın para vakfını kabul eden en tanınmış mezheplerden biri olan Maliki mezhebine bağlı olması ve mevcut vakıf kanununun bazı önemli hususlar içermesi nedeniyle mümkün olduğunu göstermektedir.

Çalışma, küçük işletme sektörü için finansman bulunamamasıyla ilgili sorunları hafifletmek ve ele almak amacıyla politika yapıcıların dikkate alması gereken bir dizi öneri sunmaktadır.

Anahtar Kelimeler: Vakıf, Para Vakfı, Vakıf Fonu, İslami Finans, Küçük İşletmeler, Finansman Açığı.



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ABBREVIATIONS

AAOIFI Accounting and Auditing Organization for Islamic Institutions

ADB Asian Development Bank

BWI Badan Wakaf Indonesia

CBL Central Bank of Libya

CWRC Cash Waqf Regulatory Committee

GDP Gross Domestic Product,

GPC The General People's Congress

GCC The Gulf Cooperation Council countries

IFSB Islamic Financial Services Board

IMF International Monetary Fund

NPC National Planning Council

NPFSME The National Program for Small and Medium Enterprises

OECD Organization for Economic Co-operation and Development

QNB the Qatar National Bank

UNDP The United Nations Development Program

WTO World Trade Organization

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Fostering the growth of small enterprises stands as a paramount concern for economic policymakers across both developed and developing nations. These ventures play a central role in economic and social progress. Their significance lies chiefly in their capacity to generate employment opportunities at significant rates and minimal capital outlay, thereby aiding in alleviating the pervasive issue of unemployment prevalent in many countries. (Al-Barani and Al-Waridi, 2019:52). Indeed, nations leveraging small and micro-enterprises to combat unemployment have witnessed favorable outcomes, marked by reductions in unemployment rates. Individuals previously unemployed transitioned into the labor force, some even elevating their ventures to higher standards. Furthermore, small enterprises forge robust connections with larger counterparts, supplying them with essential goods and services. This symbiotic relationship positively impacts individual and household incomes, thereby enhancing living standards, healthcare, education, and opportunities for a dignified life. (Habib, 2002:17-21). Small and micro-enterprises benefit from efficient capital utilization, facilitated by the direct connection between ownership and management. Owners are deeply invested in their projects' success, driving optimal management practices. These enterprises play a pivotal role in fostering spatial development in rural and remote regions. Moreover, they serve as hubs for fostering entrepreneurship, facilitating the exchange of innovative ideas, sharing experiences, providing consultations, and offering training opportunities. (Al-Asraj, 2011:2).

For these projects to effectively contribute to economic activity, it's essential to address the obstacles they encounter. Access to finance emerges as a significant hurdle for small and micro-enterprise owners. They often lack the capital necessary to establish their ventures and struggle to provide adequate collateral for bank loans. Moreover, they contend with complex administrative procedures and face interest requirements (usury) associated with obtaining financing. The primary cause for the hesitation among many entrepreneurs to initiate small and micro-projects is their aversion to engaging in

interest-based transactions. Conversely, available financing options predominantly consist of interest-bearing loans, which impose a fixed cost burden on these projects, diminishing their competitive edge compared to others. Hence, there's an imperative need to explore alternative financing avenues that are better suited and accessible to small and micro-enterprises. These alternatives should also adhere to the requirements and tenets of Islamic Shariah. (Nasseer & Mohsen:125-131).

In fact, Islamic economics has attached great importance to financing operations, through the establishment of many Islamic financial institutions. They work to provide the necessary funding for various projects when meeting several conditions, on top of which are: Shariah compliance of all their financial transactions and the quality of their produced goods or provided services. The latter must take into account Islamic priorities, a commitment to Islamic behavior in its various dealings, as well as the principles of social and economic safety, sought to the largest possible extent. Islamic economy is not limited to Islamic banks, but there are other Islamic financial institutions that support the work of these banks, and work to embody religious values and morals with the aim of achieving comprehensive socio-economic and spiritual development. One of the most prominent of these institutions is the Waqf Foundation (Mansour, 2001:134).

Waqf, regarded as one of the funding sources, is frequently employed by numerous Islamic nations to address their financial shortfalls. Endowment contributes to solving the state's resource shortage issue, particularly in view of its growing influence and level of meddling in social and economic affairs. Its outcome is considered a regularly renewable financial resource that enhances the general revenues of a state; its revenues are allocated in many projects, whether social, such as building mosques, schools, educational institutions, and health care centers, or economic ones, such as agriculture and irrigation, construction and paving roads, and the provision of safe drinking water. The projects also include the achievement of housing and light industries, where the small enterprises' sector occupies a privileged position on its part (Fakiqi, 2020:1).

Over its long history, the Islamic Waqf system has been a fundamental component of the Islamic economy, shaping the social and economic landscape of state. It continues to exert significant economic influence by catering to the fundamental needs of the less fortunate, encompassing provisions such as clothing, food, shelter, as well as vital

public services like education and healthcare. These services directly enhance workforce development and capabilities, leading to heightened productivity and, consequently, a quantitative and qualitative improvement in production factors. This, in turn, alleviates the strain on the state's general budget, redirecting funds towards other sectors. Moreover, it ensures the equitable distribution of resources, preventing wealth concentration within specific groups and narrowing class disparities. The Waqf system thus contributes to augmenting resources available to the underprivileged, thereby enhancing their living standards and bridging the wealth gap with the affluent. Additionally, it fosters increased savings by effectively utilizing resources rather than letting them remain idle, thereby utilizing the net returns for their designated purposes after deducting maintenance and replacement costs. (Al-Jarhi, 1995:6-11).

Over the past two decades, there has been a resurgence of this institution in nearly all Islamic nations. This resurgence involves efforts to enhance the condition of existing endowed structures and broaden the scope of endowments to encompass cash endowments. These initiatives aim to uplift the present condition of Muslim societies and foster economic development. (Abdel-Mohsin, 2009:6). The main features of Waqf in Cash comprise its liquidity, the collaborative involvement of founders, and its adaptability in aggregating and investing funds. Currently, Waqf in cash has emerged as a critical issue due to its role in devising innovative solutions for establishing and enhancing endowments. It seeks to meet the requirements of recipients, mitigate destitution and joblessness, and fund MSMEs. It serves as an important tool for funding waqf investments and delivering rightful returns that align with the objectives of all involved parties, such as originators, Waqf institutions, and recipients. (Mahadi, 2015:68-70).

Waqf in cash is regarded as a centuries-old type of waqf, which was widely utilized During the Ottoman era, spanning from the 10th to the 16th centuries, this practice thrived. However, for many Muslim countries, it remains relatively novel, yet its prominence has surged in recent times. Muslims increasingly prefer to use cash as an intermediary for Waqf rather than renouncing possessions. Nowadays, very few people have assets. Because of this lack of opportunity and resources, numerous Muslims do not share in performing Waqf, despite their desire to do so. Waqf in Cash can be available in two types. The first type is that money is changed over into a waqf and given to those in need as a free loan; in the second type, money is transformed into a

waqf and subsequently invested in, with the beneficiaries of the waqfs using the profits or waqf's return on investment. (Abdel-Mohsin, 2013:314-315).

The contemporary world offers diverse methods for the efficient administration of cash Waqf in accordance with Shariah principles. Consequently, numerous Islamic nations have embraced modern approaches to oversee and administer cash Waqf. These approaches manifest in the formation of diverse foundations and waqf funds with distinct organizational structures. Their primary objective is to streamline the collection and distribution processes and ensure diligent execution, thereby fostering economic and social progress. (Fakiqi, 2020:2). Waqf funds are recognized as highly effective mechanisms for engaging in Waqf activities. They symbolize collaboration between grassroots stakeholders and formal institutions to advance the goals of Waqf development. (Al-Asraj, 2012:373). Waqf funds serve as an innovative tool in waqf work, aiming to gather and enhance resources tailored to their specific objectives. With versatile purposes, they can be continually replenished to meet community needs. Each waqf fund is designated for distinct fields of civilizational, cultural, and social initiatives, providing financial support for respective enterprises. The capital of each fund forms a philanthropic waqf, financing project setting up, management, and future requirements. This ensures sustainability and expansion through perpetual income generation, with project expenditures derived from the fund's investment returns. The concept of instituting specialized waqf funds has garnered substantial significance in service to the folk across various nations, spanning various economic and social pursuits. (Sumaya, 2011:2).

The objective of Waqf funds is to actively contribute to the revival of Waqf traditions by initiating development projects based on Islamic principles to address societal needs. Moreover, responsible allocation of Waqf funds' revenues addresses community-based and developmental requirements arising from Actual situations through well-planned initiatives. These programs aim for a heightened developmental impact and facilitate collaboration between Waqf projects and initiatives undertaken by governmental bodies and public welfare associations. Waqf funds play a crucial role in financing and enhancing micro and small enterprises, thereby fostering job creation, leveraging local resources, boosting manufacturing, raising revenues, and consequently, promoting both savings and investing. Furthermore, these enterprises stimulate the production of goods

and services, leading to enhanced welfare, improved living standards, and enhanced export potential. (Al-Asraj, 2011:1).

The distinctive advantages offered by Waqf funds have spurred numerous Islamic nations, including Kuwait, Malaysia, Saudi Arabia, and others, to adopt them. This adoption aims to explore novel renewable resources as substitutes for conventional funding methods and close its existing gaps. In spite of these benefits, Libya continues to experience shortcomings in the realm of waqf and has not fully embraced the concept of cash Waqf based funds. Thus, it is imperative for Libya to emulate the example of nations that have embraced waqf principles and initiate cash Waqf fund ideas. This study and its results aspire to serve as a framework, model, and constructional perspective for the adoption of cash waqf fund concepts and projects in Libya. By incorporating cash Waqf funds as an additional financing source alongside existing options, it offers a remedy for the financing challenges faced by Libyan small businesses. Furthermore, it presents a suggestion and a future vision for successfully activating and implementing the Waqf model.

1.2 Statement of the Problem

Numerous countries striving for economic and social progress prioritize small-scale ventures as a key strategy. In spite of their significance, small firms encounter persistent hurdles that impede their advancement. Securing adequate financing stands out as a primary challenge confronting these ventures. In Libya, as in many other Islamic nations, entrepreneurs commonly face obstacles in accessing the essential financial resources needed to establish their businesses, market their products, or conduct necessary investment activities. Official funding channels in Libya remain scarce and restricted, with small enterprises primarily reliant on financing from the local banking sector. The sector encompasses conventional and specialty banking institutions, which are expected to offer funding services to small ventures. However, these banks tend to be highly risk-averse when it comes to lending to small business owners. Moreover, they impose intricate lending procedures, including complex administrative protocols, stringent collateral requirements (as mandated by the CBL decision in 2004, commercial banking institutions must secure additional collateral equivalent to at least 125% of the loan amount, often in the form of properties), and Transactions involving interest. This last aspect is particularly concerning for project owners, who fear

involvement in usury and consequently avoid dealing with these banks altogether. Hence, there is an imperative to explore alternative sources and financing methods that do not entail upfront interest, burdensome collateral requirements, or excessive costs. In essence, there is a pressing need to seek out alternative funding avenues, such as funding methods based Islamic law, to support the funding of such ventures. From this perspective, this study aims to answer the major question:

1. Does Waqf help to solve financing challenges for small businesses in Libya through establishing Waqf funds?

To answer this question, the following sub-questions need to be addressed:

1. What are Waqf funds?
2. is it feasible to create a waqf fund to fund small enterprises in Libya?
3. Can Waqf funds meet the financial needs of small firms at different periods of their life?
4. What are the forms of funding that Waqf funds can offer to fund small ventures?
5. What are small enterprises? And what are their characteristics and prominence?

1.3 The Research Objectives

The main purpose of this study is to formulate a proposal for establishing a waqf-based fund as a financing source that provides financing complying with shariah law for small enterprises in Libya. This will involve adopting the practices of certain leading nations in this domain to capitalize on their insights and expertise.

1.4 Research Methodology

Aligned with the problem's essence, the researcher aims to fulfill the research's objectives and provide a thorough analysis of the subject by employing a descriptive approach. This method involves elucidating general concepts and theoretical foundations through comprehensive examination using theoretic and archival materials, reviews of literature, analysis of content. Additionally, an inductive approach will be embraced to gather facts and insights from prior researches, surveys and studies.

In preparation for proposing a waqf fund model for financing vulnerable small enterprises in Libya (during the formulation of research inquiries, model development, and subsequent testing phases), the researcher embarked on comprehensive discussions with key stakeholders such as academics, specialists in Islamic finance, waqf, shariah,

and law (Libya, Turkey and Malasia), and experts from relevant institutions situated within the country such as the waqf authority, the central bank, the national program for small and medium enterprises, the Central Sharia Supervisory Authority of the Central Bank, and members of the Libyan Businessmen Council. These interactive sessions, facilitated primarily through social media platforms, sought to meticulously examine the feasibility of instituting a dedicated waqf fund in Libya. Central to these deliberations was an exploration of the waqf fund's potential to catalyze the development and enhance the financing environment of small enterprises in Libya. The researcher contacted 35 people with different backgrounds, knowing that not everyone would answer (Feedback from 32 respondents was received). The researcher chose to use open-ended questions, which let the respondents give detailed answers and explain their thoughts more fully. These discussions sought to deepen the researcher's comprehension of the regulatory requirements for establishing a waqf fund in Libya. The varied perspectives, thoughts, and opinions of the participants provided insightful information on the subject will be included in the appendix.

1.5 Importance of Research

The following points demonstrate the significance of the study:

- 1- The significance of this research lies in the fact that it will contribute to enhancing the financing environment of small enterprises in Libya by formulating an applicable proposal of waqf-based funds to funding small enterprises.
- 2- This study's significance also stems from the vital role of small ventures, which act as the cornerstone of economies in both advanced and emerging nations. They create employment opportunities and help alleviate unemployment and poverty. Given these benefits, small projects deserve increased attention from societies. However, the reality, particularly in terms of financial support, is often challenging, with traditional commercial banks burdening young ventures owners with high interest rates, prompting them to seek alternative funding methods. This underscores the potential for Islamic financial organizations to share in societal growth by financing and supporting projects that do not require substantial capital. Such initiatives align with the essence of true Islam, emphasizing the importance of individual energy, talents, and creativity in fostering comprehensive development.

1.6 Reasons for Choosing the Research Topic

The primary reasons for choosing this topic are due to the social and economic status of endowment, the increase in scientific interest about its issues, and the complexity of its contemporary challenges, especially with the economic and political conditions experienced by the world and Muslim countries in particular. The secondary reason is personal tendencies and convictions in the study of Islamic finance, and in particular, an endeavor to identify and activate the financing role of the endowment institution, in light of the presence of a good financial stock with this institution in Libya. To those who strive to avoid traditional financial products, the endowment may contribute to providing appropriate financing services to many owners of small enterprises, whether at the stage of establishment, production or marketing. This is achievable through studying how to direct money to productive investment areas by establishing and financing small projects, instead of directing it to consumptive areas that end as soon as the immediate needs are met. A final reason is the researcher's belief that investing in small enterprises is one of the most important engines of development and one of its main pillars for establishing an economic renaissance at the level of the local or regional economy.

1.7 Literature Review

Lately, the subject of financing of micro and small enterprises has had a lot of concern, as it grabbed the attention of business analysts, experts in economics, and makers of policy. There are a couple major elements leading this growing interest. First and foremost, micro and small projects possess a huge offer regarding position creation and economic advancement in nations all through the global. Second, the shortage of acceptance in financing as well as financial limitations are viewed as the main barriers that hinder the advancement and expansion of micro and small ventures. Apparently, the core test facing micro and small enterprises in their pursuit for permanence and development, in both industrialized and developing nations, is getting funding. As enterprises frequently go through considerable challenges when trying to obtain debt or equity finance (Malhotra et al., 2007:8-11). Leora, Virginia and Rida (2006:2) examined competitive theories of capital formation options in the MSMEs that worked at the service industry. They discovered that small ventures in general were finding it harder to get access to external financing, especially with regard to medium- and long-term

finance. They also discovered that small enterprises were more profitable because they used fewer outside sources of financing.

Financing providers, whether investors, venture capital institutions, or banks, are always hesitant or, rather, have no real desire to provide loaning funds to small and micro projects, for the reason that they consider this type of business to be a high risk. They also believe that most of these businesses suffer from poor capital, inadequate assets, and higher percentages of fail. Moreover, the absence of sufficient fiscal reports, poor accounting documentation, and business strategies give rise to extra troubles and challenges for lenders and financiers when they decide to make their financing options. All of these reasons drive the providers of financing to imposing and requiring complicated lending procedures, such as complex administrative procedures, high guarantees, and high-interest rates in exchange for a given finance (EL- Taweel, 2011:10). With regard to high interest, studies indicate that high interest rate and the Sharia considerations regarding prohibiting interest on loans are among the major obstacles preventing lending in the Arab countries. Where, 72% of the population in countries with a Muslim majority abstain from using formal financial services, because they consider the conventional tools inconsistent with the financial rules, stipulated by the Sharia law. All of these issues inevitably require the use of Islamic financial tools, including Waqf as a mechanism for financing micro and small projects (Sanabel, 2022:5-9).

In fact, The Waqf (endowment) Foundation is a financial institution with developmental and social goals that derives its organizational base and dealings from Islamic law, to embody the religious characteristics in economic life. It can be considered an important source of financing and development, which means more job opportunities, exploitation of local wealth, increased production, and an improvement in the standard of living (Boumoud, 2019:213-214). Waqf is a process that combines saving and investment, by deducting money from immediate consumption and converting it into investment with the aim of increasing the wealth produced in society. In fact, establishing an Islamic endowment is like creating a permanent economic institution. It is a process that includes investing in the future, and building productive wealth for future generations (kahf, 2001:11-12).

To keep abreast of the various developments throughout history, the jurists have worked diligently in every environment and every age, in order to ensure the continuation of the endowment mission in performing its major role in serving the nation and achieving consolidating its foundations and attaining stability in society. Especially, since the developments in the endowment assets have not kept pace with the increasing development needs. In light of these developments and changes in the various economies, which have become characterized by cash and the ease of dealing with it, many researchers and jurists have called for an endowment to keep pace with these developments by adopting cash endowment and its investment formulas. These are in line with needs, because of their flexibility in dealings, as they are fully liquid assets that enable the holder to dispose of them as he wishes. They as well provide part of what any development needs in terms of financing, especially since the needs have multiplied and diverged. Waqf has to accompany and go along with needs fluctuations to play its financing role in development at the economic and social levels (Sharon, 2016:2-3).

Most Muslim countries have implemented a set of reforms to revive and develop their Waqf institutions. These reforms aim at restoring and strengthening the part of waqf as a financial giver and channeling it towards development and investment initiatives. As a result, these reforms have contributed to making most of these countries adopt modern types of endowments (cash endowment) as a result of the development of Islamic societies and in response to urgent calls to address the problems and difficulties facing real estate endowments. For example, Sudan has applied the Waqf Share model since 1990, when the government separated the Religious Affairs Ministry from Awqaf and named it the Islamic Endowment Authority. This institution encouraged multiple segments of people to participate in the Cash endowment through issuance endowment shares worth 1,000 SP (0.5 \$) up to 10,000 SP (5 \$). The application steps were as follows:

- The Sudanese Endowment Authority issues the endowment shares as a trustee
- The founders buy endowment shares and obtain in return endowment share certificates.
- The Endowment Authority invests the cash endowment funds accumulated through the Mudaraba contract in Islamic banks.

- The amounts generated from investing the money of a Waqf (endowment) fund are transferred for the benefit of charitable purposes designated by the Endowment Authority (Abdel Mohsin, 2003:126, Abdel Mohsin, 2005:44).

The project of Waqf shares in Sudan was able to serve Sudan's interests with high professionalism, in light of what the community needs in accordance with the requirements of Sharia. The necessary requirements were the establishment of many mosques in the outskirts of the vast Sudan and endowment buildings to accommodate the poor and those with needs. Examples are endowment buildings in the Arab market, and the Abu Jenzeer commercial compound and many real estate endowment projects spread in the region of the State of Sudan (Mahadi, 2003:113).

In 1992, the government of Uzbekistan implemented a nationwide cash endowment system model. This type of cash endowment is designed on a collaborative basis to secure the main needs of the community in the concerned sub-districts, each sub-district contains approximately 5,000-7,000 inhabitants and each individual donates a small amount to the sub-district cash Waqf fund. The collected amount is invested and the proceeds will be used to carry out religious, educational, health and economic development projects. There are now 9,419 district cash Waqf funds in Uzbekistan (Abdel-Mohsin, 2009:90-91).

The CBB (Central Bank of Bahrain), in 2006, cooperated with a number of Islamic financial organizations, namely the Unicorn Investment Bank, the Bahrain Islamic Bank, Kuwait Finance House "Bahrain", Al Baraka Banking Group, Arcapita Bank, ABC Islamic Bank, Shamil Bank and the Gulf Finance House to establish a cash endowment fund to provide financial support to develop and implement training programs in Islamic finance. This fund contains \$ 4.6 million dollars and is managed by the Bahrain Institute of Banking and Finance, (Bahrain Institute of Banking and Finance, n.d.).

The International Islamic Charitable Organization (IICO) has established a framework centered on waqf shares in Kuwait. Through this model, nine types of cash Waqf funds were created so that the money donated by the originators is invested and the profits generated from these investments are utilized to fund designated ventures, these projects are:

- The Waqf program “Light on Earth”: The slogan of this program is “Supporting the Underprivileged for Improved Living”. The earnings from this endowment are directed towards funding educational endeavors and charitable social services, including provisions for Quranic studies, orphan welfare, healthcare, relief initiatives, Arabic language instruction, and Islamic studies, as well as support for students and educators.
- Mosques Waqf Program: The slogan of this program is "House in Heaven". utilizes the proceeds from this endowment to construct and upkeep mosques globally.
- Quran Waqf program: the slogan of this program is "Let us serve the Noble Qur’an". this initiative channels its proceeds towards printing and disseminating thousands of copies of the Holy Quran.
- Orphan Waqf program: the proceeds investing of these funds are used to take care of orphans, build and maintain orphans' homes, provide orphans with good education and ensure an incubating and caring environment for them and make them participate actively and effectively in their communities.
- Empowerment Waqf program: The slogan of this program is "assist the disadvantaged to help themselves". Revenues generated by this program are directed towards financing productive projects, generating profitable activities or building educational centers.
- The sacrificial endowment program, a Waqf program for water, a Waqf program for breaking fast for the fasting person and a Waqf program for needy families (iico, 2018:11-17)

The establishment of cash Waqf in South Africa began in year 2000 with the establishment of the National Cash Waqf Foundation and its accreditation as a Waqf institution. To provide flexibility to potential founders, the institution offers five different ways in which founders can participate in the cash Waqf fund as follows:

- 1% per month: interested individuals can donate a certain percentage (up to their full estimate) of their monthly income.
- 1% option: the mechanism of this method is the same as the 1% per month method, but the only difference is the regularity of payment. Instead of monthly

payments, individuals can donate quarterly, semi-annually, annually, or even just one time.

Money: in this way, individuals donate assets that include jewelry, currencies, real estate and property, and shares owned in public joint-stock companies.

- Trade: through this method, individuals can donate a certain percentage of their sales or the profits achieved by their companies or they donate a certain percentage of the property rights in a business, and thus the Waqf institution becomes a direct owner in a private profit organization; the other option is by donating a certain percentage of equity rights in certain business deals.

The accumulated cash amount is invested in an income-generating financial portfolio as determined by the founder, but in general, the Waqf Foundation's investments are concentrated on real estate, and in particular in The Oasis Property Fund. Administrative expenses shall be deducted so that they do not exceed 12.5% of the endowment revenues, and the remaining revenues shall be spent on charitable programs (Awqafsa, 2018: 23-31).

In sum today, in our modern era, the benefit and feasibility of cash Waqf (endowment) have been proven in several places, so the effectiveness of cash Waqf (endowment) has become supported by scientific and practical evidence. Where, cash Waqf (endowment) spread throughout the Islamic world, its endowments increased, and its applications and benefits have been spread throughout the Islamic countries. In fact, and through the experiences of the aforementioned countries, it has been proven that cash endowment has the qualifications that qualify and enable it to be a successful financial means to fund all economic sectors and promote economic development, in addition to being an effective tool in the elimination of poverty in Islamic countries. In Libya, the Waqf institution, which is called General Authority for Endowments and Religious Affairs, has large financial assets deposited with commercial banks operating in Libya, a large part of which was non-withdrawable for long years;

The assets have recently been released. The monetary value of the allowance account until the end of 2017 amounted to 7,000,000 million Libyan dinars and the investment account until the end of the same year was 108,976,433.846 million Libyan dinars. In addition, the General Authority has also very large debts owed by individuals who rent its properties, as well as larger debts owed by the state in exchange for the exploitation

of the endowment properties and compensation owed in exchange for expropriation in the public interest. Furthermore, Libya possesses a huge endowment wealth of fixed assets, such as shops, lands, buildings, Quranic schools, mosques, schools, and homes, which are at inestimable sums. When the General Authority for Endowments implemented a similar fare system in the Tripoli office alone, revenues in 2010 amounted to 10 million Libyan dinars (Al-Daly, 2018:219-220). In spite of these capabilities, endowments in Libya have not performed their role as required, because there is great negligence in the endowment system in terms of exploitation and investment, since the investment formulas are almost static, as the only used formula is the lease formula. Therefore, this research will try to present a solution to activate the financing role of Waqf (endowment) in Libya by submitting a proposal to implement cash Waqf through establishing Waqf funds as a means and resolution to the financing challenges faced by small businesses in Libya, drawing insights from the practices of leading nations in implementing Waqf fund initiatives.

1.8 The Design and Organization of the Research

To ensure that all aspects of the topic are covered, the thesis will consist of six interrelated chapters. The chapters of this study come as follows:

The first chapter is "Introduction": This chapter starts with a general context to explain the study issue at hand and deals with all the basic dimensions of the topic, including an introduction that provided brief information on the topic, the research problem, and the objective of the thesis, as well as indicates the research importance, the research methodology, and the reasons for choosing the research topic, and the literature review. This chapter concludes with an overview of the thesis's structure.

The second chapter is about the analysis of the private sector and the reality of Libyan small enterprises. The purpose of this chapter is to give an overview of the economy of Libya, its historical development, and its features. Additionally, it specifically mentions the banking industry in Libya and the reform measures that were implemented by the state and sheds light on the concept of small enterprises and their importance, characteristics, and their sources of finance. Moreover, there is mention of a brief history of small enterprises in Libya, their size, types, and importance to the Libyan economy, as well as the plans, policies, and means that the government of Libya relied on to uphold and improve this sector. The final section of this chapter discusses the

sources of financing small enterprises in Libya, impediments that hamper these projects from using these resources, and the situation of the Libyan financial sector.

The third chapter is about "An Overview of Waqf and the Potentials of Waqf in Libya". This chapter deals with various conceptual aspects related to endowments: defining waqf (endowment) including its definition under Libyan law as well as the definition of waqf in economic terms, its importance, pillars, types, and its dimensions, and the multiple effects of the waqf (the economic and social effects). This chapter also focuses on the reality and nature of waqf wealth in Libya and methods of managing and investing them. The last section of this chapter discussed using Waqf as a financial source for financing small enterprises.

The fourth chapter is about "Waqf funds". This chapter discusses the definition of endowment funds, their objectives, types, characteristics, the modus operandi of waqf funds. The final part of this chapter has highlighted the existing practices and experiences of financing small projects by cash waqf.

The fifth chapter is about "a model proposal for developing a waqf fund in Libya to finance small projects,". This chapter provides a comprehensive overview of the idea to create a waqf fund in Libya to provide funds for small ventures. This chapter covers the legal and Shariah framework of the suggested waqf fund, its objectives, its fundamentals and principles of work, and its organizational structure. This chapter also illustrates both the means of gathering monetary assets for the suggested waqf fund model and the methods of investing. Finally, the last part of this chapter highlights how the proposed fund divides the earnings gained by its assets investment.

The sixth chapter is the conclusion. This chapter presents a summary of the thesis, the main conclusions that this study has drawn, as well as a set of suggested recommendations.

CHAPTER II

THE ANALYSIS OF THE PRIVATE SECTOR AND THE SITUATION OF SMALL BUSINESSES IN LIBYA

This chapter presents a historical overview of the development of the Libyan economy. The following sections will highlight several issues, including Libya's banking industry and its reform initiatives, a conceptual background for understanding small enterprises, the Libyan small projects, and The Situation of The Financial Sector in Libya.

2.1 An Overview of the Libyan Economy

Before oil was discovered in 1959, Libya was among the world's poorest nations, and plenty of analysts claim that Libya's economy in the period before the figuring of oil was impoverished and rudimentary (Gait,2009:7). The Libyan economy during this period (the independence period) was fundamentally dependent on the agriculture sector and foreign aid. During that period, the agricultural sector emerged as the main prospect for the nation's economic prospects, engaging approximately 70% of the labor force. It accounts for around 30% of GDP (gross domestic product) and supplies essential supplies to the manufacturing industry, exports, and commerce. The average yearly income per capita for the Libyan people was then 13.90 Libyan dinars, or less than \$40. (El-Nakhat, 2006:43).

Libya's economy changed drastically at the start of the 1960s after oil was discovered and produced in large quantities for commercial purposes. It went from being one of the poorest to one of the richest economies (Alafi, and de Bruijn, 2009:6). At that time, the Libyan government (the monarchical government) began to use revenues of the petroleum sector as an engine and a catalyst for economic growth and raising the quality of the standard of living of Libyan citizens (Makori, 2007:12; Fatory, 2004:11). This government adopted and supported the capitalist philosophy that restricts the role of the government and encourages the non-government sector to develop and improve both itself and the economy (Alafi, and de Bruijn, 2009:6-7). In general, investment in the petroleum industry has made the country's economy achieve a surplus. In 1962, oil income made up 24.4 percent of the country's GDP, and 61.7 percent in 1969. Toward the end of the sixties, the oil sector grew rapidly and became the predominant sector of the economy (Abusnina and Shameya, 1993:12).

In 1969, the new revolutionary government led by Colonel Muammar Gaddafi came to power. This new government adopted a socialist ideology and began expanding the government sector and decreasing the non-government sector, and the government's intrusion in the economy has expanded. (Buferna, 2005:136). To achieve its ideology, this government has enacted a package of legislation, laws, and procedures that have affected economic activities as well as the framework of the economy. The first of these laws was Law No. 65 of 1970. Under this law, non-Libyans are prohibited from becoming partners in solidarity companies, or recommendation companies and it stipulates that the percentage of what Libyans or Libyan companies own in the capital of a joint stock company should not be less than 51%. In the same year, the government issued Law No. 135. According to this law, the Libyan state confiscated the property of all commercially, industrially, and agriculturally active persons. In addition, it nationalized foreign investments, most of which were in the oil sector, and this did the greatest damage to the presence of foreign investments in Libya. In light of these policies, it was impossible for foreign companies to enter the Libyan market, and there is no doubt that such legislation has made Libya's economy waste the opportunity to benefit from foreign capital, expertise, and technology. This trend is contrary to what is prevalent in the countries of the world, where major and developed countries open their markets to foreign expertise and investments and provide them with many facilities. (Buera and Al-Awjali,2020:18-19).

In 1975, the government established public companies and enacted Law No. 87. Under this law, all commercial activity was restricted to these public companies. As these companies became the first and last responsible for the importing and distributing of goods and services, and thus monopolized foreign trade instead of the private sector. In fact, the socialist orientations of the revolutionary government system led to the reduction of individual ownership to a large extent, especially with regard to real estate (Obaidah and Fayyad, 2016:13).

These legislations also condemned personal saving and considered surplus money a right for others and profit as a manifestation of exploitation and devouring the money of the toilers. The result of these measures was that economic activity faltered and the circle of economic freedom narrowed. as at that time, the slogan "Partners, not Employees", which was taken from the Economic Pillar of Muammar Gaddafi's Green Book, appeared. The meaning of this slogan is that the worker is a partner in production

and not an employee with a monthly salary (Buera and Al-Awjali,2020:19). Because of this saying, workers have taken over the plants they are working at and proclaimed themselves partners, not employees, which has had negative repercussions on the process of economic growth and competitiveness in Libya (Alafi, and de Bruijn, 2009:7). By the end of the seventies, most of the private ownership of all economic activities was transferred (industrial, commercial, service) to public ownership. In 1981, The government canceled all permits for retailers selling food, apparel, electronics, household appliances, and replacement parts. (El-Nakhat, 2006). As a substitute, the state opened 1279 central supermarkets across the country with the aim of providing for the daily needs of Libyans (Ajam, el at., 1984:35). The government gradually increased its control over economic activities and became directly responsible for all sectors of the economy and all aspects of social life.

Because of the low oil prices, the economic sanctions, and the trade embargo imposed by the US government and the great economic failure, the Libyan government began thinking of programs to restructure the economy and the laws regulating it, move towards more economic freedom, and work to raise the efficiency of production and service institutions with the aim of pushing citizens towards private productive economic activities and enhancing private sector initiatives in various sectors. (Buera and Al-Awjali,2020:20). In 1987, the Libyan government adopted the first set of reform measures. In 1988, for the first time, the state introduced the concept of Tashrukiyya (self-management) enterprises in which some people are partners who contribute labor and capital and allowed for the creation of this type of project (collective ownership businesses) (Vanderwalle, 2011:7). The objective of this system (the tashrukiyya system) was to encourage a small private sector to take part in the retailing, service, and light manufacturing as a way to treat and overcome the inefficiency in these industries (Meliha, 1996). The General People's Committee published Decree No. 724 in 1989 outlining the guidelines for applying collective ownership to economic entities. In light of this decree, 102 public institutions were converted into tashrukiyya form in the industrial sector within the policies of rebuilding Libya's economy with the aim of transforming it into a productive economy (Buera and Al-Awjali,2020:21).

During the early 1990s, Libya faced not only the repercussions of international economic sanctions but also the strain of declining oil prices, which greatly impacted the government's capacity to support its inefficient public sector. (Otman, 2007:21). To

counter this, the government has embarked on a second wave of reforms to reinforce and extend the earlier wave of reforms. The nation's legislature, the General People's Congress (GPC), passed Act 9 in 1992. The law authorized the creation of privately owned and operated businesses managed by families and individual entrepreneurs. Additionally, it sanctioned the privatization of state-owned enterprises, resulting in the formation of several private companies. (Saleh, 2001:16).

At the same time, the General People's Congress (GPC) took over a number of laws providing for the creation of joint-stock companies, which gave for the first-time private companies the freedom and ability to open accounts in foreign currencies and get import permits for importing their equipment (Vandewalle, 1998:49). For this purpose, it has restructured the banking system in accordance with Monetary and Credit Law No. 1 issued in 1993 and created a number of state and commercial banks in an attempt to control and acquire some of the capital flows that shared in supporting and sustaining the informal economy. Special laws have also been enacted to provide protection for reinvested capital (Vandewalle, 2011:10).

The aim of this new reform plan was to go beyond the previous experience of privatization and share the burden of public institutions with private business by further limiting the government's participation in the economy (Alakdar, 2005:32). In 1997, Act No. 5 was issued by the government, which sought to promote international investments in the market for Libya. Which represented the basis on which the investment legislation was built in Libya, and it was subsequently amended. Saleh (2001:17) stated that this law specifically encourages support international investments in fields that would lead to result in theimport of modern technology, diversify revenue streams, and contribute to the advancement of domestic goods in a way that helps them enter the global market.

Between the end of the 1990s and the beginning of the 2000s, the governing body launched a series of economic reforms to make the private sector more active in the economy. Many laws were reviewed, and a set of legislations were issued aimed at correcting and filling some of the gaps and contradictions in the existing legal environment and encouraging restructuring and reorganization programs to push the non-government sector to take part seriously in economy. The state also issued another set of laws specifically aimed at attracting foreign capital and achieving the society's

economic goals of economic growth and economic stability (Buera and Al-Awjali,2020:21).

In January 2002, the government expressed its intention to grant greater economic freedom to its economy. For that purpose, the government took some steps. The first step was to unify the exchange rate, which it reduced the official exchange rate by more than half. The second step was to peg the Libyan dinar to the International Monetary Fund's (IMF) Special Drawing Rights. In fact, there was more than one goal behind this strategy; the first was to unify the multi-tier (official, commercial, black-market) foreign exchange system in the country. The second objective was to assist in luring in overseas capital into the country, and the last objective was to increase the competitiveness of Libyan companies. During that month, Libya slashed its customs duty rate by 50% on the majority of imports, aiming to mitigate the impact of its currency devaluation. (Vandewalle, 2011:11). In addition, to streamline the issuance of export and import licenses for people, the state has removed the majority of the requirements. In 2005, the state eliminated every tariff (tobacco products excluded) and supplanted them with a 4 % importation fee. To motivate domestic and overseas firms to make investments in Libyan Market.

In January 2004, the government of Libya established the General Board of Privatization and prepared a large-scale privatization program, which is called Al Tamleek. This program was adopted as a means to expand the ownership base by pushing and encouraging the employees and residents to own the government projects in order to avoid concentrated ownership (Alfourjani 2005:34). This privatization policy also gave permission to foreign nationals to participate, but with restrictions imposed on their ownership. According to this program, the state proclaimed its intention to privatize 360 public projects, which comprised 204 industrial companies, 56 agricultural companies, 82 livestock companies, and 18 marine companies. This privatization process took place in three stages from 2004 to 2008((Alafi, and de Bruijn, 2009:8). Moreover, the Libyan government issued Resolution No. 313, which aimed to free these privatized enterprises from taxation of exportation and revenue for a five-year term. This resolution granted these institutions the ability to bring the machinery and basic materials required to produce their goods from abroad without having to pay any taxes (ELTaweel,2011:25). The fresh privatization initiative aimed to enhance the efficiency of the public sector and the national economy by enticing private

investments, reducing government control, and fostering a supportive environment for economic endeavors. (Shernna and Alfourjani, 2007:16-17). Practical measures were adopted to support the new strategy such as wide-ranging reforms in the banking industry and the establishment of private banking institutions. The actions also included the creation of a stock exchange in 2006 by Resolution No 134.

Furthermore, the government eased the procedures imposed on foreign companies investing in Libya. As the Libyan regime lowered the rate of customs duties in order to facilitate the entry of foreign investments and capital to the country far easier (IMF, 2005:23). Relaxing the rules of the trade regime, such as halving the consumption tax rate on imported goods (IMF 2007:20), The government's monopoly on imported goods was reduced, as the list of forbidden imports (40 items) has been reduced to less than ten. These measures granted the private sector the freedom to import or manufacture goods that were previously monopolized by the state (IMF, 2007:22). Furthermore, the government has signed many investment agreements with a number of countries in order to support, encourage, and induce foreign direct investment and harmonize taxes. Infrastructure and planning for free zones have also been modernized (IMF, 2003:15). Requirements for trade with Maghreb countries have also been simplified (IMF, 2008:12).

At the end of Gaddafi's political and administrative rule, Law No. 23 of 2010 regarding economic activity and Law No. 9 of 2010 regarding investment were issued. Which canceled a number of previous laws in the field of investment and expanded the fields of investment to include all production and service fields, except for the oil and gas sector. This law provided many financial benefits and tax exemptions for the investor, especially if the project achieves food security, saves energy, or contributes to spatial development. It also allowed the foreign investor to transfer all his profits and returns abroad without any restriction, which is very important to the foreign investor. The law also specified the use of Libyan workers at no less than 30% and working on training them, as this would contribute to solving the problem of unemployment. The aforementioned law also included a one-stop-shop service to enable the investor to obtain the licenses, approvals, and services necessary for the investment project, which has great facilitation and attraction for investors (Obaida and Fayadh 2016:15). Although the previous laws enshrined the orientations of the free economy, the practical

application of these laws did not achieve the objectives of these legislations, as the Libyan private sector is still marginalized and unorganized, and the public sector institutions that are characterized by inefficiency are still dominant in most economic activity (Abu Sneina, 2018:21).

As a matter of fact, it could be noted that notwithstanding the efforts that have been made by the government and the funds allotted to development plans intended to develop, support, and revive non-petroleum producing industries to fulfill specific targets, the most important of which is broadening the economy's sources of income and removing the oil industry's monopoly, the state organizations as yet controls the majority of economic actions in Libya and the oil industry continues to dominate the country's economy. Where the revenues from the oil sector continue to represent the biggest part in Libya's economy's GDP and account for 91% of total government revenue, as well as more than 95 percent of exports (Faresi and Shehoumi, 2006:16, Ali and Harvie, 2013:276).

Libya ranks among the top oil-producing nations in Africa and possesses the world's ninth-largest oil reserves, estimated at approximately 46 billion barrels (Masli and Elwalda, 2021:97). The petroleum sector is considered the main sector that takes control of the economic activities as well as constituting a greater percentage of components of GDP as shown in Table (2.1), although its contribution decreased for some years because of the decline in oil prices. In contrast, the share of the other sectors to the Gross Domestic Product was extremely unassuming. For example, in 1995, the agriculture sector and the sector of industry wrote down their largest contributions, reaching 8.7% and 7 %, respectively, but these contributions went down to nearly 2.8% and 1.4% in 2005 (Shernanna, 2012:84-85). Some experts, like Shamia (2007:60) and Makori (2007:36), mention that the unpretentious sharing made by these crucial sectors, in spite of their significant portion of the overall investment., as these industries took up nearly 25% of the overall allotments, which added up to about LD 40 billion between 1970 and 2000, is due to several elements, like the characteristics of the local market and the ineffective use of available manufacturing capacity , which had a detrimental impact on output costs.

Table 2.1: Libya's Gross Domestic Products by Sector (percentage)

Year	Oil-GDP (%)	Non-oil GDP (%)
1966	56.1	43.9
1969	61.7	38.3
1972	52.5	47.5
1975	53.3	46.7
1978	51.1	48.9
1981	50	50
1984	41.1	58.9
1987	31.2	68.8
1990	39.3	60.7
1993	26.9	73.1
1996	32.1	76.9
1999	28.3	71.7
2002	50.1	49.9
2005	69.7	30.3
2008	78.7	21.3
2011	62.6	37.4
2014	68	32
2017	68	32

Source: CBL, Research and studies center

In terms of the state sector, the economy of Libya has been dominated by a large public sector since the beginning of the seventies. The new revolutionary government adopted the socialist philosophy, which is based on the policy of spending on the public sector and curtailing economic freedom for individuals and their right to own property. These policies were clearly mirrored in the government's development plans from 1976 to

1980 and from 1981 to 1985, which witnessed the expansion of the role of the public sector at the expense of the private sector. The information that is currently available on the share of the state and private sectors in total investments, (as shown in Table 2.2) indicate that the entire economic life in Libya has been largely controlled and regulated by the government, and thus the private sector was abolished. The public sector also had the lion's share of total investments, which amounted to 84% during the period 1970–1997 (EL-Brassi, Bello and Alhbashi 2017:978).

Table 2.2: Investment in the state and Private Sectors (1970- 1997)

Duration	state sector		Private sector		Total (LD millions)
	Value	%	Value	%	
1970-1972	546.6	69.1	244	30.9	790.6
1973-1975	1742.6	79	460.4	20.9	2203
1976-1980	7282.8	88	1057.2	12.8	8340
1981– 1985	980.5	91.7	88.7	8.3	1069.2
1986-1990	4051.2	90.2	440.1	9.8	4469.2
1990-1997	3295.7	75	1075.3	24.6	4491.3
1970-1997	17899.4	84.2	3365.7	15.8	21265.1

Source: Ganous, 1999:57

In fact, during the period 1970–1997, the public sector was solely responsible for the supply of goods and the provision of services, while it was exempt from several taxes, customs, and government fees, as well as getting the government’s financial support if need be. For example, during the period 2011–2017, public institutions received about LD 2.2 billion, of which 50% of this amount was granted to the General Electric Company (Al Hasse,2020:34).

In Libya, the public sector remains the main provider of jobs, with about 85 percent of Libya’s active labor force working in the public sector. According to statistics released by the Ministry of Finance in May 2013, the government paid 1.486 million public

employees' salaries in April 2013. 1,568,748 people were employed in 2017, according to the Audit Bureau 2017 report (Al Hasse,2020:28). Females constitute about half of that number. Public-sector employees usually have more merit than private-sector employees, as a large number of public-sector workers enjoy social insurance, whereas only 46 percent of private-sector employees have such coverage, and public-sector employees also enjoy better job security (Rahman, and Di Maio, 2020:5).

The truth is that the state sector's hegemony over the Libya's economy has had a variety of unfavorable effects, such as depending entirely on the public budget (which is already dependent on proceeds from the oil industry) to fund all economic initiatives and ventures. In addition, as mentioned earlier, the public sector is the main operator of the workforce in society, which means bringing more financial burdens. These burdens have increased because of the rise in inhabitation. In contrast, productivity in terms of quality and quantity has decreased, ranging between 0.0% and 36.4% of potential capacity, and the public sector has failed to create and manufacture new goods. Moreover, the return on investment in this sector has decreased, as the achievements of the public sector have not been proportionated to the enormous investments that have been allocated to it. In fact, the government had hoped that the revenues from public projects would finance the state budget, yet these ventures kept depleting the state's budget (Tapoli, 2004:14; Faresi and Shehoumi, 2006:19).

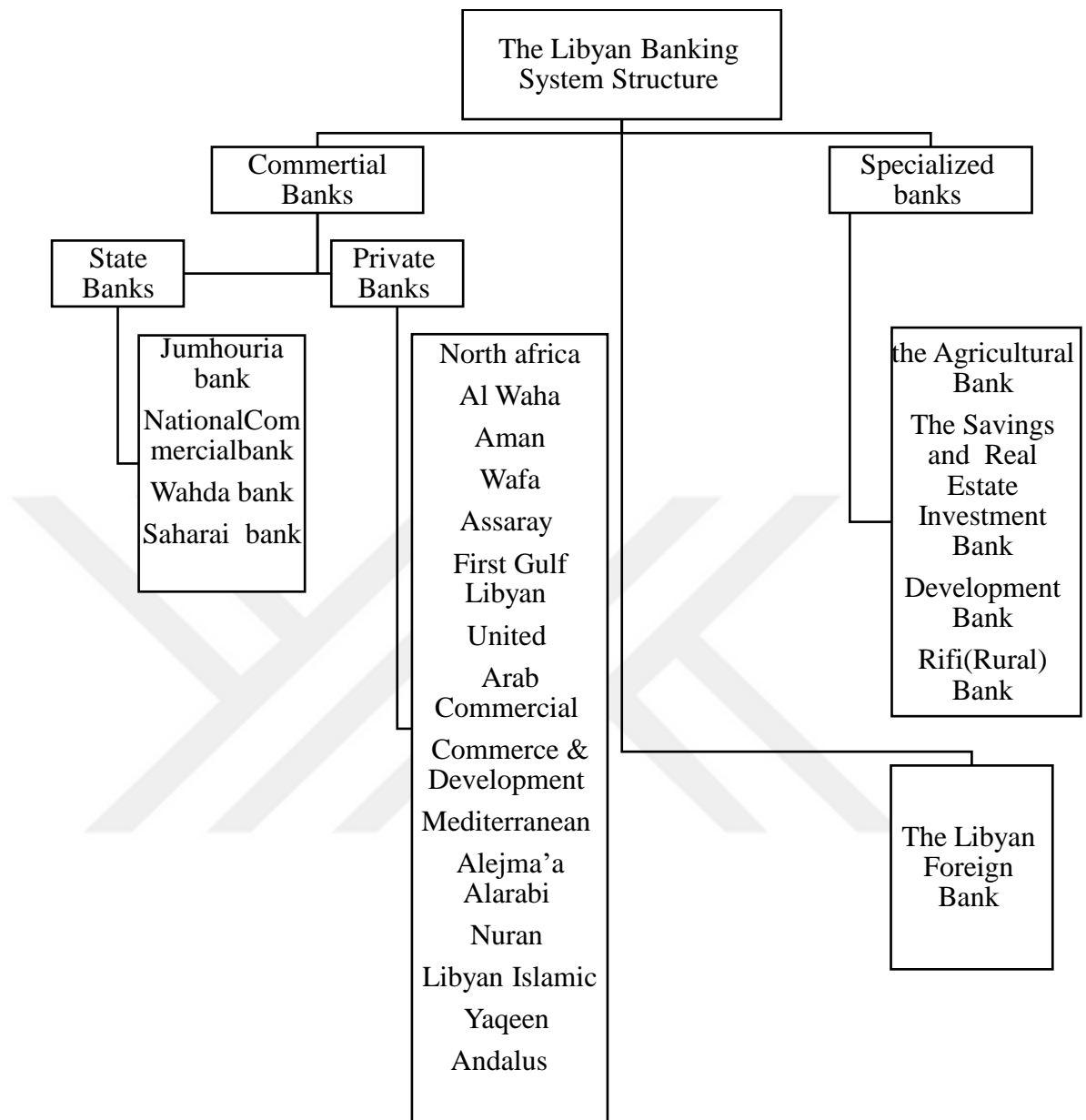
2.2 The Libyan Banking Sector

In Libya, the banking sector predominates the financial sector at the expense of other types of financial institutions, as it controls over 80 percent of financial sector assets. The Libyan banking sector is the only real financial institution and the only source of finance that provides and grants credit and funding to all economic activities in Libya. Traditionally, the banking sector in Libya has been dominated by four major banks, all of which are either fully or predominantly state-owned. These banks have branches that are operating across the entire country. These four banks have around 90 percent of the assets of the Libyan banking sector (Abdulsaleh,2016:101). The Libyan banking system consists of the Central Bank, Commercial Banks, and Specialized Banks (see figure 2.1).

2.2.1 The Central Bank of Libya

In 1956, Libya established the National Bank of Libya as a substitute for the Libyan Currency Committee, which was formed in 1951. In 1963, the government renamed the National Bank of Libya to the Bank of Libya. Subsequently, the Bank of Libya underwent another name change to become known as the Central Bank of Libya. The CBL is considered the supreme monetary institution in Libya, which functions as a banker to the government, a banker to other banks, a supervisor and regulator of financial operations, and a supporter of Libya's economic growth (Gait,2009:17). In 2005, the General People's Congress issued Law No.1 2005, which defined the responsibilities and tasks of the Central Bank. Under this law, the Central Bank of Libya (CBL) is responsible for issuing and regulating banknotes and coins and managing the official reserves of gold and foreign exchange. As well as working as a supervisor to the commercial banks to ensure the integrity of all banks financial positions and protect the rights of depositors and clients and advisor to the government in creating and carrying out economic and financial policies, which are necessary to advancing global commerce (CBL, 2006:21).

Figure 2.1: The Libyan Banking System Structure



Source: CBL, 2021

2.2.2 Commercial Banks and Specialized Banks

The second component of the Libyan banking system is the commercial banks, which are considered among the most important financial institutions in Libya and In conjunction with the importance of the privatization program, the central bank of Libya (CBL) has adopted a series of reforms that should be expected to significantly improve the effectiveness and performance of these institutions, as these reforms involved the establishment of private commercial banks and the opening of branches of some foreign

banks (Hawashe, 2016:210). There are now about twenty commercial banks, some state-owned, some privately owned, and some a joint venture of the state, domestic investors, and foreign investors (see Table 2.3).

Table 2.3: Capital Ownership of Banks Operating In Libya

No	Name of the bank	Capital ownership		
		Public sector	Private sector	Strategic partner
1	Jumhouria	83%	17	0
2	National Commercial	85	15	0
3	Wahda	54	27	19
4	Saharai	59	22	19
5	North Africa	82	18	0
6	Al Waha	90	0	0
7	Aman	0	60	40
8	Wafa	0.65	99.3	0
9	Assaray	0	100	0
10	First Gulf Libyan	50	0	50
11	United	3	57	40
12	Arab Commercial	0	100	0
13	Commerce Development	17	34	49
14	Mediterranean	0	100	0
15	Alejma'a Alarabi	0	100	0
16	Nuran	0	50	50
17	Libyan Islamic	0	100	0
18	Yaqeen	0	100	0
19	Andalus	0	100	0
20	Libyan Foreign	100	0	0

Source: EL-Brassi, Bello and Alhbashi 2017:985

Besides to commercial banks, the state owns all five specialty credit banks: the Libyan Arab Foreign Bank, the Agricultural Bank, the Savings and Real Estate Investment Bank, the Development Bank, and the Rifi (Rural) Bank. The Libyan Arab Foreign Bank oversees and manages all foreign banking operations, while the Agriculture Bank focuses on offering financing assistance to persons active in farming and animal-related enterprises, notably during droughts. The Development Bank provides loans to productive ventures across various sectors such as industry, agriculture, and tourism. Similarly, the Savings and Real Estate Investment Bank extends loans to citizens interested in constructing or purchasing residential properties (Buferna, 2005:141). Finally, the Rifi Rural Bank, whose goal is to raise the standard of living for rural residents.

2.2.3 Islamic Banking in Libya

In spite of the fact that Islamic banking has become increasingly popular worldwide, particularly in the Middle East and North Africa, it has only recently started to gain traction in country. The actual beginning of Islamic banking in the country was in 2009 with the publication of Guideline No. 9 by the Libyan Central Bank. This instruction permits banks to provide products for Islamic banking, such as Murabaha, Mudaraba, and Musharaka, or other formulae that have been devised. During this period, a number of Libyan traditional banks began offering Islamic banking services, including Wahda Bank, Sahara Bank, and Jamahiriya Bank, the largest bank in the country (Khafafa and Shafii, 2013:65).

Following the 2011 revolution, there was a surge in interest in Islamic banking, spurred by the enactment of Law No. 46 of 2012 by the National Transitional Council. This law amended the Banking Law of 2005 and introduced a comprehensive section on Islamic banking, paving the way for the formation of Islamic banking institutions (Baej and Worthington 2014:5). In 2013, the Libyan General National Congress passed a law (No. 1) that prohibited interest (riba) in all civil and commercial transactions (Stela and Abdulsalam, 2016:12). However, this legislation has been only partially enforced rather than fully implemented. (Zway, 2017:15). In fact, Libyan banks are still in their infancy and have not yet been able to completely transition to Islamic banking in its purest form. (Elkrghli and Yahya 2018:41). The reasons for this are attributed to many obstacles that

banks could not overcome and did not solve or find solutions to, such as inadequate training for employees, incompetence and inexperience in the area of Islamic finance, and not having a market for Islamic finance products, in addition to the influence of the present political and economic circumstances on the progression of the alteration program (Abdulsaaleh, 2017:45; Zwaay, 2017:15; Elkrghli and Yahya, 2018:42). However, despite the presence of these challenges and obstacles, the newly established Islamic finance system has benefited from certain aspects. For example, the Central Bank, legislators, bankers, academics, practitioners, and the general public are all already taking an interest in it at large, which gave the Libyan governing body an incentive to focus on putting Islamic banking into practice. (Baej and Worthington 2014:6).

In response to the growing need for Islamic banking products, many Islamic windows and branches have been established by the Libyan commercial banking institutions. The Bank of Jumhouria has opened 15 Islamic branches and 48 Islamic windows, and with these numbers of windows and branches, the Jumhouria Bank has possessed more than fifty percent of the Islamic banking industry in Libya. The following bank is the Bank of National Commercial, with more than sixty Islamic windows. The North Africa Bank has forty-eight windows and a single branch. United Bank and the Bank of Trade and Investment both have a single branch and ten windows. The Bank of Sahara owns six windows and a single branch followed by Wahda Bank, which has two branches and 6 windows. Only one branch was present for each of the two banks (Waha Bank and Al-Ijma Al-Arabi Bank) and two branches for Noran Bank. In addition, three Islamic banks (Libyan Islamic Bank, Yaqeen Bank, and Andalus Bank) have recently engaged in the banking system. Unfortunately, although there are many Islamic branches, windows, and fully Islamic banks, Islamic financing products are limited to Murabaha products. According to the statistics of CBL, the Murabaha contract is the most used contract by Libyan banking institutions, where the Murabaha contract constitutes more than 90 percent of the prevalent Islamic products in the market. whereas less than 10 percent of products are based on Musharaka, which is provided only by the Bank of Jumhouria (EL-Brassi, Bello and Alhbashi 2017:992)

2.2.4 The Reform of Banking Sector in Libya

In 1970, a new revolutionary government in Libya decided to nationalize all of the country's banks. Since the early 1970s, Libyan banking sector has been predominated by five banks, three of which the government owns in its entirety: Gumbouria Bank, Umma Bank, and the National Commercial Bank. Sahara and Wahda Bank are the other two, with the government owning 82.7 percent and 87 percent of their shares, respectively. In fact, these institutions have held onto around 90% of the financial assets of the banking system in Libya (CBL, 2010:20; IMF, 2006:23). In Libya, the ruling of the government over the banking sector has produced an absence of competition in this sector, which has caused for the weakness of financial services. Because of the acceptance of development plans as well as the switch to an open economy (market economy), it was indispensable to take a serious step toward adopting the right measures to enable these banks to work according to this fresh transformation in addition to making them participate efficiently to produce the appropriate climate that helps to develop the private sector (CBL, 2010:22).

In 1993, The Libyan banking sector underwent significant changes with the enactment of Law No. 1, which authorized the establishment of private commercial banks as joint-stock companies, facilitating increased private involvement in the banking industry. This Act also permitted foreign banks to establish branches, agencies, or appoint representatives within Libya. Consequently, by October 19, 2014, there were eighteen representative offices of foreign banks operating in Libya (Elsakit, 2017:66). In June 1996, Benghazi saw the opening of the Bank of Commerce and Development, the country's first private commercial bank. This bank is the fastest-growing, most technologically sophisticated bank in Libya, with five branches and nine agencies now functioning around the country (Alkizza, 2006:158). Currently, about fourteen private commercial banks operate in the banking system in Libya. In 2007, the state began privatizing state-owned banks. The Libyan government sold 19% of the Sahara Bank 's ownership to BNP Paribas on the condition that the foreign bank enjoyed full management rights with the possibility to buy additional shares of up to 51% within 5 years. In 2008, the government privatized the Wahda Bank on the same terms as the process of privatizing Sahara Bank and sold it to the Arab Bank. Then, at the beginning

of 2010, the CBL offered its shares (about 15%) in the Gumhouria Bank as well as the National Commercial Bank for public subscription on the Libyan stock exchange.

In December 2010, QNB Bank became an essential partner in the Trade and Development Bank. Furthermore, a plenty of other measures have been made by the CBL to stimulate contest. These measures include deregulating commercial bank commissions and liberalizing rates of interest on deposits and loans., and decreasing a centralization by giving freedom to banks in making their credit decisions. (Shukri, 2007:18; CBL, 2010:21; IMF, 2008:17)

2.3 An Overview of Small Enterprises

2.3.1 Definition of Small Enterprises

Despite the international attention that small enterprises have received for their role in addressing the negatives and disadvantages in the world due to the spread of globalization in markets and market economies, it has not been defined precisely and specifically so far (Al-Husseini, 2017:158). Where the definitions provided for small projects differed from one country to another due to their different economic and social capabilities, the extent of the prevailing technological progress, and the stage of growth they have reached. A project that is considered small in the USA or Japan can be considered large in size in another developing country. In fact, the evaluation of the size of the project within the same country varies according to the stage of growth (Owais, 2016:74). This difference is mainly due to the different criteria on which these projects are based. where the two categories of criteria used to characterize small projects are quantitative and qualitative criteria. Quantitative criteria are dominant in the definition of small enterprises, and these criteria are represented in the number of workers, amount of capital, technological progress, and sales volume. The criterion of the number of workers is more common than others in defining these enterprises, or, in other words, it is the basis or pillar of the definition according to many of the definitions used. While qualitative criteria relate to the qualitative and descriptive characteristics that must be available in small enterprises, including the inseparability of ownership from management, the activity of local projects, and the small size of the project compared to the size of large projects working in the same field (Al-Husseini, 2017:158).

The European Commission selects employee numbers as criteria for classifying enterprises of different sizes. Where the European Commission defines a project that employs 0–9 workers as a microenterprise, a project that employs between 10–99 workers is a small project. whereas the World Bank uses three criteria, including the number of employees, sales volume, and asset size, to categorize enterprises of different sizes. As it defines enterprises that use between 10 and 50 workers and have total assets and sales up to \$3 million as small enterprises, and one that employs less than ten workers with annual total sales of up to \$100,000 and total assets of up to \$10,000 as microenterprises (Barghathi, 2014:37).

The United Nations Industrial Development Organization adopts a mixed standard (quantitative and qualitative criteria) to define small businesses. As it has defined small businesses as those businesses managed by a single owner who bears full responsibility in its long-run (strategic) and short-run(tactical) dimensions, with the number of employees ranging between 10 and 50 personnel. Whereas, the Gulf Cooperation Council (GCC) countries and Egypt use the amount of capital and the number of employees criteria to identify small enterprises. According to the GCC definition, a small enterprise is an enterprise in which the investment capital volume is less than \$2 million and the number of employees does not exceed 60 (Al-Ammari, 2019:22).

In Egypt, a small venture is any individual enterprise that works in an economic, production, mercantile, or service activity and has invested capital of at least 50,000 Egyptian pounds and no more than 10 million Egyptian pounds, and its staff members are fewer than 50 employees. while a micro-project has its invested capital under 50,000 Egyptian pounds (Owais, 2016:15). In Malaysia, small establishments are defined based on the criterion of annual sales volume or the criterion of the number of permanent workers. A micro-venture is a venture that realizes yearly sales of no more than 250 thousand ringgit or employs fewer than five permanent workers. A small project is one that realizes 250 thousand to 10 million ringgit as yearly sales or employs between 5 and 50 permanent workers_(Salman, 2009:25).

In Libya, there is no clear and specific definition for this type of enterprise. Among these definitions is what was provided by the Lending Guarantee Fund, which defined it in two forms: the first is individual projects, which are ventures managed directly by their owners and the value of the loan granted to it does not exceed 150 thousand dinars.

The second form is Tashrukiyya enterprises (partnership enterprises): partnership enterprises: it is a partnership-based venture in which the number of partners is not less than 2 and not more than 10 people, and the value of the loan granted to it does not exceed 5 million dinars (Al-Shwerf el at., 2019:309). Small ventures, according to the definition adopted by the Employment Fund in its Resolution No. 109 of 2006, are civil production and service institutions and a tool for economic and social development that absorb young forces and have the appropriate technical and administrative specifications for their efficient operation. In addition, the number of its employees does not exceed 25, and the value of the loan granted to them does not exceed one million dinars (Al-Mandalusi and Qabqab, 2015:32). While the Ministry of Industry distinguished between the different types of projects through the numbers of workers and capital standards, as presented in Table (2.5).

Table 2.4: Criteria for the Division of Small and Medium Enterprises in Libya

Amount of capital	Number of employees	Size of enterprise
250000 dinars	1-10	Micro-business
1000000 dinars	11-50	Small business
5000000 dinars	51-80	Medium business

2.3.2 Characteristics of Small Enterprises

Small projects have a number of characteristics that distinguish them from other projects, enable them to survive under changing economic conditions, and qualify them to play an important role in the development process. Those characteristics are as follows:

1. **Ease of Incorporation:** creating any small project is much easier than creating a large one, due to the small amount of capital required for establishing this type of project, where these projects depend on attracting and activating self-savings as well as the simplified administrative procedures and cost-effective establishment processes are additional factors contributing to their success, thanks to their straightforward and streamlined administrative and organizational frameworks (Al-Barnouti, 2005:128).

2. **Combination of Ownership and Management:** In small and microenterprises, the owner of the enterprise is often the same as its manager, taking over the administrative and technical operations with the help of some workers or a family member. as that is the most important characteristic of a small enterprises where the owner remains the manager himself, as he is responsible for decision-making, actions, and control, and this type of managerial method allows for a high level of personal interaction between the entrepreneur and his employees. This makes the workers feel more connected to the institution, which motivates them to work harder, thus increasing the project's profitability and, as a result, expanding the activity and creating new job opportunities for the unemployed (Abdelkader, 2012:58).
3. **Flexibility and Ability to adapt to changes:** small enterprises have the ability to change the composition of the workforce, production, marketing, or financing policies and to face change quickly and without hesitation, which helps them overcome obstacles in the economic situation or others. Because of the simplicity of the cost of setting up and the low cost of labor of small enterprises, these enterprises can easily adjust their activity according to the needs and conditions of the market, which helps them avoid stumbling in the event of a contraction in the demand for their product and change their activity to another product for which the demand has increased. Furthermore, the direct personal interaction between the entrepreneur and his customers makes him better able to accurately identify the tastes and desires of the market, which leads to the achievement of revenues and profits in the short term and growth and continuity in the long term.
4. **Relying mainly on Local Raw Materials:** small projects depend mainly on local raw materials, due to their cheap price and availability in the local market. This increases the added value achieved and provides ease of flow of inputs and a reduction of imports. In addition to the possibility of benefiting from the surpluses of large industries, which leads to raising the efficiency of resource use within the national economy (Al-Husseini, 2017:163).
5. **The Ability to spread geographically:** Due to the relative smallness of this type of institution, they are spread in rural areas, cities, agricultural areas, industrial

areas, and areas with advanced technological cultures such as universities and high-end neighborhoods, unlike large institutions that need huge capital, huge buildings with full equipment, high energy, and water. Because of this feature, small and micro enterprises work to create a kind of Balance and justice in regional development through their ability to exploit local resources and the distinctive characteristics of each region, which helps the development of these regions and the stability of the population in them (Abdelkader, 2012:59).

6. Ability to meet Local Market Needs: small projects have the ability to meet the needs of local markets, which large projects may not be able to meet due to the smallness of these markets. This helps reduce the disparity between regional markets and achieve development while serving these markets. This is in addition to the possibility for small projects to change the pattern of work and methods according to the needs of the market, which is the result of their previous characteristics (Al-Najjar, 1999:7).
7. Innovation and Creativity: Small and microenterprises are the main sources of new ideas and inventions, which can be observed in the ownership of the most important patents in the world. This type of project encourages workers to suggest and express their opinions and take advantage of customer suggestions and the experiences of others, in addition to the high capacity of their owners; where 52% of the innovations in Japan, for example, belong to the owners of these enterprises (Heikal, 2003:21, Alnajjar,2006:295).

2.3.3 The Importance of Small Enterprises

Many developing and even developed countries have been able to overcome their economic and social problems by relying on the micro, small, and medium enterprises sector for economic development. These projects have also effectively contributed to the re-evaluation and restructuring of production in these countries and have become an important part of the economies of these countries, and the following points address the importance of these enterprises.

2.3.3.1 Combating Unemployment

Due to the nature of their activities and their dependence on the human element, micro, small, and medium enterprises are considered essential means of facing unemployment. One of the World Bank studies has proven that micro, small, and medium enterprises are able to absorb employment as they can provide jobs for half of the workers in manufacturing industries in developing and developed countries because they are characterized by labor intensity and employ more than 75% of the workers in the rest of the developing countries. Moreover, the cost of the opportunity to work there is three times lower compared to the cost of one job opportunity in large institutions. As these enterprises play a leading role in creating a solid base of skilled labor, as they often depend on the use of untrained or unskilled labor and soon turn it into skilled labor by acquiring technical expertise. In addition, it has been agreed upon that these projects tend to intensify their labor-to-capital ratios, as this rate decreases with the increase in the size of the enterprises, and that the small enterprises are more suitable for those countries that suffer from a labor surplus (Huyum, 2002:23-24).

2.3.3.2 Contribution to Gross Domestic Product (GDP)

The importance of this type of enterprise increases with its significant contribution to the GDP, as small enterprises in high-income countries contribute more than half of the national product. For example, small and medium enterprises contributed about 85%, 51%, and 52% of the GDP in Britain, the USA, and Japan, respectively, during 2007. This also applies to low-income countries, despite the increasing dominance of informal institutions in the sector (Rehab and Farah, 2019:9).

Attracting and Mobilizing Small Savings

Due to the relatively small size of these enterprises, they require little money to establish, and therefore, they work to attract and mobilize the savings of individuals to invest in this type of enterprise. Thus, they play a role in absorbing idle funds from small savers who are not tended to participate in projects that deprive them of direct supervision of their investments and savings (Alsis, 2013:6-7).

2.3.3.3 Feeding and Supporting Large Projects

Small projects work to support and raise the productive efficiency of large projects, as they contribute to the stability of the economic systems in which the latter operate and

contribute to meeting the needs of large projects by providing them with a cadre of skilled labor, reducing production costs, increasing value-added, and providing them with the ingredients that go into the final product. The relationship between small and large enterprises can be direct or indirect. The direct relationship is through what is known as subcontracting. Where the large company turns to other institutions, usually small or medium ones, and asks them to implement a part of its production operations or to play the roles of supplier and distributor and provide after-sales services to customers for certain considerations that may be economic, strategic, or legal (Kandil,2019). The indirect relationship between small and large enterprises appears as a result of market forces and the desire to provide the product at the lowest possible cost. Therefore, the indirect relationship takes the form of allocating or dividing the work between small and large industries without any agreements or contracts between the two parties (Sahlman, 1999:2-3).

2.3.3.4 Contribution to The Economic Development

Small projects are often the origin of the development of the economy through their transformation into large projects or the ideas that they present. A brief examination of the evolution of the American economy reveals that the five hundred most prominent industrial corporations were established by entrepreneurs with modest financial resources. Where Soft was a butcher and Ford was a mechanic. Chrysler was also a mechanic in a railroad plant and then became an engine engineer, and Gilman, the founder of the Atlantic and Pacific Tea Company (known as A&P), was selling tea beside his job (Huyum, 2002:3).

2.3.3.5 Small Enterprises contribute to Local and Social Development

Small projects face the problem of unemployment and try to eliminate opportunities to create categories of society members suffering from a lack of job opportunities that leads them to practice abnormal behavioral patterns that result in many phenomena of social deviation and corruption. as these projects, especially the craft ones, can bring young people in as helpers in some jobs instead of turning them into energies that harm society opportunities that leads them to practice abnormal behavioral patterns that result in many phenomena of social deviation and corruption. as these projects, especially the craft ones, can bring young people in as helpers in some jobs instead of turning them into energies that harm society. Small projects also have a great importance in spreading

productive awareness, which works to liberate from traditional production methods that have persisted in societies, especially rural ones, for long periods of time. In addition, microenterprises are characterized as being spread throughout the country, and thus, they played a major role in influencing the behavior, habits, and thinking of individuals, as the simple technology was transferred in an easy and gradual way (Al-Hammadi and Al-Shaibani, 2014:150).

2.3.3.6 Sharing in Regional Development

Small enterprises play an important role in achieving regional balance for the development process, because of their characteristics and advantages that qualify them for geographical spread and settlement in all regions of the country. It also helps in distributing economic activities and works to achieve balanced growth and remove the differences between them. Many economists have emphasized that the ease of establishing small enterprises in remote areas is more suitable for countries that suffer from a scarcity of capital, as it contributes to alleviating the residential conglomerates in major cities by attracting labor and its ability to create job opportunities and reduce disparities between regions (Labib, 2002:20).

2.3.3.7 Participation in the Promotion of Exports

Small and medium enterprises contribute to the export of goods and services abroad, which is reflected in an increase in national income and the balance of payments and an increase in foreign exchange reserves to meet the requirements of economic development. For example, small and medium-sized enterprises (SMEs) make a significant contribution to exports in most industrialized countries, as their share of exports exceeds 50% in Italy, between 40 and 46% in Denmark and Switzerland, and 30% in France, Norway, and Poland, and also accounted for 66% of the total German industrial exports in 2000 (Sarduk, 2013:11).

Accordingly, the aforementioned points represent the main motives for the need to pay attention to the support and development of small projects in Libya and to adopt them as one of the tools through which one can address the problems that the Libyan economy suffers from. Among these problems is the problem of unemployment, which is considered one of the most important problems facing the Libyan state at the present time. Where The Libyan economy has one of the highest unemployment rates on a global scale. Since 2012, Libya's unemployment rate has been stable at around 19%,

and it is anticipated that this percentage will remain unchanged throughout 2018, with the possibility of this percentage increasing in the future. Unemployment in Libya is classified as a youth phenomenon, as the youth unemployment rate was 47.7 percent in 2015 (Al Hasse,2020:27). In fact, due to the fact that 44% of the population of Libya is under the age of 25 (and 26% is under 15), the Libyan economy will be under ongoing pressure to provide young people with employment opportunities for a while into the future (OECD 2016:49). Therefore, supporting and developing small projects In Libya has become an urgent necessity to address this phenomenon, as these projects have a great absorptive capacity for the workforce and provide them with job opportunities. In addition to that, these projects represent a field for developing administrative, technical, craft, and marketing skills and open up a wide field for individual initiatives and self-employment. Also, this type of project works to vary income sources, which is essential for the development and growth of the economy, so the development and implementation of this type of project will work to liberate the economy of Libya from the control of the petroleum sector and its negative effects, which made the economy of Libya a volatile economy and hostage to changes in the global market. In other words, small and micro enterprises work to promote economic diversification, which can make the Libyan economy more resilient to external shocks. Furthermore, these projects use and rely on locally available resources. Therefore, the Libyan economy needs this type of project to invest its idle resources, which contributes to the spatial development of rural and remote areas and to supplying the local market with goods and services needed by citizens and large companies.

2.3.4 Sources of Finance for Small Enterprises

Access to finance is paramount for the continued and sustainable growth of small and medium enterprises. In fact, small and medium enterprises need financing for their operations at each stage of their development. In general, there are four instances where these enterprises need funding. First, small businesses need capital financing to set up their businesses. Second, financing for expansion which is for the purchase of buildings or machinery, for working capital purposes, or for taking over another existing business. Third, finance innovation. Finally, Small enterprises might pursue financing to reorganize their current financial setup, such as adjusting the balance between equity and debt or substituting long-run debt with short-run debt (Bates and Hally, 1982:134). There is more than one option for raising finance for small businesses, where small

businesses can be financed by internal funding sources (equity capital) and/or external funding sources. Internal financing sources have some advantages, as they maintain independence and financial autonomy because they do not create any additional obligations (interest, guarantees), maintain the ability to borrow, and are a reliable way to provide financial support for the needs of enterprises. Nevertheless, they do entail certain drawbacks since owner-managers may have fewer funds available for investment in other potentially more lucrative ventures compared to the one generating the financial surplus (opportunity cost). Conversely, external funding sources become essential if small enterprises lack sufficient internal resources to finance the investments required for their intended operations. (Oncioiu 2012:47).

2.3.4.1 Internal Funding Sources

Medium, small, and micro enterprises, like their counterparts, rely on their internal resources initially before turning to external sources. These internal sources include:

a. Personal Savings and Family Funding

It's common practice to use family funds and personal savings as the primary sources of funding for new ventures. Where these sources are employed to finance the beginning stage of the existence of small enterprises, as these enterprises during that period suffer from a lack of financial information, guarantors, as well as collateral moreover, the fund providers frequently demand that business proprietors must place a portion of their funds in these businesses as they know that the proprietors will put in a lot of effort to see their businesses develop, prosper, and achieve success. Sonneenfeld and Spenece (1989:371) found out that tiny businesses prefer not to possess high levels of debt-equity funding. The intention behind this is to avoid anything that would damage their personal guarantees and the reputation of their family as well as to avoid losses in general, especially in regard to loan default.

b. Retained Earnings

Retained earnings are one of the most significant resources of funding utilized by small enterprises because this kind of finance is available on demand and is flexible enough to suit the financial demands of these projects. Funding through retained earnings is regarded as one of the best internal funding options available for the project to expand its activity without resorting to outside borrowing (Nusira and Lamia, 2008:5-6).

2.3.4.2 External Sources

Medium-sized, small, and micro-enterprises typically turn to external sources, when they are unable to meet all of their financial needs internally.

a) Trade Credit

Trade credit is a form of short-run finance that reflects the cost of the institution's upcoming purchases of merchandise and raw materials from providers (Fukuda, Kasuya, and Akashi 2007:1-4). Due to its being tied to changes in the amount of purchases, it is therefore regarded as an automatic funding resource. However, if the value of the purchases is not paid by the allotted deadlines, the financing here can become extremely expensive for the borrowing enterprise, which harms its standing in the market (Abdul Hakim, 2007:13-14). Nevertheless, in spite of some hurdles, trade credit is still a paramount resource of financing for the majority of small projects, especially young projects. Further, it can offer needed protection in times of credit crisis, contraction of monetary policy, shocks, or any additional circumstances that can discourage potential suppliers from offering funding to small businesses (Berger and Udell, 2006:2951-2952).

b) Bank Funding

A large number of the existing studies have notarized that bank loans are the fundamental external financing provider for small enterprises in both developed and developing countries (ELTaweel,2011:62-63). Despite the fact that bank funding is more expensive than alternative forms of financing, Keasey and McGuinness suggested that it generates a greater rate of return for SMEs. They go on to say that bank lending can assist SMEs in achieving higher performance levels than other types of financing. They claim that when SMEs are regulated and accountable to banks, they are more efficient in their use of capital (Abdulsaleh and Worthington,2013:44). The small business sector (especially in non-advanced nations) often seeks short- and medium-run funding instead of long-run funding, although this kind of financing has a high interest rate in these countries. In fact, small businesses still rely heavily on short-term loans and overdrafts to finance their investment requirements (Eltaweel, 2011:62-63). Small enterprises in the UK, for example, have been highly reliant on short-run financing,

where these enterprises obtained about 75% of short-run finance in the form of overdrafts and additional types of short-run funding (Lund and Wright 1999:155–205).

c) Nonbank Financial Institution Debt

Non-bank financial institutions are financing institutions with lending policies that differ from banks, which may be due in part to regulatory differences (Berger and Udell, 1998:635-636). These entities, encompassing credit unions, pension funds, financing houses, investment trust organizations, financing firms, and insurance firms, provide a channel for small, medium, and microenterprises to raise financing in both emerging and advanced countries. In Zimbabwe, for instance, nonbank financial institutions conferred around 30 percent of total loans (Aryeetey, 1998:6). The Federation of Small Businesses recently conducted a study, which revealed that in the United States, 15,000 financial entities vied to offer loans to small businesses, half of them being financiers who are not banks like credit unions (Goff and Nasiripour, 2012:56). Despite the unparalleled importance and vital role that non-bank financial institutions play in addressing small enterprises' finance requirements in developed and developing countries, The nonbank debt market has been significantly overlooked in financial literature (Areena, 2011:22-26). However, certain researchers have endeavored to explore this role. For example, Atieno (2001:31) explored and assessed the function of these entities in facilitating small and medium-sized enterprises (SMEs) access to credit in rural Kenya. He explained that the reason that made these institutions an important financing provider of this sector is that their loan application processes are briefer compared to those of conventional banks. Additionally, the author noted another benefit that renders this financing option suitable for small and medium enterprises: longer loan repayment terms.

d) Business Angel (Informal Venture Capital)

A business angel is an external source of financing, without an intermediary and is a non-official direct financing market (Berger and Udell, 1998:630). Business angels, according to Hinedle and Lea (2002:173), are " financiers that are not members of the regular management group or linked to any part of the management crew in the investee enterprise.". This involves everyone who has ever provided direct financing to projects run by other people. According to ratings, this type of financing is a substantial source

of equity financing for small firms that are just starting out or in their phases of expansion. Business angels can play a big part in the initial phases of small business financing and help bridge the equity gap by connecting internal funding sources with external investors. In 2000, in the United States, for example, more than three hundred thousand business angels invested approximately thirty billion dollars in nearly fifty thousand enterprises (Masoon, 2005:11). While in the United Kingdom in 2001, roughly eighteen thousand business angels invested around 500 million pounds annually in over three thousand enterprises, and they provided roughly eight times that amount for enterprises that had just started their activities. In Germany, for instance, Stedler and Peters conducted a study estimating the collective capital assets of individual business angels in the nation to be between €2.5 million and €5 million, allocated across a portfolio typically consisting of one to five new businesses (Abdulsaleh and Worthington,2013:42).

According to quantitative analysis, business angels dominate the market for financing venture capital worldwide in terms of both how many businesses make use of it and the investment's value (Fairchild, 2011:359). Nevertheless, there are two primary drawbacks to this financing source. Firstly, most angel investors lack the necessary expertise or interest to invest in a business that already own opportunity to obtain fund from other outside funding sources. Secondly, hardly many angel investors are prepared to contribute more capital to a business in order to help it expand and become a real rival in its industry or market (Wall, 2007:91-92).

e) Venture Capital

Another way for small enterprises to get equity financing is through venture capital organizations, where they play out a significant job in giving small ventures looking to expand quickly access to finance (Repeullo and Suairez, 2003:75). For instance, in Canada and the US, venture capital uses more than 75% of the total investment to finance just-established enterprises and existing projects that strive to expand their activity, whereas in Europe the rate is under fifty percent. Approximately 80% of venture funding in the United States is allocated to high-tech industries. Conversely, in the European Union and Japan, the new ventures ordinarily finance their operations through debt. In addition, a function of the venture capital market extends beyond

financing; it also involves providing excellent information management and addressing agency issues (OECD, 2000:4). Small businesses often have difficulties obtaining bank loans or outside equity because of asymmetric information and incentives (Gebhardt and Schmidt, 2006:1). To alleviate such troubles, these companies developed a bunch of inventive funding techniques. According to Kaeplan and Straomberg (2003:1) The most important and prevalent mechanisms are the conditional distribution of rights to control (usually segregated from rights to cash flow) and the widespread utilization of convertible debt instruments. However, there are three distinguishing characteristics of this type of financing: first of all, investors utilize their own connections and expertise to get involved in the administration of the investee company, especially when it comes to hiring the right people to handle customer service. Second, the usual injection of capital comes through phases that pertain to investing choices and counting on the data that becomes available over the course of time. Third, it relies on stock-like and convertible debt instruments rather than senior guaranteed debit (Repulloo and Suarez, 2003:75).

2.3.4.3 Islamic Finance

Since the 1970s, Islamic financing has come into view as a fresh source with prospective capacity in the realm of finance. Not only has Islamic banking grown rapidly inside its own borders, but it has also extended to non-Muslim nations with sizable Muslim populations, such as the US, the UK, and Australia, and Islamic finance assets globally totaled \$1.9 trillion by the second half of 2014. where around 75% of these assets are based in the Middle East and North Africa (MENA) area (excluding Iran), and more than 90% of it is accounted for by Gulf Cooperation Council (GCC) nations. (ADB and IFSB, 2015:2). With regard to growth, the sector of Islamic financing, which includes the Islamic capital markets, has had annual growth of 17.5% on average since the onset of the financial crisis in 2008 (Ernst and Young, 2015:60-67). The bulk of the sector's outgrowth took place in nations with a higher rate of Muslim communities out of the MENA area, however, the GCC nations helmed the majority of the industry's expansion in the MENA area. In Indonesia, the Islamic financing sector expanded by an average of more than 40%, whereas in Turkey, it expanded by 19% during 2009–2013 (Hussaain, Shahmorradi and Turrk 2015:12).

The literature on Islamic finance demonstrates that numerous facets of microfinance align with the primary objectives of Islamic funding. In this context, Obidullah and Lattif (2008:54-62) argue that the two disciplines can have a "successful marriage". They back up their claim by pointing out certain similarities between the two disciplines. Both Islamic banking and microfinance, according to the authors, promote entrepreneurship and risk sharing between the funder and the business owner. In addition, the two professions emphasize social as well as developmental objectives by enabling impoverished people to participate in economic activities. In addition, Segrado (2005:5) makes a list of several fundamentals, which Islamic financing has in common with microfinance, namely:

- Outlawing any business practices that are immoral or detrimental to society.
- there are no restrictions on any class of clients.
- Focusing on society's welfare in general and that of the impoverished in particular.
- Pursuing social justice.
- Advocating for entrepreneurship.
- Promoting partnership financing as a means to achieve financial inclusion.
- Participative methodology.
- Sharing of risk.

Compared to traditional finance methods, the techniques of Islamic finance are considered more suitable and supportive for small and medium-sized enterprises because of their participative nature, which promotes the loyalty of customers. This is because the funder and the entrepreneur maintain a constant line of contact that facilitates better decision-making. By working together instead of separately, the two parties might anticipate a better result from decision-making. Sudan's financial system is a noteworthy example of an Islamic financial system that may be mentioned; there, the whole financial system was formally changed to an Islamic one. Ibrahim (2003:21) reports that by the end of its first year of operation, the Islamic Bank in Sudan, which started operations in 1994, had provided finance to five hundred medium and small enterprises. Musharakah, Mudarabah, and Murabahah contracts were used to fund these businesses. Moreover, the Sudanese Faisal Islamic Bank, which was founded in 1993,

financed 1,400 small and medium enterprises through the years 1993–94. All of these enterprises were financed by Murabahah Other financial entities that provide Islamic finance include the Sudanese Agricultural Bank and the Bank of Islamic Co-operative Development.

2.4 The Libyan Small Enterprises Sector

2.4.1 The Reality of Small Enterprises in Libya

From the beginning of the sixties to the mid-seventies, the private sector was the dominant feature of service and production units in the Libyan economic. However, the function of the private businesses has diminished from the end of the seventies until the end of the nineties due to the policies of the former regime and its tendency toward building excessive military force and implementing policies against the private sector (NPC, 2013:20-21). Where the public sector was the entity that controlled all activities in the fields of manufacturing, agriculture, retail trade, banking, insurance, and basic services. In addition, the state-owned companies became responsible for all imports related to industry, manufacturing, and agriculture (OECD and NPFSME, 2016:25). Thus, the public sector monopolized all economic activities, prevented individuals from engaging in economic activity, prohibited the Libyans from employing each other, and imposed strict control over private sector activities and property rights. All this led to the spread of the phenomenon of the shadow economy and the control of foreigners and those close to the regime over the joints of power in the Libyan economy (NPC, 2013:21).

After that, the government began thinking about reconsidering the role of the private sector in the movement of economic activities. The government gradually began a series of economic reforms with the aim of shifting to a more open and liberal economy and reviving the role of the private sector to counter the negative impact caused by external pressures on the Libyan economy (for example, US sanctions in the eighties, the collapse of oil prices, and the Gulf War in 1990–1991). However, the impact of these reforms was limited. Small projects have re-emerged, but most of them have been in the form of small activities in the services and handicraft sectors, which were associated with limited risks and required a small amount of private investment. Many of the laws adopted were not implemented, and private traders were reluctant to reopen their

businesses due to economic uncertainty and the lack of predictability of political events (OECD and NPFSME, 2016:25).

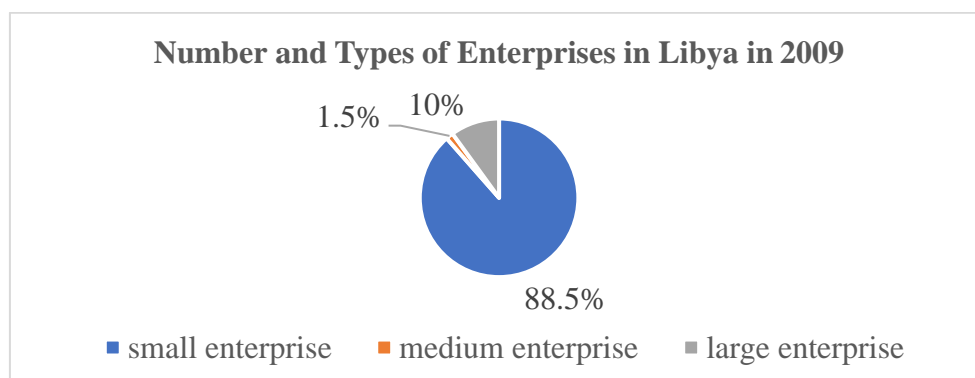
In the year 2000, some amendments were made to the legislation related to economic activity, as Law No. 21 was issued, defining some provisions pertaining to the practice of economic operations. Later, this law was canceled, and Law No. 23 of 2010 regarding commercial activity was issued. The aim of this new direction of economic policy in the country was to motivate the private industry create the appropriate climate for its growth. In the year 2002, the economic policies that will be applied during the period (2002–2007) were approved.

In 2007, the economic policies to be adopted during the period (2008–2012) stipulated in the development program were approved. The aim of this new orientation in amending legislation and reformulating economic policies was to encourage the private sector with all its components, from microenterprises to small, medium, and large enterprises. In addition, the Libyan state has established some institutions related to small and medium enterprises, such as the Business Incubators Program, which was established in 2006, and the National Program for Small and Medium Enterprises, which was established in 2007 (Abu Shaala, 2019:289-290). Despite this, little progress was made in revitalizing the private sector and developing small and medium-sized enterprises in the following five years. Since the outbreak of unrest in 2011, government fragility and insecurity have further hampered the implementation of needed reforms, and the economy is still largely driven by state-owned enterprises that are active in many sectors (OECD and NPFSME, 2016:25).

The realm of privately-owned businesses in Libya, encompassing small, medium, and micro ventures, remains notably small and continues to have a limited impact on the Libyan economy, much like its pre-2011 status. According to a 2016 OECD report, the private sector's contribution to Libya's GDP stands at a mere 5%, employing approximately 14% of the workforce (4% to 6% as employees and around 8.6% as self-employed individuals). These figures indicate a significantly low economic contribution compared to international standards (AL-Hasese, 2020:33). Although precise figures for private sector in Libya are unavailable, the Statistics and Census Office reports approximately 14,831 enterprises registered with the Libyan tax authority. It's possible, though, that this figure has changed significantly since then, and many ventures are

thought to be run in the unofficial sector. These businesses are divided into the categories shown in the accompanying figure.

Figure 2.2: Number and Types of Enterprises in Libya in 2009



Source: Statistical Book Office of Statistics and Census, 2009

Figure No. 1 illustrates the classification of projects in Libya according to their size, categorized into small, medium, and large enterprises. Small projects represent the largest share at 88.5%, with 59% classified as small (5–19 employees) and the remainder categorized as micro-projects, employing fewer than 5 individuals. Large projects account for 10% of the total, while medium projects constitute 1.5%. The total number of small enterprises stands at 14,8831, distributed across four primary activities, as outlined in the subsequent table:

Table 2.5: Economic Activities and The Extent to Which Small Enterprises Contribute to Them

The percentage	Enterprises number	The economic activity
70 %	104182	domestic trade
0.79 %	1170	building and Construction
9.58 %	14260	Transformative Industries
19.63 %	29219	Services
100.00	148831	Total

Source: Statistical Book Office of Statistics and Census, 2009

These figures reveal that the bulk of small-scale ventures are predominantly in commerce (67.30 percent), trailed by services (19.6 percent), and then industry (12.3

percent). Furthermore, individual ownership emerges as the dominant ownership structure among most small ventures in Libya, with nearly 80% possessed and managed by individuals. In terms of legal framework, participatory methods come next after individual ownership, constituting only 16 percent of small enterprises. Family-founded businesses represent 3% of these ventures in Tripoli. (Al Shwerf, Al-Baybas and Al-Basabsi 2019:313).

In Libya, the SMEs are spread unevenly across various regions of the country, with around 46% of these enterprises situated in northwestern Libya and about 36% in the northeast. In contrast, the central and southern regions of Libya have fewer SMEs than the northern region. At the same time, these regions host a higher ratio of micro and small enterprises and higher levels of informality. A huge number of these enterprises are centered in the three major cities, which are Tripoli, Benghazi, and Misrata. As most of the small industries are located in Benghazi, Jebel Akhdar, Misrata, and Al-Marqab, while commercial small and medium enterprises are concentrated in Benghazi, Misrata, and Tripoli. Whereas agricultural enterprises are spread in rural areas as well as in the coastal plains close to Tripoli in Jifarah and Jebel Al Akhdar in the east, as well as in Sabha in the south. Furthermore, the survey conducted by the World Bank on the investment climate in Libya found that the productivity levels of these enterprises varied according to their location, and the survey's findings indicated that the firms that are located in Tripoli were more productive than firms that were located in other locations. The main possible explanation for the high performance of SMEs in Tripoli can be mentioned as follows: Tripoli occupies a significant position as a political and financial center, as well as having better infrastructure and social service investment. In fact, it can be said that despite being small, the SME sector in Libya is relatively varied, and it still plays a major role in small-scale manufacturing sectors and retail (OECD,2016:27-28).

2.4.2 Plans, Policies, and Means of Supporting and Developing SMEs in Libya

Steps taken in Libya to support the development of SMEs include:

1. The establishment of the Development Bank under Law No. 8 of 1981, and one of its most important objectives was to finance private sector projects (partnerships, artisans, and productive families). In addition to the financing activity, the bank's objectives include providing technical studies for projects

and conducting an economic feasibility study for the proposed projects (Al-Biruni, 1997:132).

2. Under Resolution 815 of 2001, the new fund was established under the name Production Transfer Fund, which later became Lending Guarantee Fund for Operational Purposes', and obtains its financial resources from the state budget and funds from local and international financial institutions. The objectives of this fund are:
 - i. Lending to productive and service projects.
 - ii. Proposing the value of project loans from the fund.
 - iii. A proposal to provide banking facilities to operate projects that are being loaned for their establishment.
 - iv. Guarantee the loans granted to SMEs by financial institutions so that the Fund guarantees a maximum of 70% of the value of total loans granted according to the activity and nature of the project and the study of economic feasibility.
3. The establishing of the National Council for Economic Development pursuant to Decree No. 3 of 2007 by the General People's Committee (formerly). The GPC passed Resolution No. 472 in 2009, which assigned the Council the task of supervising the national program of small and medium enterprises by carrying out the following tasks:
 - a. Developing strategies and initiatives aimed at fostering the growth of small and medium ventures, establishing an enabling environment conducive to their advancement, tackling the challenges they encounter, and suggesting incentives and advantages for their benefit.
 - b. Preparing reports on the progress of these projects and preparing a comprehensive database for small and medium projects, encompassing the number, types, and value of loans granted, the executive status, and paid installments, and linking them to the operating systems in the country. Selection of leading projects targeted for funding. Holding training courses, developing initiatives, and turning them into pioneering projects. Contribute to the preparation of feasibility studies for projects and provide consultations for projects at all stages. Guarantee of loans

for small and medium enterprises (Noor Al-Din, Abdel-Rahim and Bukhtawa 2017:11).

4. The initiation of the National Program for Small and Medium Enterprises was mandated by General People's Committee decision No. 845 of 2007. The primary aim of this program was to foster the growth and support of small and medium enterprises, aiming to bolster their contribution to economic and social progress (Rehab and Al-Farah, 2019:23).
5. In 2007, Resolution No. 846 was issued to establish business incubators and technical innovation, which defined their tasks as supporting and encouraging initiators to establish small and medium enterprises in order to increase production and provide job opportunities. In addition to encouraging individuals and companies to innovate and take initiative, creating the appropriate conditions for the emergence of new ideas and inventions, and adopting those ideas so that they become actual projects, as well as holding training courses to develop the skills of owners of small and medium enterprises (Misurati, 2019:259).
6. Granting a set of exemptions and benefits to small and medium-sized firms, as outlined in General People's Committee Decision No. 472 of 2009. Under this decision, these exemptions and benefits will be granted to specified projects that are established in remote and rural areas, those that rely on technology that preserves the environment and protects natural resources, those that provide job opportunities, or initiatives led by womankind that boost the economy of the country as well as initiatives that rely on regional sources. These benefits include a five-year term of exemption from producing and revenue taxation, as well as an exemption from supply service fees, starting on the date the project really begins to operate, and they can be extended to another five years in the event that the activities of the project expand and result in doubling the number of national workers by 50%. Supporting patent registration fees locally and internationally. Priority is given to obtaining sites in industrial areas to set up projects. The goods and services provided by these projects enjoy the protection of the state from competition from goods and services imported from abroad (Noor Al-Din, Abdel-Rahim and Bukhtawa 2017:12-13).

7. Five funds for small and medium enterprises were established pursuant to Resolutions No. 519, 516, 517, 515, and 515 of 2013 (The thiqa Fund, Initiative Fund, Creativity Fund, Innovation Fund, and Al Reyada Fund). These funds primarily aim to offer financial support to small and medium ventures while adhering to Islamic Sharia principles., whether directly or indirectly. in addition to carrying out other activities such as providing the necessary guarantees to obtain financing, establishing companies, establishing investment projects, and proposing and developing plans and mechanisms necessary to market the products and services provided by projects inside or outside the country. Moreover, providing advisory services and training, and preparing economic feasibility studies, but unfortunately, these funds have not yet been activated (Rehab and Al-Farrah, 2019:23).
8. The Namaa Tamweel initiative is the first microfinance initiative in Libya in the form of Islamic banking that was launched in 2019, and it is a partnership between the Saray Bank for Trade and Investment (as the first leading private Libyan bank and strategic partner) and the Ministry of Development and International Cooperation in the United Kingdom under the supervision of the French Experts Organization to monitor the project's execution. The Namaa Tamweel initiative aims to achieve economic empowerment in Libya by providing small financing to targeted customers who face difficulties in obtaining financial services through traditional banks (<https://namaatamweel.ly/>).

2.4.3 Financing Small Enterprises in Libya

Small and medium-sized enterprises in Libya primarily rely on the self-resources and personal savings of their owners, along with financial support from family members and friends, as their main sources of financing. These resources are predominantly used in the initial stages of their operations. Less than 4% of these enterprises that answered the National Planning Council's 2008 study had a financial relationship with a commercial bank, whereas nearly 94% depended on self-financing source (Barghathi, 2014:72). These findings are consistent with those of Eltaweel's research, where the results of this study showed that 90 percent of small enterprises in Libya depend primarily on inner resources of funding. Individual savings, retained earnings, households, companions, and partners make up the majority of these funding

wellsprings. Such kinds of financing are essential for businesses that are just starting out or expanding. In addition, this research showed that trade credit in Libya was one of the primary sources that small enterprises used to finance their activities during the expansion stage, especially in the trading and industrialization fields, where they mostly relied on this strategy to develop their businesses. In turn, only 10% of these enterprises used debt financing to fund their activities. (Eltaweel, 2011:244-248).

This is also upheld by Almansori's research. This study showed that personal savings are the main source of equity financing for SMEs in Libya, accounting for 33%. Help from parents and partners is the second most popular source, accounting for 29% and 21%, respectively. As those enterprises got 9% of their financing from friends and only 8% of those enterprises had taken out a loan (Almansori, 2014:146). According to the 2015 report by the World Bank, a small percentage of Libyan non-government sector opted for credit. Merely 2% of the ventures surveyed reported having taken out an advance or credit line. The study revealed that the majority of the group under the survey, constituting three-quarters, relied solely on their own savings, parental contributions, or retained earnings to fund their operations. while more than 85 percent of the rest quarter preferred to count on trade credit from suppliers, on accounts from clients, and scrounging cash from friends or family, while the rest pursued external finance and sought loans from national banks (world bank,2015:15-16). Furthermore, as highlighted in its 2018 survey, the European Commission noted that 91% of the surveyed businesses stated they do not possess a loan or credit line, opting instead to depend on alternative sources of funding such as personal capital, savings, familial support, and assistance from acquaintances. (Rahman and Di Maio. 2020:20).

Financing options for small and medium enterprises in Libya are predominantly restricted to the domestic banking sector. Even prior to the ongoing crisis, the Libyan banking industry had minimal involvement in funding private enterprises. State-owned banks, which largely focus on state-affiliated enterprises, have historically sidelined private businesses, particularly smaller ones, from their financing strategies (World bank,2020:23).

The banking sector in Libya encompasses both commercial banks and specialized banks designed to cater to the financing needs of SMEs. However, in reality, the availability of financing from the formal market for such enterprises in Libya remains scant and

restricted (OECD, 2016:92). In the face of the challenging political landscape, acquiring funding continues to be consistently highlighted as one of the primary obstacles encountered by small ventures in Libya (World bank,2020:23). Libyan commercial banks primarily concentrate on providing highly secure, short-term financing options like export credit, showing a preference for larger and more established corporations over smaller enterprises. Additionally, these banks exhibit cautious lending practices towards small and medium-sized businesses, often requiring owners to furnish additional securities in the form of properties. In accordance with a CBL decision from 2004, the rates of collateral must exceed 125% of the loan value. This requirement stands as the primary challenge for the proprietors of these businesses, along with the multitude of complex documents mandated by these banks when providing both short-run and long-run credit to such projects. In fact, the Libyan commercial banks (a majority of them are state-owned) provide loans to a large extent on the basis of personal favoritism; in other words, due to the corruption in commercial banks, loans are now given to businesses that have connections, where these businesses even do not have to go through the regular lending process, and the loan recipient may sometimes be required to pay a commission (a bribe) to the credit officer to facilitate obtaining this loan.

Similarly, the specialized banks, originally established to fund, bolster, and advance such projects, have adopted procedures akin to commercial banking institutions. For instance, in the case of the Development Bank, a loan applicant must furnish the bank with collateral equivalent to the project's value, along with the equipment, which serves as additional collateral until the loan is completely paid off. The bank may cover up to 70% of the equipment's value, while the remaining 30% and additional expenses such as building facilities for the equipment and initial costs are the responsibility of the borrower. Consequently, graduates and unemployed youths lacking sufficient capital are unable to avail themselves of the bank's service (Al-Werfalli, 2006:90).

Besides, the lending policy of these banks has become highly dependent on achieving personal, social, and economic gains for those officials, as well as rampant favoritism, bribery, nepotism, and theft in its joints. Its loans also target specific groups to foster political and social loyalty. This led to these banks deviating from the path and failing to achieve the basic goal for which they were established so much that they became a

reason for impeding the growth of the national economy (National Planning Council, 2013:54).

2.5 The Situation of the Financial Sector in Libya

Based on the above, it can be observed that the majority of small Libyan enterprises depended fully on internal sources of funding in the form of savings of the enterprises' owners, family finances, and friends' funds to begin their ventures at the early stages or expansion stages, and a very small number of them used loans from banks to finance their activities. As a matter of fact, the Libyan financial system is closed, so it can be said that there is a clear absence of outward financial resources for the country's financial market. Given the extreme scarcity of external resources for equity financing, the situation can aptly be described as an "equity gap," highlighting the absence of venture capital entities in the Libyan financial landscape. Further, the immaturity of Libya's stock market (which opened in 2007 and has been closed since the current crisis) resulted in making the concept of outside equity funding unfamiliar to some as well as broadened this gap by making official equity financing unavailable to small ventures.

The financial market in Libya is confronted with a Debt financing deficit, primarily stemming from two factors. Firstly, there's a scarcity of alternative traditional financing sources beyond the tightly regulated domestic banking system. Secondly, despite being perceived as the principal external financing avenue for small enterprises in Libya, the banking sector poses obstacles to accessing debt financing. These hurdles include elevated interest rates, the necessity of having close ties with bank officials, cumbersome bureaucracy, stringent collateral requirements, extensive paperwork, centralized decision-making resulting in sluggish processes, the imperative of financial statements, etc. Furthermore, amidst these challenges, it's important to consider the religious concerns regarding interest, which stand as significant deterrents for these ventures when contemplating conventional financing applications. Regarding the availability of the financial services with shariah, in spite of the presence of several Islamic banking services, branches, and three totally Islamic banks in the country, these entities do not cater to small enterprises nor offer any Islamic financial products for their financing needs. Indeed, the initial endeavor to utilize Islamic financial services for funding small projects commenced with the establishment of Namaa Tamweel,

Libya's first microfinance organization, formed in 2019. However, this organization encountered backlash for imposing steep profit margins on Murabahah financing, surpassing the interest rates of conventional banks, and for excluding new and micro-small ventures from its financing initiatives.

In summary, due to the limited financing avenues accessible to these ventures within the formal Libyan financial sector, primarily reliant on the banking sector, businesses encounter conservative and intricate loan approval policies and procedures. Furthermore, the absence of Islamic financial products exacerbates this challenge. Consequently, gaining access to finance, particularly for medium and long-term, emerges as a significant hurdle, impeding their expansion and progress.



CHAPTER III

AN OVERVIEW OF WAQF INSTITUTION AND THE POTENTIALS OF WAQF IN LIBYA

This chapter discusses the literature on Waqf in terms of its concept, legitimacy, types, pillars, and social and economic effects. In addition to clarifying the reality and nature of Waqf wealth in Libya, types of current Waqf management in Libya, and Ways to invest Awqaf in Libya.

3.1 Conceptual and Description of Waqf

The word waqf originated from the Arabic verb wakafa. This verb has more than one meaning: it means "to cause something to come to a halt", and it can also refer to keep, detain, or hold. Waqf refers to the holding of a property so that its output or income can be used for religious and charitable purposes at all times. The Waqf provided and still provides everything that people depend on for their livelihood and basic needs. The waqf has developed in the light of Islamic civilization and has witnessed growth, diversification, and expansion since The Era of the Messenger (p.b.u.h.) (Diniyya,2019:2). As it was not limited to taking care of humankind only; its goodness and righteousness reached non-humans and other things that were not known in the previous civilizations. Where Awqaf in Islamic civilization extended to the care of the environment and animals, where it founded endowments for the maintenance of canals and rivers, endowments for the birds of the Holy Mosque of Mecca, and endowments for feeding birds in many cities, including Damascus, Jerusalem, and Fas, and endowments for cats in Damascus (kahf,2001:10). In actual fact, the organization of waqf played a prominent part in addressing a variety of socio-economic difficulties as well as religious goals in earlier Muslim societies. Where, Waqf was the primary source of funding for public education, health care, and welfare in these communities (Elasrag, 2017:5).

Waqf is known by different names in most Islamic countries. For example, the people in North and West Africa utilize the term hubus instead of waqf, which is the same phrase exercised by the Messenger (p.b.u.h.), and Iran uses the term Boniyad, which means religious foundations, whilst people in Turkey employ the term vaqf. At the

same time, the term "waqf" is used throughout Southeast Asia, primarily in Malay-dominated countries, but it is pronounced, "wakaf." (Haji-Mohiddin,2015:28).

Sadaqat is the broad instrument of Islamic giving. Sadaqat is known as zakat when it is made obligatory on well-off Muslims, and it is known as waqf (waqf is a type of sadaqah jariyah') when it results in stable and lasting benefits flowing (for example, through the endowment of physical property). Contemporary Islamic economists argue that the philanthropy embodied in the zakat and waqf institutions has the potential to meet the basic needs of the impoverished and destitute while also providing a social safety net (Elasrag, 2017:5).

In linguistic terms, waqf indicates the prohibition of the moving, exchanging, or transporting of something. In legal terms, waqf refers to holding or retaining a specific thing by the owner or appropriator and ordering the disbursement of his benefit and proceeds in various aspects of charitable work to help the needy and poor (Al-Masry, 1999:10). The following are four renowned Islamic scholars' interpretations of waqf, the definitions of waqf according to contemporary scholars; the definition of waqf in economic terms; and the definition of waqf by Libyan law:

Waqf, as per Abu Hanifah, is the confinement of a particular property in the ownership of waqif, with the revenue from it or the privilege of usufruct being distributed for charitable purposes. As a result, the waqf does not become absolute; where the founder throughout his life, is free to cancel it, give it to someone else, or vend it. A waqf does not become absolute unless one of these conditions is fulfilled: it is made in favor of a mosque as the subject, it is permanently reserved for Allah's possession, or no human beings are entitled to it save in the performance of worship, according to Abu Hanifah (Al-Sarakhsi, 1993:87,89). a waqf created by a will is also absolute, and its impact appears following the demise of the holder within the limit of a third of his assets, similar to a usufructuary will. In the last case, waqf will also be absolute by order of government officials or qadi.

Whereas, the Shafiis and Hanbalis define waqf as the restriction of a perpetual property's substance and the dedication of its usufruct to the benefit of humanity. However, the founder and others are not permitted to engage in any transactions unless they are undertaken for charity or religious objectives (Haji-Mohiddin,2015:41).

Maliki holds a similar perspective to Shafii and Hanbali, with the exception that they do not recognize permanence as a prerequisite of waqf, so according to Maliki's viewpoint the lessee is also able to create waqf from the property they rent because they possess that benefit. For that reason, Maliki refers to *habs* rather than waqf because eternity is not required (Al-Asbahi, 1994:231; Maghniyah, 1997). By looking at the definitions contained in the four schools of thought, the jurists agree on the symbiotic role of the endowment and the benefit that accrues to the endowment, while they differ in some issues related to the right to dispose of the endowed property and its recovery and other jurisprudential rulings.

The definitions of waqf according to contemporary scholars are broader in comparison to the scholars of famous schools of jurisprudence. Ahmad Khan (1988:8) indicates that a waqf is an unceasing donation of any mobile, or immobile assets by a Muslim for any objective accepted by Shariah.

Kahf (1998: 4) characterized waqf as holding an endowed property and keeping it from being consumed in order to constantly extract its usufruct for the benefit of an objective representing benevolence or charity. Kahf claims that his definition might encompass the two kinds of waqf: (1) permanent waqf in which the four schools of fiqh are consented upon, and (2) impermanent waqf that was established under the will and terms of waqif and was exclusively accepted by the Maliki Scholars. Furthermore, the concept includes several newly formed types of endowment that were not previously covered in traditional fiqh written works, such as financial rights waqf and waqf of benefits (services). Moreover, the foregoing definition allows for the incorporation of any type of property for endowment purposes. As a result, waqf does not have to be in the frame of mind of real estate like structures, land, and shops; it can take the form of monetary assets like cash or quasi-cash as well (Budiman, 2014:3).

A waqf has been defined by the Kuwait Awqaf Public Foundation as a method of withholding an asset, such as a house, an orchard, cash money, or the like, in order to make it unsellable and inalienable while channeling its usufruct to a permissible channel of expenditure (Haji-Mohiddin,2015:42). As indicated by Henningan (2004:198), when awqaf are established, the Waqif renders the origin of an income-producing asset inalienable in permanence and, further, gives the right of use to specific individuals or

entities. The endowed asset is put in the hands of a trustee, who manages it on behalf of a third party. A slightly different definition of waqf is provided by Deguilhem (2008:1), who describes it as a waqf that permits a person or group of people to provide a predetermined amount of money from the income produced by the possessions that the endowment's founder designated as waqf assets to a particular recipient or group of recipients.

In short, the majority of scholars nowadays concur that the fundamental tenets of awqaf are the preservation of the asset and that the return will be utilized for the benefit of the people. Moreover, the definitions of waqf given by modern scholars are also much broader than those of classical scholars. Where some of them introduce new forms of waqf that were not previously documented in classical Fiqh literature.

In economic terms, the waqf can be described as redirecting of assets from present consumption towards investing in high-yielding resources that create a return for future utilization for community as a whole. As a result, the waqf is a unique combination of saving and investing. It works by diverting some resources away from consumption and at the same time reinvesting them in productive assets, thereby increasing capital accumulation in the economy. waqf entails giving up a current consumption opportunity for the charitable aim of providing revenue, services, and benefits to society and future generations (Kahf, 1998:6). Thus, the Waqf, by definition, is a development process based on the immediate sacrifice of the opportunity for consumption in exchange for maximizing social productive wealth without causing a loss to the sacrificer.

The Libyan law, in its first article, defines waqf as "holding the endowed asset and making its yield or benefit available to the beneficiaries who are determined by the founder of the waqf". With this definition, the legislator moved away from the doctrinal dispute in the definition of the Waqf, as the Libyan legislator relied in enacting the Waqf Law on the schools of jurisprudence in force in Libya, namely the Maliki, Hanafi, and Ibadi schools (Aldaly, 2018:38).

3.2 Waqf in Shariah Perspective

The majority of scholars went on to say that the Waqf is desirable, that it is one of the best deeds by which the servant approaches God Almighty, and that it is one of the charities (Al-Ihsan) that God Almighty praised and that its legitimacy has been proven by the Qur'an, the Sunnah, and consensus. In fact, there is no explicit text in the Qur'an

that addresses the legitimacy of the Waqf, but there are many verses that allusion to the importance of spending, voluntary work, and doing righteous deeds, among these indications are the following:

From the Holy Qur'an: The legitimacy of the Waqf in the Qur'an is established in terms of its entry into the general alms and the righteous deeds prescribed by the Holy Qur'an. Verse 92 in Surat Ale-Imran mentions that any human being who wants to obtain Allah's reward (Al-Birr) should spend the precious wealth that their souls love for the sake of God. Verse 267 in Surat al-Baqarah also states that Those who believe must expend their best portion of the wealth they have earned in Allah's Way, as well as verse 272 shows that whatever the believers spend in good (for Allah's sake), it will be repaid to them in full.). All of these honorable verses urge and encourage the legitimacy of spending and doing righteous deeds, and waqf is among the finest of these charitable deeds (Al-Masry, 1999:9).

In the Sunnah, there are also many hadiths in this regard. The famous one of these hadiths is the hadith of the Prophet (p.b.u.h.) reported by Abu Hurairah, which states that if a person passes away, all his actions cease aside from three things: unceasing charity, useful knowledge, or a virtuous child who prays for him. Another example of the legitimacy of waqf in the sunnah is the advice of Prophet Mohammed (p.b.u.h.) to Umar bin Khattab to make the new land that he acquired in Khaibar waqf and distribute its produce to charity. (Elasrag, 2017:9)

It was also proven through the Companions and the Followers, may God be pleased with them, that they were endowed with their money, and this was well known about them, and no one denied it, so it was agreed unanimously on the legitimacy of the Waqf. Where Jabir bin Abdullah, may God be pleased with him, says in this regard: I did not know anyone who had property from the Muhjireen and the Ansar but endowed a part of his property as a permanent life-giving charity that is never bought, donated, or bequeathed (Hujaili,1999:36-54).

3.3 The Pillars of the Waqf

The Waqf, like all contracts and obligations, has certain pillars for its establishment. The waqf has four pillars: the founder, the waqf asset , the beneficiaries , and the waqf form .

3.3.1 The Founder (Waqif)

It means the person who owns the property and has the capacity to donate it to the Waqf. The waqf founder (waqif) must possess full physical and mental ability, be an adult, and be a free individual. Additionally, the waqf-designated property must be in his unrestricted ownership. (El Khatib,2015). It is mandatory to carry out the founder's intentions and conditions as long as they do not contradict Shariah. However, al-Sheikh Taqiuddin states that it is permitted to amend the founder's deed for a superior purpose to suit a circumstance when the need has changed (Haji-Mohiddin,2015:58).

3.3.2 The Waqf Asset (Al-Mawqoof)

It is an object (whether movable or immovable) that is intended to be designated as a waqf and to which the provisions of waqf apply. The terms of the waqf asset are as follows:

1. It is legitimate to use it.
2. When establishing the Waqf, it is stipulated that the Waqf asset must be completely owned by the founder, and it is not permissible to endow the pledged or the distrained (Aldaly, 2018:40).
3. The asset that is donated to the Waqf must be something that can be made use of while remaining mostly intact. This means that the asset must be usable without being depreciated (Al-Jasser, 2012:31).
4. It is not permissible to donate assets that are being consumed entirely when utilized, such as food.
5. The asset must be tangible, identifiable, and explicitly designated. For example, endowing a loan or anticipated future profits would not be considered valid. (Al-Jamal, 2007:45).

3.3.3 Beneficiaries (Al-Mawaqoof Alayh)

Beneficiaries, also known as "mauquf 'alaih" in Arabic, are people or organizations that gain advantages from the waqf property. The founder of a waqf specifies the purpose of the waqf and designates the beneficiary who will enjoy the benefits indefinitely when the waqf is formed. Waqf beneficiaries have historically comprised both family members and members of the general public (UNDP and BWI, 2022:17). Unlike Zakah, the benefits of waqf can be shared by everyone, which means that the beneficiaries of

waqf can include Muslims and non-Muslims who are permitted to use awqaf facilities such as hospitals, schools, and libraries. In fact, the major goals of the waqf are to spread Islamic practice, which promotes helping people regardless of their religious beliefs and is considered a commendable deed. Therefore, the flexibility of waqf makes it an influential and powerful tool for socio-economic growth (Haji-Mohiddin,2015:61)

In addition, according to several Muslim scholars with the exception of Abu Yusuf and those from Hanafi's school the founder might be recognized as a recipient provided that he is not allowed to get any direct financial benefit from the creation of waqf. Where the founder can be considered one of the beneficiaries if the endowed asset is established as a school, mosque, or graveyard, and They used Uthman bin Affan, who established a "Rumah" well waqf and was one of its recipients, as an instance to support their point of view. (Ibn Qudamah, n.d.:24; Al-Kasani, 1997:396). This claim is further confirmed by (Cizakca, 1998:51), which took a family waqf or waqf khas into consideration.

3.3.4 Waqf Expression

This expresses the will of the founder and expresses his desire to establish the Waqf, whether by words, writing, or gestures, and it is divided into two types: an explicit form and an inexplicit form. As for the explicit form, the founder used to say, "I endow this property to Waqf". As for the inexplicit form, it bears the meaning of waqf, such as charity, and makes this money for the poor or in the cause of God, etc. A waqf is not completed by inexplicit expression unless the founder combines it with evidence of his desire to waqf (Al-Haddad, 2009:24). The expression is neither valid nor sufficient to establish a waqf unless certain conditions are met. The following are the terms of the Waqf expression:

- ❖ The Waqf form merely includes the word 'offer,' as the beneficiary's acceptance is neither necessary nor required. In the offer, the intention must be obvious.
- ❖ The waqf form should be oral, written, or whatever replaces it, and it is accepted in tradition (Al-Jamal, 2007:48).
- ❖ The Waqf expression has not to be accompanied by a void condition, and its legitimate purposes conflict, such as giving the endower himself the right to sell the Waqf or mortgage it (Mansour, 2001:32).
- ❖ The Waqf expression must be firm, as the Waqf does not establish itself through a promise (Hussein and Imam, 2002:206).

1.4 Types of Waqf and Their Social and Economic Effects

3.4.1 Types of Waqf

The Waqf might be classified into several dissimilar types for many considerations, and we will discuss in the following the most famous of these considerations through the following points:

3.4.1.1 Dividing Waqf according to Beneficiaries

According to this criterion, Waqf is divided into three types:

a) Philanthropic or Public Waqf

It is one of the Waqf in which the founder (Waqif) endows his money on various charity and righteousness aspects, whether it is on specific people such as the poor, the needy, and the infirm, or on one of the public benefits such as mosques, hospitals, schools, and others, which is reflected in their benefit to society by permanently allocating endowment resources to various public charitable bodies that lead the function of social solidarity (takaful) without specifying the actual entitlement (Al-Zuraiqi, 2005:317). Among the characteristics of the philanthropic waqf and the public waqf is that they are forbidden to own and dispose of, in violation of the provisions of Islamic Sharia, as they enjoy legal personality and independent financial disclosure (Lashlash and Kaddouri, 2012:381).

b) Offspring, Family, or Private Waqf

This type of Waqf is for the offspring of the founder of Waqf and his family, and the proceeds of Waqf are entitled to himself, his offspring, his relatives, his children, or certain people until their death, then it goes back to the charitable Waqf (Azza and Obakhti, 2014:214). The importance of this type of waqf has diminished a lot in this era, and it was tightened by some contemporary political regimes in some Islamic countries, especially with the beginning of the fourteenth century AH, where some of these countries abolished it such as Turkey in 1926, Lebanon in 1947, Syria in 1949, Egypt in 1952, Iraq in 1954, Tunisia in 1957, Libya in 1972, and Morocco in 1977 (Sabri, 2011:123). Among the most important reasons that prompted these regimes to issue these laws are the negative aspects that faced the offspring Waqf, such as quarrels, disputes, favoritism, and depriving some of the beneficiaries of their share, such as depriving females, and many other problems (Aba Al-Khail, 2008:52).

c) Mixed or Joint Waqf

It is the one that combines the family Waqf and the philanthropic Waqf, that is, the benefits of which are allocated to the offspring and the cause of charity together. Where the founder (Waqif) endows a specific part or share of the proceeds of the Waqf to his offspring in addition to endowing the other part to a charitable side, and often the joint Waqf devolves to the charitable Waqf (Al-Mahdi, 2010:71).

3.4.1.2. Dividing the Waqf according to the Form of Utilization of the Waqf Assets

According to this criterion, the waqf is divided into two types:

a) Direct Waqf Assets

Schools, hospitals, mosques, and orphanages are good examples of direct waqf assets, which create benefits that recipients can directly use. In other words, this kind of endowed asset provides direct benefits to the Al-Mawaqoof Alayh (recipients). The main objective of such a waqf can be a public charity, such as a well transferred into the waqf as a source of fresh water for all, or private, such as a guesthouse for the founder's offspring; or religious, such as a mosque for public

b) Indirect Waqf Assets

Waqf assets that are utilized for investment ventures are known as indirect waqf assets. It entails a cycle of marketable goods and services that can generate a consistent income for the beneficiaries. A general charity, such as a school or a mosque, or a private philanthropy comprised of the founder's offspring could be the beneficiary. The income created can be used in a variety of ways, including to generate more revenue, which can then be used for other objectives. Recipients can be public, such as expensive scientific institutions, research centers, or hospitals; religious, such as mosque maintenance; or private, such as payments for the benefactor's posterity's homes (Ahmed, 2004:39).

3.4.1.3 Dividing Waqf according to the Timing

Waqf is divided according to this criterion into two categories:

a) Perpetual (Permanent) Waqf

Perpetuation in the waqf is when the founder of the waqf endows his property for an indefinite period. One of the most famous examples of a permanent waqf is the waqf of

land. Other than lands, such as buildings and movables, perpetuation can only be achieved by devoting a portion of waqf revenue to continuous repair, renewal, or replacement (Kahf, 2013:102-106).

b) Temporary Waqf

It is the waqf that has a limited time, and when the allotted period has passed, the asset will return to the originator, provided that the relevant regulations and restrictions are fulfilled (Al-Hiti, 1998). For example, a person places an investment deposit in an Islamic bank to spend its proceeds on an orphan child until he finishes his studies, or someone endows an apartment building to pray in it until the construction of the mosque next to the building is completed (Ghanem and Hadbawi, 2013:3). The waqf can be temporary due to the nature of the endowed assets or the will of the Waqif, and the temporary Waqf scope extends to include waqf of real estate, waqf of movables, as well as waqf of benefits and waqf of money (Hazaa, 2006:15).

3.4.1.4 Division of Waqf according to the Type of Waqf Assets

Waqf is divided according to this criterion into:

a) Waqf of Real Estate

It includes various lands, multi-use buildings, and the like. In fact, real estate Waqf is one of the most famous forms of Waqf, as most of the endowed wealth throughout history was real estate Awqaf, like Waqf for homes, apartments and Waqf for commercial real estate such as markets, shops, and offices (Shehata, 2004:157).

b) Waqf of movable property

It includes many items such as machinery, equipment, devices, means of transportation, and others.

c) Waqf of Benefits (services)

The benefits are defined as "the benefit that is accrued by the use of things". The Waqf of benefits is divided into two types according to the type of endowed asset: the Waqf of tangible asset benefits and the Waqf of human benefits (Al-Baghdadi, 2017:32). The Waqf of services and benefits of tangible assets can take many forms:

- The lessee's endowment of the benefit of the leased property during the lease term.

- endowing the service of transportation with free transport for children, the poor, the disabled, and others.
- A donor decides to make the service of entering some recreational places waqf for poor groups.
- Making the use of medical devices free to poor and needy patients and those facing disasters and calamities.
- An endowment of a hotel suite to host and accommodate poor travelers.

Examples of the waqf of human benefits are the following:

- An employee or worker endows part of his working time or his working overtime hours to be a waqf without pay.
- Waqf of intellectual property, such as copyright, patents, and other types that depend on human effort and the mind (Hazaa, 2006:20-30).

d) Waqf of Monetary Assets or Cash Waqf

This type of Waqf is considered one of the modern types that came as a result of the development of Islamic societies and in response to urgent calls to address the problems and difficulties experienced by real estate Waqf (endowments). Waqf of monetary assets, also known as cash awqaf, are charitable endowments made out of monetary assets, such as cash or near-cash products like securities, stocks, and Waqf investment funds. The nature of cash waqf is what makes it distinct from more common real estate awqaf. The awqaf in the form of real estate can be endowed and invested in, and its returns are utilized to meet specified social needs. A waqf in cash, in contrary, is endowed with cash, and the gains earned from the investment of the cash funds are utilized to meet the targeted societal requirements. A cash waqf, unlike a property waqf, is more flexible in terms of both raising new waqf resources and using current waqf resources. Cash grants, unlike the fixed and indivisible real estate waqf, can be of any value. As a result, people of various financial means can now give in various amounts. When it comes to waqf in cash, the mobilization of awqaf resources is thus more efficient. Cash waqf allows for more flexibility in the application of waqf resources, allowing for a more reasonable selection of projects to optimize profits while reducing risks to a minimum (Obaidullah, 2013:19).

3.4.2 Social and Economic Effects of Waqf

3.4.2.1 The Economic Effects

Throughout history, waqf has been instrumental in the economic sphere and has consistently held promise to continue in this role (Islaahi, 1996:367; Cizaakca, 1998:43-44). Waqf can be considered an essential economic institution with the goal of promoting economic activity while also ensuring that the benefits flow to specific segments of society (Alhabshi, 1991:13). The prominent impact of the Waqf in the economic field can be highlighted through its various activities and multiple effects, which can be explained as follows:

a) The Role of Waqf in the Production Process

The Waqf works to invest the endowed funds or use the Waqf assets in investment projects, and this is one of the basic things that the Waqf must do in order to continue, grow, and achieve its goals. In fact, investment and production work are considered one of the pillars of the survival and continuity of the Waqf. As the Waqf contributes to increasing aggregate demand through consumption and investment spending.

b) Poverty Alleviation

Waqf enables the creation and preservation of fruitful, revenue-generating resources over the long run. These assets undoubtedly aid in the process of production and wealth generation. Waqf can significantly contribute to the reduction of poverty by making the poor the primary beneficiaries of its advantages. In entrepreneurship to underserved communities, recognizing that microfinance alone may not be sufficient to generate income without accompanying entrepreneurial skills. In fact, all technical aid initiatives, even those aimed at reducing poverty, could be structured as waqf (Obaidullah and Khaan, 2008:16).

c) Achieving a Fair Distribution of Wealth and Reducing the Problem of Differences between Classes

The Waqf institution plays a significant role in promoting a fair distribution of resources and yield within the economy. Waqf, according to Niik Hassan (2008:13), has the potential to positively influence income redistribution by enabling affluent individuals to voluntarily donate to the public welfare..where this type of voluntary method

produces significantly better results than redistribution through taxation and government transfer spending because the latter has higher implementation costs. Because of a lack of proper tax wording, tax collection costs may generate needless obligations on the government, and similar costs are associated with the transfer of government spending. The costs of collecting, on the other hand, will be extremely low or, in most circumstances, completely free in the case of waqf.

The accumulation of wealth leads to the emergence of classes in society, so the process of redistribution comes through policies, either obligatory, such as zakat and inheritance, or optional, such as Waqf and charity. In fact, the Waqf leads to achieving a fair distribution of wealth, not confining it to limited groups and making it more widely circulated among the people. Thus, the endowment is one of the parties working to promote the process of redistribution in favor of different classes (Mansour, 2001:116). What would reduce the problem of differences between classes, contribute to the distribution of resources to certain social classes, help them meet their needs, and turn them into productive capacity, so that the living standards of the poor and needy improve and the gap between classes converges (Bashir, 2009:191-192).

3.4.2.2 The Social Effects

From a social point of view, the waqf represents a fundamental process aimed at restoring the balance between the members of society and its different segments and sectors, and it works in conjunction with other auxiliary tools (zakat, wills, alms, gifts), each of which achieves objectives in proportion to the activities of social solidarity (Al-Hourani, 2001:22). The Islamic charitable Waqf is considered a pillar of social solidarity and moral commitment, and the issues that the Waqf contributed to mitigating or completely addressing varied, as it has been, throughout the ages, a constant element in addressing many social concerns. The Waqf increases and enhances the values of cooperation and social solidarity, as its work in social solidarity was not limited to the material aspect only but rather went beyond it to the ethical aspect. Where the Waqf provides its services and support in general to various members of society and in particular to the needy group (the needy, the poor, the elderly, and orphans) with the aim of fighting and eliminating poverty, which provides them with safety and social stability and leads to the achievement of social justice (Al Sadhan, 2001:234).

In addition, the Waqf helps in strengthening the moral and behavioral aspects of society by restricting the ways of moral deviation, for example, the presence of the Waqf to care for widowed and divorced women is considered an immunity or protection for them and society from falling into ethical deviation due to need. In fact, the waqf demonstrates the sense of empathy that a Muslim possesses and translates into practical reality in his interaction with the concerns of his society, which works to enhance the spirit of community belonging among the members of the community (Bin Azza,2015:122).

3.5 Waqf in Libya

Pre-independence endowments played a key social part in the absence of the role of the state, which was not independent in the past, as the endowments provided job opportunities for some of the unemployed, some assistance to the needy, and other services and social assistance. On the economic side, the waqf contributed to the economic movement by providing employment opportunities for some workers and artisans. It also contributed to supporting the country's economy by providing some agricultural products and crops from its orchards and farms, which helped activate supply and demand and also contributed to revitalizing the trade movement. The waqf also played a role in supporting jihad movements against the Italian occupation. Where many people endowed their orchards and shops to protect Tripoli from any aggression, and Some residents called it the endowment of the Tripoli governorate (Aiblo, 2017:14).

The period from 1951 to 1969 was the best period that the endowment went through in Libya, where signs of reforming the waqf emerged, organizing their provisions, protecting their assets, and supporting their cumulative balance. where, following independence, the issuance of a number of special laws regarding endowment systems and their management, as well as a number of articles that granted it legal personality, regulated the rental of his assets, and established certain civil and criminal protection for it, as the waqf through this period also became a participant in the development process, especially in the scientific and cultural fields (Tabla 2014:17).

However, this situation changed as the regime of government changed in Libya in 1969, and the waqf did not receive the attention of the leaders of that stage, and it became marginalized and no longer had any significant developmental role and was just limited to places of worship. Even charities under this system have had a very limited role. In

fact, the change in the Libyan regime has had a negative impact on charitable work in general and waqf work in particular. In 1970, the new government issued Law No. 111, which stipulates the abolition of all legislation and articles related to charitable and private associations from the Civil Code, thus freezing charitable work except for the establishment of mosques, Al zawayah, or centers for memorizing the Holy Qur'an. At the end of 2001, there was an attempt to revive these institutions again through the issuance of Law No. 19 regarding the reorganization of civil institutions and its executive regulations issued by General People's Congress Secretariat Decision No. 73 of 2002 and its annexes, which opened the door to charitable work but under strict controls from the state. After 2011, this law was suspended (Nasr,2019:206).

In short, despite the importance of charitable work in general and waqf work in particular in supporting the state's economy, which is confirmed by many modern theories that believe that economic stability cannot be achieved through the efforts of the governmental and non-governmental sectors alone but also through the efforts of a third sector (the charitable work sector), which take an important part in the growth of society economically, politically, socially, and intellectually (Malawi, 2009:7), but unfortunately, this sector has not been given the real and necessary attention by decision-makers in the Libyan state to this day.

3.5.1 The Reality and Nature of Waqf in Libya

Libya has a large waqf wealth, including fixed assets and liquid assets. The number of Waqf assets, based on the latest statistics conducted by the General Authority for Awqaf and Islamic Affairs in 2010, reached about 11,103 thousand, including mosques, schools, Quranic schools (Katateeb and Al Zawaya), lands, housing, shops, and buildings (General Authority for Awqaf and Islamic Affairs). In fact, there is an observation about this statistic. It is considered inaccurate because there are many Awqaf that were not included in it, such as family Awqaf and Libyan Awqaf abroad, for which no statistics are available.

These Waqf assets are worth huge sums that are difficult to estimate. For example, the price per square meter of Waqf lands in the city of Tripoli is about 80,000 Libyan dinars due to its commercial location within the capital, which is considered a record price in relation to the price per square meter in Libya. There are also many vacant lands with large areas that have not been used so far that can be used to establish residential and

tourism projects. As the value of the fixed assets of one of the Waqf assets in the city of Tripoli, which is the Waqf of Ahmed Pasha Mosque, amounted to about one hundred million Libyan dinars (Aldaly, 2018:164-165, Zwieta, 2020:36). In fact, lands constitute a large part of waqf wealth in Libya, where the percentage of endowed lands from the total Awqaf amounted to about 63.53%, while the percentage of shops and housing reached 24.57% and 11.72%, respectively (Tabla, 2017:18). As for the liquid assets, the Awqaf has large balances deposited in its account with commercial banks operating in Libya. A large part of which was non-withdrawable for many years, which were recently released, and other deposits in the allowance account and the investment account with a value exceeding one hundred and sixty million Libyan dinars (164,012,925) until the end of 2017 (Aldaly, 2018:276).

In addition, the Awqaf have very large debts owed by individuals who rent their properties, as well as great debts owed by the state in return for the exploitation of endowment properties and compensation due in exchange for expropriation for the public interest. The amount of the debts owed by the Libyan state to the General Authority for Endowments and Islamic Affairs, as shown in Table 3.1, amounted to more than six hundred million Libyan dinars (635,373,805.223), and only 50,000,000 million of these debts were collected. As for the debts of individuals, there is no estimation of the size of these debts, but a large number of them have not paid their rent and are procrastinating in paying what they owe. As for the debts of individuals (Zwieta, 2020:42).

Table 3.1: The Debts Amount Until 31/12/2010 (million dinars)

Amount of debts	Debtor
1,574, 973.208	Debts of public entities
117,041,194.900	A debt of Domestic corporate
423,039.000	foreign corporate debt
535,099,265.565	Compensation for confiscated lands
197,062	Mezran waqf compensation
3,100,043	Debts owed by public bodies by court rulings

17,528,000	Debts of the Green Mountain Agricultural Project
10,774,227.520	Armed Forces Debt
635,373,805.223	Total

Source: Aldaly, 2018:222

The charitable waqf is the most common type of waqf in Libya. Almost all Awqaf in Libya are charitable Awqaf. According to Article 6 of Law 124 of 1972, each waqf (offspring waqf) will be a charitable waqf when the beneficiary of this waqf is gone, and such a waqf shall devolve to the General Waqf Authority for supervision (Kratam, 2023:14). The nature of these charitable awqaf varies between waqf of real estate, movable waqf, permanent waqf, temporary waqf, and monetary waqf. In 1973, Law No. 16 was issued regarding the abolition of the offspring Waqf, also known as the family Waqf. The legislator attributed the reason for issuing this law to the devastation that afflicted many endowed assets, whether houses, shops, or buildings; the destruction of large areas of agricultural land due to mismanagement; and the lack of interest of the Waqf Nazir (trustee), which led to the creation of strife, hatred, and discord between the offspring (beneficiaries). Moreover, the return from the proceeds of the offspring Awqaf over time and the succession of generations no longer has any benefit, except for a few. Furthermore, due to its proven harm in preventing wealth from trading through inheritance and distributing it to males without females in violation of the provisions of Sharia (Aldaly, 2018:180).

Under this law, all family or offspring Awqaf were liquidated, and this law banned the establishment of offspring Awqaf in the future. Furthermore, this law made the Waqf manager (Mutawalli, Nazir, or Qayyim) a guardian of the Waqf, and the General Authority for Awqaf has no authority over this type of Waqf in terms of the appointment or removal of the Waqf Nazir (trustee), but the only task of the General Authority for Awqaf is to supervise it. In 1978, Decree No. 130 was issued to abolish the position of Waqf Nazir, and thus the committees have been established to supervise the civil Waqf as they undertake the task of managing these Awqaf and ways of investing them, and these committees also submit annual reports of revenues and expenses to the General Authority for Awqaf (Alzureiqi, 2007:127).

3.5.2 Types of Current Waqf Management in Libya

The administration of Awqaf in Libya has witnessed a change in its management methods due to political, economic, and legal changes, forcing it to move from one stage to another to confront these changes, which led to the existence of different administrative models and methods through different historical stages. As a result of these changes, the administration of Awqaf in Libya moved from traditional management, which is self-administration (the management of the Waqf founder himself for the assets of the Waqf) and judiciary administration, to modern management, which is government administration (the management of public institutions by the state).

The current administration of Awqaf in Libya has been divided into two types: the first type is the general government administration, which manages Awqaf through its central administration, represented by the General Authority for Awqaf and Islamic Affairs, in the city of Tripoli, and its offices and branches that are spread in all cities for direct supervision and control of the Awqaf. The second type is civil administration (management of supervisory committees).

3.5.2.1 Governmental Administration (General Authority for Awqaf and Islamic Affairs)

Being a public entity that follows the government in all its administrative and financial decisions, it is subject to administrative and financial control, and based on the laws of Libyan legislation, the General Authority for Awqaf has become the overseer or manager (Mutawalli) of all Awqaf that it manages. The incorporation of the General Authority for Awqaf passed through several stages that witnessed the issuance of its founding laws. The beginning was with the issuance of Law No. 10 of 1971, regarding the establishment of the General Authority for Awqaf and an explanation of how it manages Awqaf. Under this law, the General Authority for Awqaf was entrusted with managing all private and public Awqaf of all types and purposes. This law was the administrative and organizational founder of Awqaf in Libya, which made the Waqf administration a public governmental administration directly affiliated with the state, in addition to the formation of a board of directors formed by a president and several members. The law gave this board all administrative powers as well as the authority to make decisions with the approval of the former Minister of Labor and Social Affairs,

and the Authority shall have a Director-General, who will be given the terms of reference assigned to it (Alzureiqi, 2007:129).

In 1977, the Libyan legislator abolished the General Authority for Awqaf and made the Awqafs' property affiliated with the Ministry of Housing and the Public Property Authority, as the Ministry of Housing and the Public Property Authority became responsible for managing and investing these awqaf, which in turn began to allocate many of the lands belonging to the endowment to establish public housing without compensation or replacement and without taking into account the specificity of the endowment properties. In 1988, the People's Committee for Mass Mobilization and Revolutionary Guidance established an office called the Mosque Management Office, whose mission is to monitor the affairs of mosques and Awqaf (Abu Karhouma, 2013:191-221).

In 1990, the GPC passed Decision No. 1128 concerning a re-establishment of the General Authority for Awqaf after being suspended for ten years. This decision gave the authority the power to manage Awqaf, granting it an independent legal and financial personality. Then several organizational decisions were issued, including Resolution No. 123 of 2004, regarding the reorganization of the Awqaf Authority under the name of the General Authority for Awqaf and Zakat Affairs (Aldaly, 2018:208-210). In 2012, Resolutions No. 47 and 48 were issued regarding the institution and administration of the Waqf and the renaming of the General Authority for Awqaf and Zakat Affairs to the name of Awqaf and Religious Affairs Ministry, making the Authority of Waqf one of its departments. Finally, Resolution No. 10 of 2016 was issued regarding reducing the number of ministries and re-establishing public bodies, including the General Authority for Awqaf, thus abolishing the Ministry of Awqaf and returning it to the General Authority for Endowments (Official Gazette, 2012:361-376).

3.5.2.2 The Civil Administration (Management of Supervisory Committees)

Due to the large size of some civil Awqaf and the abolition of the position of Waqf manager (Mutawalli) by Decree No. 130 of 1978, administrative committees have been formed to run them. The General Authority for Endowments granted these committees some independence but under the auspices and supervision of the Authority. The Authority also established a number of rules and conditions, among which are that these committees are temporary, that is, they are renewed periodically, and that these

committees undertake the process of collecting and disbursing revenues in accordance with the Waqf founder condition. They must also submit annual reports of their revenues and expenditures to the Authority, and these committees are not permitted to dispose of waqf objects; their administrative role is limited to supervising and managing these awqaf only. However, these committees did not abide by these rules and acted as they liked to replace and sell the Waqf assets that they managed. They also did not submit annual reports on a regular basis, and some of these committees did not submit any reports at all (Tabla, 2019:10).

3.5.3 Ways to Invest Awqaf in Libya

The contracts for investment and development of Awqaf in Libya are divided into two phases: In the past, the Libyan Waqf institution used to use contracts such as Al-Mugharsa, Al-Khulu, Al-Hukr, Al-Mazara'a, Al-Musaqat, and Al-Ijaratin. Although they were no longer used after the issuance of Law 124 of 1972 regarding regulating the Waqf, the effects of their application on the Waqf property are still felt to this day. In the second stage, after applying Law 124, the lease (Ejara) became the only investment formula in force in Libya. The lease contract (Ijara) is one of the oldest contracts that have been implemented in Libya, from which other formulas adopted by the principals and the Awqaf institution branched out, and it is the only method that the authority currently relies on to collect all its revenues (Al-Trabelsi, 2015:33).

The Libyan legislator gave great attention to the lease formula, as the Civil Code of 1953 stated in Articles 627–633, a statement of the most important provisions and rules regulating this formula, whether on charitable or private waqf. Under this law, the Mutawalli or Al Nazir (trustee) has full powers to administer Awqaf. At the same time, this law prevents the trustee from renting them to himself, even at a similar rental price to that prevailing in the market. This law also gave the overseer the right to estimate the value of the rent at the time of concluding the contract, with the inability to change it after that. meaning that the rental value estimated at the time of the conclusion of the contract remains without increasing or decreasing until the termination of the lease period in the agreed contract, which harms the Waqf if the lease is for a long period, as is the case in Al-Hukr or Al-Ijaratin (Aldaly, 2018:225).

In 1972, Law No. 124 on the provisions of Awqaf was issued, which reorganized the lease contract in accordance with its provisions in Article No. 39, which stipulated: "It

is not permissible to lease Waqf assets for less than the rental price that is prevailing in the market, and any contract concluded for less than the prevailing rental rate is voided". Internal regulation of lease contracts emerged from this law, in which lease contracts were classified into four types:

1. Housing and offices lease contracts
2. Shops and crafts lease contract
3. Lease contracts for the use of agricultural land
4. Usufruct contract for the purpose of expansion (Abu Karhouma, 2013:212)

In 1996, Resolution No. 84 was issued to emphasize the importance of what was stipulated in Article No. 39 of Endowment Law No. 124 for the year 1972. In order to give more powers to the Awqaf institution, the Libyan lawgiver issued Law No. 21 in 2010 to grant the Awqaf institution the right to implement the administrative reservation procedures in accordance with the administrative reservation law. Therefore, this law gave the authority the power to implement administrative seizure procedures against tenants who refrained from paying the same prevailing rental rate in the market and to remove them by force of law from the real estate that benefited from them. However, this law was not implemented until the year 2015 (Aldaly, 2018:227-228).

3.6 Using the Waqf as a Financial Source for Financing Small Enterprises

Awqaf have been integral to the social and economic framework of Islamic nations, and it has made a significant contribution to achieving economic development and social well-being as it worked on providing financing for service activities and facilities such as education, health, and military in the community, which aided in the cultivation and advancement of human capital, alongside assisting in the establishment of infrastructure and social capital., providing opportunities for employment, reducing unemployment, and contributing to an increase in trade mobility in society (Al Ahmari and Kishk, 2021:306). The role of waqf institutions in achieving sustainable development stems from the financial sustainability that they provide through the permanent and renewable financial resources they attract. Herein lies the great importance of employing the waqf as a financing tool, as it is, on the one hand, a renewable source of financing and, on the other hand, characterized by the specificity of the non-profit charitable goal, which is compatible with social capital theories or

social economics (Sari,2020:14). Among the recent developments in the field of social development that are attracting financial resources through support policies adopted by international development institutions and international non-governmental organizations are what are known today as small and micro projects, which have increased in importance given their many benefits. One of the most important benefits of these projects is their ability to use idle energy. In addition, they have the ability to make a significant improvement in the conditions of the poor (Marghad and Mansouri, 2006:18).

Unfortunately, these enterprises still face challenges that limit their ability to develop and grow. The most important of these constraints is the problem of liquidity and poor funding. This issue is regarded as one of the foremost challenges encountered by these initiatives. because the standards of conventional financing are subject to creditworthiness values that automatically disqualify categories of poor people from financing in favor of the rich, and it leads to the deprivation of small projects from obtaining financing or from obtaining it at a reasonable cost. In addition, most of the conditions for financing channels available from banks and specialized funds do not match the needs and realities of small businesses. Hence the need to employ the endowment as a financing tool for such projects because, within the framework of charitable financing, the standards of financing and profit will be contrary to the standards of commercial financing pursued by banks and institutions specialized in financing. where the criterion will not be based on pure profitability, but priority will be given to achieving the social charitable goal that the endowment aims to achieve by providing funding to the lower categories (Al Ahmari and Kishk, 2021:308).

As historical studies have shown, the Waqf did not overlook the importance of these projects in fighting poverty and improving the standard of living. Where there was cash, waqf was dedicated to financing artisans, manufacturers, farmers, and traders by lending sums to start certain professional projects or to purchase production tools (Al-Omar, 2003:614-615). Perhaps the Turkish experience is the best evidence of the Waqf's interest in small projects, as "the Turkish cash Waqf, since the beginning of the fifteenth century AD, has had a distinguished role in this field". Waqf contributed to providing the necessary funding for the poor, as cooperative funds were established to

lend at simple interest to help the afflicted or lend to the poor to start their productive projects (Al-Omar, 2000:180).

The experience was similar in Morocco, where a cash waqf equivalent to 1,000 ounces of gold was allocated to give to individuals (farmers, craftsmen, carpenters, and industrialists) as a loan and to activate them in the fields of agriculture, carpentry, and industry in order to meet their needs and transcend the stage of poverty, especially in the city of Fas (Marghad and Mansouri, 2006:22). Nowadays, many Islamic countries have adopted the idea of using waqf funds to finance small enterprises. In Algeria, for example, the waqf management invested the waqf funds by establishing a private company called "Trans Waqf", where this company bought 32 new taxis, as the priority in employment was for young people who were not able to own a car to practice their activity. The young man who wants to join the institution should submit the required documents that allow him to contract with the company, and among the items specified in the contract is that the driver must provide 2500 dinars per day for the value of his use of the car. The company plans to expand its activities by acquiring and distributing hundreds of taxis in all provinces (Bin Azza,2015:133).

In Indonesia, a cash waqf fund was established to support the financing of small and medium-sized industries. Among the industries financed by this fund are:

- A. Investment in the Livestock Village (Kampung Ternak): It is an administrative complex that prepares and organizes many livestock breeding programs to support and guide breeders. The fund aims to invest in this village to support the sustainability and development of this field.
- B. The Micro-industry in Bakmi (traditional Indonesian folk food): The micro-industries of Bakmi Tibet and Bakmi Langara in Jakarta are experiencing rapid growth, positioning them as the fastest-expanding ventures in the Indonesian industry realm.
- C. Investment in Kampung Tahu (Tofu Village): Kampung Tahu serves as the industrial hub for the residents of Kampung Iwul in Desa Bojong Sempu Parung, Bogor, and its surrounding areas. Over 100 individuals in this community operate home-based tofu businesses. Investing cash waqf in this industry had a big impact on the continuity and growth of

this business in Iwul; moreover, this investment enabled these small industry participants to compete with imported goods supported by sizable investments (Candra and Rahman,2010:179-181).

In point of fact, these experiences, for example, provide evidence that awqaf in general and cash waqf, in particular, can be used successfully as a good means of funding micro-small projects.



CHAPTER IV

WAQF FUNDS

This chapter examines the extant literature on waqf funds. In this regard, the chapter gives a broad overview of waqf funds their definition, objectives, features, and types. This chapter also shows the operating mechanism of waqf funds. As the last section presents the existing practices and experiences of financing small projects by cash waqf.

4.1 Definition, Objectives, and Features of Waqf Funds

4.1.1 Definition of Waqf Funds

Various interpretations of Waqf funds have emerged, with some defining them as "receptacles" where donations, irrespective of their size, are amassed for endowment purposes. These funds are subsequently invested, and the generated returns are utilized for predetermined charitable objectives benefiting the specified entity for which the donation was intended. (AlObeidi,2011:123). The Waqf Fund is also described as a mechanism for gathering bestowals in cash from donators, intending to utilize them for community benefit. This may include constructing facilities, developing infrastructure, supporting education initiatives, or other endeavors aligned with the public interest (Lakhdary and Ben Habiba, 2019:3).

The Waqf fund is additionally structured by either the state, the general secretariat of waqf, or the awqaf department, following established protocols, to fulfill distinct objectives and execute development initiatives within a particular sector or across various sectors. This is done to fulfill the intentions and requirements of the endowers and to align with their stipulations (Al-Haddad,2009:169).

Al-Qari (2007:12) defined the endowment fund as " a receptacle in which endowed funds are collected that are utilized for the acquisition of divers property (mobile and immobile assets), which are run as an investment portfolio to attain the maximum revenue within an reasonable risk level. In addition, he stated that the fund remains monetary in character, as the purchase of the real estate, shares, and various assets financing commercial operations do not change the nature of this fund because all of that is an investment to achieve a return for the fund; neither the real estate itself nor the shares are endowments. Hence, the components of this fund are not static but rather change based on the fund management strategy, and the fund is consistently denoted by

the aggregate value of its components, which represents an amount in cash, and this cash is the waqf.

Based on the definitions provided earlier, it can be summarized that a waqf fund serves as a structured entity where funds are gathered from contributors, including individuals, corporations, or public and private entities, through their donations. These funds are subsequently invested based on an established investment plan, and the resulting returns are distributed to designated recipients. Moreover, despite primarily the monetary nature of the fund, the fund may also possess non-monetary investment assets like land, buildings, machinery, and other equipment.

4.1.2 Objectives of Waqf Funds

Waqf funds aim to invite Muslims in general, philanthropists, businessmen, and individuals in particular, to contribute to the endowment of their money by making donations and giving cash alms, whatever their amount, to form liquid capital to be directed towards a specific goal that achieves public interests, which a particular individual is unable to do alone and the state is burdened with doing it. The objectives of waqf funds can be summarized as follows:

- a-** Reviving the Sunnah of the endowment by renewing the call to it through projects with developmental dimensions that are close to people's hearts and able to meet their desires and needs.
- b-** Renewing the developmental role of the endowment within an organizational framework that integrates endowment projects and takes into account the priorities, and coordinates between them by achieving flexibility and discipline at the same time;
- c-** Participation in areas that are not appropriately supported by the state and other voluntary institutions.
- d-** meeting the various desires of society by directing their donations towards areas of interest to each of them and seeking to secure and develop them so that the proceeds of each fund are spent on its specific purpose while providing a link between it and similar ventures executed by governmental agencies, organizations for public welfare, and all other institutions.
- e-** Formation of popular participation in the call for endowment, its establishment, and the management of its projects

f- Developing charitable work by introducing new models to be emulated (Mahdi,2002:115).

4.1.3 Features of Waqf Funds

Cash waqf has become increasingly significant in recent times because of its numerous benefits, which are often unmatched by other forms of waqf. The unique characteristics of waqf in cash include:

- a-** Its capacity to circumvent the majority of issues related to property waqf. There is no doubt about the importance of endowing the property; it is the basis of the endowment and cannot be dispensed with. In fact, some of the most important areas of endowment can only be real estate, such as mosques, schools, hospitals, homes designated for people in need, and other obvious examples. However, because of its nature, this type of waqf (real estate waqf) has suffered from a bunch of problems that have grown and accumulated over time, the escalation of real estate values, resulting in a reduced number of individuals capable of endowing property; the exorbitant expenses associated with property repairs and maintenance; and the restricted avenues for real estate investment and the exposure of the property to destruction and a lack of benefits. So, the cash waqf can be an alternative solution to avoid these problems (Bakhdar,2017:119).
- b-** Cash waqf exhibits versatility and flexibility in both fundraising and investment opportunities, as the administration supervising the cash endowment has highly liquid as a result of the endowed cash money, which makes it easier for it to choose the appropriate projects that achieve profits that preserve the origin of the endowment and fulfill the conditions of the endowers towards the beneficiaries (Ahmad,2015:70).
- c-** broader public participation. cash waqf is open to all donors because it is simple and doesn't require a lot of wealth (Azrak,2022:45). Since most of the members of contemporary Islamic society are employees and small traders, and they do not have the large amounts of money and wealth that would enable them to establish independent endowments such as schools, orphanages, universities, and other endowments that require huge funds. Here comes the role of the endowment fund to allow this class of society to contribute to building

endowments by collecting the small sums that they endow. Especially if these endowments are continuous and renewed (Shron,2016:153). In other words, Due to the small amount of waqf shares, individuals from various economic backgrounds, regardless of their wealth, have the opportunity to participate in this form of waqf. It becomes even more accessible when the waqf shares are tailored to correspond with the income levels within a society, thereby fostering contributions towards social, economic, and cultural advancement. (Al Haddad,2006:21).

- d-** Among the advantages of the cash endowment at the present time is that it is possible through it to form major successful endowment institutions administratively and economically. In fact, nowadays, the cash waqf has converted the waqf from a waqf of individuals independently to one large waqf with multiple founders. Actually, through this waqf, it was possible to create endowment funds in which the endowments of large numbers of people gathered, which resulted in collecting a huge amount of money for certain interests on the one hand and led to the creation of modern administrative and economic arrangements that are compatible with these large funds on the other hand (Al-Thamali, 2006:26).
- e-** Cash waqf aligns more seamlessly with the financial realm, exhibiting a stronger developmental influence compared to other forms of endowment. This is evident in its robust contributions to diverse fruitful segments throughout its investment lifespan, functioning as both a financial backer and a investor in various areas.
- f-** Cash waqf leads to a variety of charitable deeds, and contributes to alleviating the suffering of many in need of financial liquidity through a good loan and benefiting from the endowed money to invest it for the benefit of the beneficiaries (Alomari,2008:122).
- g-** It is characterized by the comprehensive characteristic that it derives from the nature of the endowment system itself, in which the objectives of endowment funds expand and their purposes and fields of work vary to express different concerns of contemporary civilized life (Shron,2016:119).

4.2 Types of Waqf Funds

The type of endowment fund is determined according to two criteria:

4.2.1 According to the Purpose

Waqf (endowment) funds are divided according to this criterion into specific purpose waqf funds, where these funds are established for a specific purpose and the proceeds of which are allocated to spend on the purposes of that fund, such as an education fund, a fund to fight unemployment, a health development fund, and multipurpose waqf (endowment) funds. In this type of fund, the waqf (endowment) fund is shared for two or more purposes, for example, the establishment of a fund for scientific and technological development

4.2.2 According to the Number of Endowers

According to this criterion, the waqf funds are divided into closed endowment funds, which are funds in which the endower (waqif) is one person, making donations from his own money in order to achieve a purpose determined by him (the endower), and open endowment funds, which are funds that allow every member of society to contribute to them. That is, every member of the community can make financial donations to serve (finance) a specific purpose (Lakhdary and Ben Habiba, 2019:89).

4.3 The Operating Mechanism of Waqf Funds

The operating mechanism of waqf funds typically comprises three stages, which are:

4.3.1 Mobilization or Accumulation of Funds

This is a very substantial stage in the structure of the waqf fund, it regards the beginning point towards the financial dimension of this product. At its most basic level, waqf can be achieved by directly contributing cash to the waqf fund. These donations are obtained through:

- a-** The donations of individuals in general, whether they are middle-income individuals, wealthy individuals, or businessmen, and the donations of institutions and companies from the private and public sectors.
- b-** The state's contribution from its treasury, or through tax or a stamp assigned for endowment funds.

c- An invitation to the public subscription through endowment bonds; in addition, some countries, such as Malaysia and Sudan, practice the waqf shares model.

d- Donations by international organizations such as UNICEF, UNESCO, the Organization of the Islamic Conference, and the Islamic Development Bank.

e- Endowment investment proceeds from endowment funds and the activities and services they provide

These financial resources obtained by endowment funds come from two categories: The first category is donors who make their donations in perpetuity. This category does not need much clarification because it is the basis for all endowments. The endowed property of this category may be in cash, such as the Waqif (founder) donating a cash amount or allocating part of its proceeds for the purpose of an endowment, or it may be in kind, such as a donation of tools and equipment for production, cars, tools for farming, and so on. The second category is donors who make their donations for a certain period of time. These donors also provide their donations either in the form of cash, such as good loans (qard al Hasan), for a certain period of time (for a year for example), or sometimes in the form of demand deposits that they can withdraw and redeem whenever they want. Or in kind, where they endow their assets such as production equipment, cars, and machines for a set period of time. Hence, it is clear from this that the resources of the fund can be cash or in kind (Al-Zarqa,2006:12).

4.3.2 Management of Pooled Funds for Income Generation

The following stage will be managing and investing the pooled funds. A significant key principle of management philosophy for this financial asset is to apply an income-generating perspective or be as productive as possible in order to create a positive revenue stream. This principle suggests that the money that is collected should be put to good use and invested in profitable, productive enterprises (Tohirin, 2010:493).

4.3.2.1 Controls of Cash Waqf Investment

The money that is collected by endowment funds is public charitable money that has a specificity and nature that differs from the rest of the money, and by virtue of the fact that the nature of investment is profit or loss, a set of controls and criteria have been put in place that must be taken into account in the investment of the endowment, the most important of which can be summarized as follows:

a) *Adopting Shariah Methods of Investment*

This means that the investment operations must be in conformity with the provisions of Islamic Sharia, which implies avoiding investment in areas prohibited by Sharia ((Madoghi, 2019:577).

b) *Preserving the Endowed Monetary Assets*

The investment areas should not lead to consumption or depletion of the endowment origin, so caution and precaution must be taken, as must the search for all available legal guarantees to reduce these risks, as well as a balance between return and safety, through diversification of investment fields and projects in which endowment funds are invested so that they are not concentrated in a project or field that may be exposed to disasters or losses, which leads to risks that may affect the origin of the endowment (Khattab,2013:10-11).

c) *Achieving a Stable Return*

Choosing fields and investment formulas that achieve satisfactory and stable returns through diversifying investments to obtain the best returns (diversification between sectors, diversification in investment methods and means)

d) *A Balance between Economic and Social Returns*

The endowment aims primarily to achieve public interests as a charitable act, so it is not acceptable to focus on the material economic aspect and neglect other social aspects. Therefore, this goal obliges it to search for projects through which the best economic and social returns can be achieved together. This means that endowment investments should be directed towards charitable and social fields or at least a certain part of them, to achieve a balance between the interests of present and future generations of beneficiaries (Shehata,2003:8).

4.3.2.2 Areas of Cash Waqf Investment

The funds of the Waqf Fund can be invested by relying on the same investment formulas applied in Islamic banks and known in Islamic jurisprudence as Murabaha, Istisna', Salm, Musharaka, Ijarah, and Muzarah, in addition to the modern legal investment formulas, which are approved by the Fiqh academies and the Sharia supervisory bodies in Islamic banks, such as diminishing musharaka, musharaka ending with ownership, Ijarah ending with ownership, and other innovative formulas. The fields of investment for endowment funds are numerous and varied according to the diversity of the fund's

assets. Therefore, the best and most appropriate investment fields must be chosen in order to maximize the return and benefit, and these areas include:

a) Real Estate Investment

Includes, for example, buying real estate for renting or selling; building, maintaining, and renovating old real estate that has been dilapidated and replacing the old with new ones; and the construction of residential or commercial buildings on the waqf lands directly or through Istisna', or Musharaka, or Musharaka ending with ownership, Huker or any form of investment.

b) Investing in the Establishment of Productive Projects

such as the establishment of workshops, factories, and small professional and craft projects focusing on essential goods and services, aiming to maximize interests for recipients and foster social and economic growth. (Abd al halim,2018:520-522).

c) Investment in Service Projects (Educational, Medical, and Social)

This encompasses various entities such as Quran memorization centers, religious schools, healthcare clinics, community health centers, as well as shelters for the less fortunate, including guesthouses for travelers, homes for the elderly and infirm, and orphanages. (Al-Qudah,2021:8).

d) Investment in Agricultural Activities

Such as leasing endowed agricultural lands and participating in the exploitation of some endowed agricultural lands by using Almugharasah and Almusakah forms.

e) Investing in Shariah-Permissible Securities

Such as common shares of firms working in low-risk sectors, Islamic sukuk issued by Islamic financial entities, profit and loss sharing bonds of a safe and stable nature, Islamic investment fund sukuk, bonds of waqf funds in Islamic nations, and Muqarada bonds.

f) Contribution to the Capital with The Aim of Achieving a Return

It has many forms, including contributing to the capital of some companies, such as buying shares; contributing to the capital of Islamic investment funds; contributing to the capital of Islamic banks; contributing to the capital of Islamic insurance companies;

contributing to the capital of Islamic banks; and contributing to the capital of Islamic investment companies (Nasr,2019:293-294).

g) Investment in Islamic Financial Institutions

Such as on-demand investment savings books, term investment deposits, absolute fixed-term investment certificates, and restricted-term investment certificates (Al-Zuhaili,2005:23).

4.3.3 Distribution of Income

The income generated from investing the funds will be divided into parts, a part of which will be used to cover administrative expenses, and Another portion will be allocated to establish a reserve fund to serve as a cushion. to face and prevent the value of funds in the waqf fund from declining or eroding. Finally, the main part is allocated to the beneficiaries. The distribution of this part might be targeted for the following purposes:

- a. **Charity:** This kind of charity distribution aims to meet the needs of the underprivileged. This distribution is characterized by consumer spending.
- b. **Empowerment:** The main target of the empowerment program is individuals or groups that have potential business opportunities but struggle to obtain funding. Here, empowerment aims to give this set of small business enterprises the means of production and financial capital so they may expand and enhance their project activities. Different Sharia-compliant contracts, like Mudharaba, Musharaka, Murabaha, etc., could be used to aid this group.
- c. **Human Investment:** This kind of human investment aims to give training or education through a scholarship program to improve people's quality of life by raising the bar for workers' or entrepreneurs' talents. In the end, it is anticipated that this group's productivity will increase, which might have a favorable impact on the level of output.
- d. **Infrastructure Investment:** It is intended to aid in the provision of tangible amenities, such as buildings for educational institutions, healthcare facilities, and so on, that will enhance the welfare of the community (Tohirin,2010:493).

4.4 Waqf Funds and Small Enterprises Financing

During the past decade, the economic and social importance of financing small enterprises has emerged. this type of enterprise has long suffered from being underserved by commercial banks, including Islamic banks in Islamic and non-Islamic societies alike. In fact, establishing Waqf(endowment) funds to finance small projects represents a qualitative addition, not a numerical addition, to the institutions working in the microfinance market in terms of financing methods and conditions in line with the values of these societies on the one hand and the nature of these projects on the other hand. In effect, creating waqf (endowment) funds specialized in financing small microenterprises can constitute an important additional building block in the Islamic microfinance market (Hussein,2015:36, Al-Zarqa,2006:11). According to the market segment, we can categorize business finance into two main categories, which are: debt financing and equity financing. The former is a low-risk investment, whereas the latter is a high-risk investment. The following shows the basic financing formulas that the waqf(endowment) fund may use in the process of financing small projects.

4.4.1 Financing through Qard-Hassan

The Qard-Hassan formula is considered one of the most prominent forms of cooperative financing, based on giving the borrower the right to benefit from funds provided that the same is returned. This is the formula that is unique to Islamic law in financing the needy and the poor. Financing by Qard-Hassan has many benefits, the most important of which is the achievement of social justice and the distribution of wealth, as well as the development of a spirit of integration and compassion in society (Haddah,2014:62).

To attain the goal of financing through the Qard-Hassan, the beneficiary of this loan must be directed to use this money to practice a profession or engage in a trade that makes him able to repay his debt, enrich himself, and prevent him from resorting to borrowing again. Thus, in this way, the beneficiary of this loan becomes a productive individual who contributes to the development of his society (Al-Jundi,1996:106). The Qard-Hassan (good loan) can be used as a financing method that assists in the establishment or development of small projects under the condition of an endowment founder, where the endowed money is provided as a good loan to the poor and low-income people to assist in the establishment and development of their projects to

achieve a continuous and relatively stable income that helps them improve their living conditions and provides them with job opportunities that take them out of the circle of unemployment and poverty (Bakhdar, 2017:193).

In fact, the use of Qard Hasan as a means of financing small enterprises creates a number of advantages, the most important of which are the following:

- a- The Qard Hasan works to direct liquidity from individuals who have a surplus to those with deficits, and in this way, idle human energies will be activated and directed to productive work, achieving the principle of social solidarity and giving an opportunity to all segments of society that cannot provide the conditions of traditional financing.
- b- The waqif offers this money to obtain a reward from God Almighty. Accordingly, the Qard Hasan is provided without the borrowers incurring any costs on the loan other than usurious loans, and this helps to lower the cost of the products of these projects, which leads to an increase in demand for their products and increases their profit, thus driving them to develop and expand their business.
- c- The use of the Qard Hasan as a means of financing small projects works to direct this money and link it to the real economy, which contributes to increasing the wealth of society and developing the economic and productive sectors, which is positively reflected in the gross national product (Nasr, 2019:125).

It must take into account that the use of this formula by the management of the endowment fund requires this administration to pay special attention to studying and analyzing the projects to be financed with this formula, in terms of risk and the nature of the project's activity and its compatibility with market requirements, so that the fund (the financier) can maintain the safety of its capital.

4.4.2 Financing through the Musharakah Contract

The partnership formula emerged as one of the formulas that achieve equitable investment between owners of money (financiers) and those who wish to obtain financing. There are several forms of the Musharakah contract that are usually used in Islamic finance, the most famous of which are a permanent or continuous partnership contract and a diminishing partnership contract ending in ownership. Waqf (endowment) funds can adopt and use these modes to finance small projects, where the

endowment fund may enter as a partner with a permanent or continuous Musharakah contract in a specific project where the waqf (endowment) fund (financier) provides the amount of financing to the project owner for a specific period to be agreed upon, and they divide the profit or loss of the project at the end of the period according to what they agreed upon, and it is distributed according to their share of the capital only. The waqf (endowment) fund (financier) can provide financing for working capital or fixed capital (Ibrahim and Kahf,2001:174).

Or as a partner with a diminishing Musharakah contract ending in ownership. In this type of Musharakh, the financier (endowment fund) provides a part of the financing by which he contributes to the capital of a project with one or more partners, provided that they share in the expected return, whether it is a profit or loss as agreed, with the financier's promise to gradually waive its share by selling it to these partners, provided that the partners also commit to buying his share according to the method they agreed upon. It should be noted that this method has positive effects for both parties, especially for the financier (waqf fund), because the degree for risk of the financier decreases whenever part of the capital is recovered, and thus the rate of return increases (Hellas and Bakr,2011:1325).

4.4.3 Financing through the Mudarabah Contract

Mudaraba is a financing mode that combines two parties, one of which represents the owner of the money, who is looking for someone to manage his money, invest it, and bring him a rewarding profit, while the second party represents the worker, who has experience in managing these funds and investing them efficiently to achieve the desired result, and he is rewarded for his work by obtaining a share of the profits (if realized) according to predetermined percentages In addition to not bearing any losses as long as he is not the cause of these losses (due to his negligence)(Zaytouni,2012:137).

From the above, we find that the Mudarabah contract is suitable for those who have money but lack experience in investing, as well as for those who have experience and competence in the development and investing of money but do not have money. As shown here in this formula, money meets experience, and through this mixture, the inactive Money, energies, and capabilities are employed, contributing to moving the wheel of operation and production (Araban,2017:26).

Although the opinions of jurists indicate that the basis of the Mudarabah contract is the commercial field by custom, there is nothing to prevent the use of financing through Mudarabah for production and service projects, which means that financing through Mudarabah can include both commercial and non-commercial projects. This gives flexibility in financing small and micro-enterprises that may be commercial enterprises, productive enterprises, or enterprises that provide some services (Donia,2001:167 and Al-Asraj,2010:6). Therefore, through this contract, the Waqf Fund, as the owner of the money, can provide the amount of financing to the entrepreneur (finance applicant\Mudarib), who in turn invests it without the intervention of the financier as long as he abides by the terms of the Mudaraba contract, which means that with this property, the project owner has the freedom to manage this the funds within the framework of the agreed terms.

4.4.4 Financing through the Muzar'ah Contract

The Muzar'ah contract is one of the partnership contracts that is specialized in the agricultural field, and it is considered one of the most suitable contracts used for developing and reclaiming the endowment agricultural lands. The Muzar'ah contract is a contract between two people, one of whom is the owner of the land and the other is the agricultural worker, where the first (landowner) gives the right to the second (the agricultural worker) to cultivate his land, and they share the crop between them. The rest of the agricultural equipment, such as tools, machines, seeds, and fertilizers, can be provided by the landowner or by the farmer, or according to the agreement concluded between them (Kahf,2015:136). Under the Muzar'ah contract, the waqf fund can provide land and seeds, and the worker performs his work in cultivating the land and sharing the crop between them under a pre-agreement. Or the waqf fund provides agricultural machinery and equipment and supplies of seeds, fertilizers, and pesticides; the worker, in turn, provides the land and work; and the contribution share of each party, as well as the proportion of each party in the output of the process, is determined before contracting.

In fact, the adoption of this financing technique through endowment funds to fund the agricultural activity contributes significantly to the development of the countryside, as through this formula it is possible to provide the appropriate financing to the rural environment, which in turn contributes significantly to the revival of agricultural land,

which means an increase in agricultural production and, thus, self-sufficiency is achieved, employment of unemployed hands, and a reduction of migration from the countryside to the cities.

4.4.5 Financing through a Murabaha Contract

Murabaha stands as a widely accepted Sharia-compliant sales transaction, commonly employed in asset finance and commercial activities. It falls under the category of Amanah (trust) contracts, In this arrangement, the vendor transparently discloses the profit margin to the purchaser by selling the commodity at a price higher than its cost. This essentially defines a essential Murabaha contract. a contemporary concept emerged known as Murabaha to the purchase orderer, pioneered by Sami Hammoud, who developed a practical model for it. Subsequently, this variant of the Murabaha contract gained prominence, becoming the primary choice in transactions among Islamic banks. (Bakhdar,2017:217).

Murabaha for the purchase orderer involves a customer-initiated purchase procedure. The customer submits a request to the bank specifying the desired goods and promises to purchase them from the bank once the bank fully acquires possession of the goods. Payment, including the profit, is then agreed upon to be made in installments. (Kahf,2015:168).

Waqf funds have the potential to utilize this financing model to support small and micro enterprises by addressing their various needs. Whether it's providing essential assets like machinery, equipment, and devices (capital financing) or fulfilling operational necessities like basic supplies (working capital financing). This fund can serve as the financing giver. In this arrangement, the waqf fund adds up a predetermined margin of profit onto the costs and accord a defined period to the enterprise owner to become operational or productive. Subsequently, repayment is made in installments (Alani,2014:145).

4.4.6 Financing through A Salam Contract

The Salam Sale arrangement represents an alternative financing mechanism to conventional interest-based loans. Essentially, in a Salam contract, purchasers pay makers or vendors up ahead for the things they want, with payment made immediately, and the goods are delivered at an agreed-upon future date (Hussain el at.,2015:9).

Islamic banks have capitalized on this contract and adapted it to create a new contract tailored to their operations, thereby mitigating the risks associated with the original contract. This innovative contract, known as "parallel Salam," involves the Islamic banking institution acting as the vendor, providing the commodity as specified in the original Salam contract, while simultaneously acting as the purchaser.

This approach can be utilized by the waqf fund to support individuals in the agricultural sector, including small-scale farmers lacking sufficient capital for their agricultural endeavors. By entering into agreements with landowners facing financial constraints in funding their farming activities, the fund, acting as the purchaser, offers the needful funding in exchange for getting predetermined quantities and specifications of agricultural products within a specified timeframe. Afterward, the fund engages in a parallel Salam agreement with a separate entity, which mirrors the specifications of the original contract but at an elevated price. Here, a waqf fund acts as the seller, earning profit from the variance in price between the two contracts.

4.4.7 Financing through An Istesna'a Contract

The Istisna'a contract is a contractual agreement wherein one party commits to producing a specified item according to predetermined specifications, with an agreed-upon price and delivery date. Payment for the item may occur upfront or be deferred to a later date, either as a single payment or through installments. This commitment involves the manufacturer carrying out the necessary work themselves, although they may delegate some or all of the tasks to other parties under their supervision and accountability (Lubna,2015:343).

As mentioned earlier, it can be inferred that the Istisna contract involves trading a commodity before its physical existence, with no immediate exchange at the time of contracting. This characteristic distinguishes Istisna' (or manufacturing contracts) and makes it unique as a forward contract where the obligations of parties hinge on future events. There are two categories of Istisna contracts. The initial one is a straightforward Istisna agreement, which occurs directly between the end user and the manufacturer. The second type is a parallel Istisna contract, which involves three parties, including a bank acting as an intermediary. The Istisna contract classified into two categories. The initial one is a straightforward Istisnaa agreement that involves a direct arrangement

between the buyer and the maker. The second type is a parallel Istisna formule, in this agreement a bank serving as an intermediary. In the initial Istisna contract, the bank acts as the manufacturer and receives the price of commodity from buyers on an extended payment plan. Conversely, in the second formula, the bank serves as the buyer and makes partial payments to the maker within a shorter duration (Hussain et al.,2015:9).

Due to the adaptable nature of the Istisna contract, Islamic banks have enhanced its significance as a vital financial instrument for funding essential needs and significant societal interests. This mean of funding has been applied to advanced sectors that play a significant role in modern life, like the aircraft industry, railroad industry, and watercraft industry, as well as to the building of different structures in residential facilities, medical institutions, educational institutions, etc., and other requirements of contemporary life (Hussein and Rushdie,2006:15).Similarly, the Waqf Fund can utilize this approach to support artisans, productive households, and individuals capable of production. In this scenario, the Fund engages in an Istisna agreement with small project masters, where the Waqf Fund assumes the role of Mustasneaa (buyer), and the enterprise owner serves as the manufacturer (seller). In its capacity as a buyer, the Waqf Fund specifies the quantity and price of the desired product. Simultaneously, as a financing giver, the Waqf Fund furnishes the necessary access to finance for this type of venture to manufacture the requested commodity, which could be in the form of money or assets. Subsequently, the marketing department of the fund advertises and vends the product, or it might engage in contracts with another body. In these contracts, the Waqf Fund service as a producer while the other body assumes the purchaser role, thereby establishing contracts to sell products to them.

4.4.8 Financing through An Ijarah Contract

The Ijarah contract stands out as a notable financing method, proving highly effective as it offers advantages to both involved parties. Ijarah serves dual purposes, being employed in distinct contexts. Firstly, it denotes the utilization of someone's services in return for compensation provided as remuneration for their rendered services. Secondly, Ijarah signifies granting another individual the privilege to utilize a designated property in exchange for rental payments owed by them. In this context, 'Ijarah' is akin to the modern commercial term 'lease.' In this arrangement, the entity leasing out the property is termed the "Mu'jir," while the entity leasing the property is termed the "musta'jir."

The payment made by the lessee to the lessor is denoted as "ujrah." (Abu-Alkheil,2012:12). In essence, Ijarah resembles a sale transaction as it involves the sale of benefits. However, it's conventionally treated separately from other sales contracts due to distinct differences in contract nature. In practical terms, Ijarah agreements come in two varieties: the initial being an operational Ijarah (ordinary) contract. In exchange for rent, one party sells another party the right to utilize a certain piece of property (Kunduz,2019:39).

The latter type is the funding Ijarah contract, also known as Ijarah Muntahiya Bittamlik (ending in ownership) formula. the two entities agree that, upon request from the other party, the first will supply an asset for leasing. In exchange for employing the asset, the lessee must make periodic installments, with the total amount covering both the rent and the asset's cost. After all payments are paid, lessee becomes the owner of the leased asset. Typically, ownership transfer of leased assets occurs through various methods, including:

- As a gift, the lessor gives the lessee ownership of the item under lease.
- At the end of the Ijarah contract period, The lessor conveys ownership of the leased asset to the lessee via an independent sale agreement, either at a symbolic value or at the prevailing market rate .
- The lessee gains ownership of the leased asset through a sale before the conclusion of the Ijarah contract, with the price equivalent to the remaining Ijarah installments.

It could be asserted that an Ijarah ending ownership contract blends two agreements: the initial Ijarah contract and either a gift or a selling agreement. Indeed, Ijarah Muntahiya Bittamlik holds significant importance in the realm of leasing and is extensively employed by Islamic banks. (Alani,2014:33-34).

The waqf fund can adopt and implement this funding model in both its ordinary Lease form and Lease ending with ownership form to offer funding to small-scale enterprises. In an ordinary Lease arrangement, the waqf fund extends financial support to such projects via a standard Ijarah contract. Here, the fund acts as the lessor, leasing out machinery or equipment—either endowed by donors or acquired by the fund itself—to project owners for a predetermined duration at an agreed-upon rental fee. In an Ijarah

Muntahiya Bittamlik contract, a small business owner requests the waqf fund to procure a needed basic supply (machinery, equipment, tools, etc.). After offering all pertinent details to the fund regarding the asset's specifications, cost, and supplier, the fund acquires the asset and leases it to the business owner for an agreed-upon period (typically the asset's useful life or tax life). This transaction is executed solely through a lease agreement and there is no any mention of the sale of the leased asset at the end of the lease. Throughout the lease term, the fund retains legal ownership of the leased asset. After all lease payments are made, the person who leases the asset and the fund enter into a new contract that allows the lessee to acquire asset ownership in accordance with the previously outlined methods.

4.5 Risks in the Waqf Fund Financing of Small Enterprises and Measures to mitigate them

disposal of the endowment property must achieve two basic things: first, preserving the origin of the endowment property, protecting it from destruction, and perpetuating its continuity; and second, obtaining the largest return. Although the financing of the Waqf for small enterprises has had good effects and many advantages for the Waqf that led to its development and sustainability, it also involves risks that must be hedged, such as shortages of cash, defaults, and inflation.

There is a set of suggestions and methods that have been introduced by fiqh scholars by which the monetary assets of the Waqf Fund can be preserved from loss or devaluation, and among these methods are the following:

4.5.1 Making Allowances to face a Change in the Value of Cash or a Loss in a Monetary Asset

Allowances are the amounts that the institution, company, or bank creates to meet certain obligations whose position has not yet been determined, such as an allowance for doubtful debts, an allowance to meet the decline in nominal prices of the securities that make up the institution's investment portfolio, an allowance for leave salaries and end-of-service benefits, and an allowance for foreign exchange spreads. These allowances are made regardless of the profit and loss of the institution (Alani,2019:118). In order to follow in the footsteps of these institutions and to ensure the continuity of the work of the waqf fund, it is appropriate for the waqf fund to establish allowances

that are estimated in a well-considered manner based on various specialized technical studies to confront the problem of the change in the value of the cash endowment.

In terms of the legitimacy of establishing allowances by waqf fund to counter the phenomenon of inflation (which leads to a decrease in endowed cash asset value), it can be inferred from the words of the jurists that these allocations are permissible, where they said that preservation, maintenance, and development of the endowment are obligatory in order to achieve the continuity of the endowment and the purpose for which it was established. In fact, most of the jurists stipulated saving some of the endowment's yield for its building and maintenance (Nasr,2019). where Al-Tarabulsi pointed out in his book, "The first thing that the trustee must do is use the waqf's yield for its construction". In other words, because the preservation of the waqf is so important, Al-Tarabulsi prioritizes the construction and maintenance of the endowment over the rights of the beneficiaries (Nasr,2019:109-110). In addition to what was stated in the Shari'a standard on the waqf issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), the cash waqf clause "It is necessary to hedge with Shariah formulas to protect the capital of the cash endowment and to hedge against the risks of currency exchange rates and changes in their value, according to what was stated in the Sharia Standard No. 45 Concerning the Protection of Capital and Investments"(AAOIFI,2017:835).

4.5.2 Supporting the Financial Resources of the Waqf Fund to face a Shortage of Cash Liquidity

The Waqf fund may face this problem just like all Islamic and traditional banks, and like all financing, the endowment fund might lose the financing provided for any reason, such as insolvency, procrastination, or betrayal of the recipient of the financing. In order to compensate the endowment fund for what is lost, Al-Zarqa suggests that there should be guarantors of damage who are committed to donating a certain amount to the fund if all or part of the funding amount perishes, and he believes that it is not necessary for most cases of damage to be due to treason, as they may be due to circumstances beyond the ability of the user of finance. In this case, the user of the financing who is unable to repay the amount of financing is classified as being in debt, which is one of the categories specified in the Holy Qur'an as being eligible for Zakat spending. Therefore, damage guarantors may calculate the money they pay to the waqf fund as a part of their

Zakat. As Al-Zarqa also suggests, the manager of the fund (trustee) can resort to people (donors) who can provide donations to the waqf fund for a certain period, where these donors make their donations either in the form of cash such as good loans (qard al Hasan) for a certain period (for example, one year) or sometimes in the form of demand deposits that they can withdraw and redeem whenever they want (Al-Zarqa,2006:8).

In addition to the foregoing, the jurists have introduced some other means that can significantly reduce the exposure of the endowed capital to loss and potential risks, and among these means, for example, is the requirement to guarantee the infringement, where the Maliki school permitted one of the parties (the finance provider) in the partnership contracts to require the other party to provide a mortgage, or a guarantor, to guarantee the infringement, default, or violation of the conditions of the contract (Nasr,2019:113-114). Furthermore, according to the majority of Hanafi, Maliki, and Hanbali jurists, it is permissible for a third party (an institution, individual, or state) to volunteer with a guarantee to the financing user. In other words, a third-party guarantee is a person who becomes obliged to fulfill the responsibility of someone else (Abdeen,2003:320).

In addition to what the jurists suggested, it is possible to benefit from the experiences of others who have succeeded in the field of microfinance, such as the experience of Grameen Bank, where they found solutions for guarantees other than the guarantees recognized in banks, where the provision of financing to the poor was based on guarantees of another kind represented in the network of social relations such as the neighborhood, friendship, kinship, trust, and the spirit of solidarity that exists within this network, which has come to be called social capital recently(Saied,2007:117).

In fact, there is no harm in taking advantage of this method in proportion to the environment in which it is to be applied, as the study considers that this method (a group solidarity system) has its origins in Islamic law, where Islam urges cooperation and collaboration between members of society. This method can be applied in the Libyan environment, as Libyan society is of a tribal nature, and the method of social collaterals is considered one of the most common and recognized methods in Libyan society and therefore, the waqf fund can stipulate that the finance seeker must use one of his family members, his kinship members, or his tribe members as his guarantor.

4.6 Practices and Experiences of Cash Waqf for Financing Small Enterprises

In this section, some samples and experiences on the use of monetary waqf as a tool of funding for small ventures will be presented.

The history of cash investment waqf goes back to as early as the beginning of the first century of Hijrah. According to Bukhari's narration about an incident of cash waqf where a tradesman received a monetary waqf to be utilized in trade and then used its proceeds for charity, as Imam Malik bin Anas also referred to cash waqf (Ahmed, 2004:33). The cash waqf gained widespread use throughout the history of the Ottoman Empire, where it was utilized by people for almost 500 years (from the first quarter of the 15th century to the first quarter of the 20th century), with certain parts remaining in use today. Cizakca (2004:5) showed in his study the role that cash waqf had in microfinance throughout the Ottoman era. Where some generous wealthy, and affluent people created charitable cash endowments (waqf), which were loaned to different borrowers but not more than 20. Borrowers who obtained funds from Waqf transferred the ownership of their houses to Waqf as collateral. Borrowers would continue to live in their homes, and in return, they would continue to pay rent on those homes. The ownership of those houses reverted to the borrower upon repayment of the total capital. The profit from this agreement was distributed in three parts. The first part was utilized to pay for administrative expenses. The second part was used for the charitable purposes for which the waqf was created, and the last part was added to the origin of the waqf in order to safeguard its real value from inflation.

Bulut and Cem (2018:13) also mentioned some samples of cash waqf that were used to finance production and trade, one of which, for example, is the Sinan Bey waqf, which was established in 1582. This waqf provided loans to funding seekers with the condition that those finance seekers must be local, experienced, and skillful tradesmen and artisans. In contrast, the waqf stipulated that people who get a fixed income (salary), such as government employees, the military, governors, and government officials, are ineligible for these loans. In addition, the waqf administration, to ensure and protect their endowed assets, stipulated that financing applicants must provide a strong guarantor and a valuable mortgage.

DDR, also known as Dompot Dhuafa Republika, stands out as one of Indonesia's renowned non-governmental organizations. DDR operates as a charitable, independent,

not-for-profit entity that relies on contributions from various community members to provide assistance to those in need, operating with transparency and dedication. It reallocates finances obtained to assist and promote a wide range of socio-community activities such as poverty alleviation, research, education, and health. Dhuafa Republika created Tabung Wakaf Indonesia (TWI) to assume the responsibilities of the waqf trustee, who is in charge of receiving, organizing, and disbursing the benefits of waqf assets. TWI strives to invest donated Waqf assets in a variety of fruitful investments in accordance with the objectives, roles, and regulations of Islamic law.

TWI works to make cash-waqf assets as a means for developing and growing the SMEs. In general, TWI invests in SMEs are typically made using either Mudarabah or Musharakah funding. In Mudarabah contract, TWI acts as the investor (sahib al-mal), whereas it takes on the role of a business partner in Musharakah financing. Some of the SMEs funded by TWI include the following:

a) Investment in Kampung Tahu (Tofu Village): Kampung Tahu serves as the industrial hub for the residents of Kampung Iwul Desa Bojong Sempu Parung, Bogor, with over a hundred owners operating home-based tofu businesses in the area. TWI provided capital to tofu producers in the Desa Bojong Sempu Parung in Bogor to increase their ability to develop and improve their businesses. Additionally, TWI works in conjunction with the Independent Community Group (Masyarakat Mandiri, or MM), which is a division of DDR, to support the development of the entrepreneurs in this village. Initially, 22 individuals in the tofu industry in Iwul obtained financing from TWI, and they were split up into four categories, with the initial two groups receiving funding between Rp400 to 500,000, and the subsequent two groups obtaining capital of approximately Rp350 to 500,000. Presently, the count of enterprisers has steadily risen to 63. As can be observed, investing cash waqf in this industry had a big impact on the continuity and growth of the local tofu production in Iwul; moreover, this investment enabled these small industry participants to rival with foreign goods supported by sizable funds.

b) Investment in Cattle Village (Kampung Ternak): Kampung Ternak encompasses various organized livestock-raising initiatives. The prime strategy of operations in this small town is to develop and improve the managerial mindset of livestock breeders, enhance domestic grain stock, create a Network of ranchers within the community

and develop a marketing channel. As a result of working together the Cattle Village organization and TWI, seven livestock breeders in 16 areas of Indonesia have received funds from TWI. Because of this financing, those breeders became able to not only concentrate on raising stock cattle but also look into techniques to hasten the growth of the cattle in order to increase revenue. In other words, this financing has helped livestock breeders improve and develop their abilities and administration skills to the extent that they can enhance and ameliorate their business. In fact, the investment of TWI in the cattle village contributed to efforts to maintain the sustainability of this village and support the rancher development program (Candra and Ab Rahman,2010:18-19).

Another example from Indonesia is Pondok Modern Gontor Darusaalam (PMGD), which has been one of the top waqf institutions in the investment of waqf funds in commercial activities. where this institution operates a number of businesses, a large number of which are small and medium ventures. These businesses include a restaurant, a pharmacy, a stationery store, a plant that manufactures minerals, and so on. In 2012, the number of these businesses reached 31 SMEs, which demonstrates the growth of the PMGD business. These businesses mostly use Mudharabah contracts. Where the PMGD divides the profit that it obtains from these business activities into two parts, the first part will be used to finance its educational purposes, such as providing facilities and supporting its educational operation, and the second part of the earnings will be utilized to develop and improve the business activity itself (Fakhrunnas el at.,2017:124).

Kiva is an international non-profit organization founded in 2005 by spouses Matt and Jessica Flannery and headquartered in San Francisco, California, USA. It aims to encourage the cooperation of individuals among themselves by lending to alleviate poverty and support those in need of financing, as the amount of the loan to be provided through the organization starts at \$25, and the organization does not take any fees from loan donors. These loans are provided to individuals without interest and are refunded during a certain period of time determined by the nature of the project to be financed; the organization does not guarantee the recovery of the loan to its owner. Kiva covers its costs through voluntary donations and grants from supporting bodies, while the donated loan goes 100% to the poor. Kiva provides loans to the needy in more than 80 countries on five continents. It has offices in Nairobi, and its staff is spread all over the world. In addition to volunteers, Kiva also works to create partnerships with

microfinance institutions in all countries of the world and calls them Field Partners in order to fulfill the purpose of improving the lives of individuals.

The lending process is carried out through the organization's website, where those who wish to provide a loan can enter Kiva's website, choose the family or person in need of financing, and donate an amount according to the donor's ability. Kiva puts the individuals in need of funding on its site after ascertaining the reality of the need and the amount of funding through the field partners in each country, so that any person anywhere in the world can donate the amount he wants to the person he chooses from the list of individuals in need of financing while setting the interest-free loan recovery period. These loans provided through Kiva's website are managed by the field partners with whom the organization concludes partnership agreements, where they supervise the client, follow up on loan disbursement procedures, follow up on the project to be financed, and perform other procedures required by the financing process. In fact, Kiva has achieved great success since its establishment until February 2017, with the total loans granted reaching 941.3 million dollars and the number of lenders reaching 1.6 million. The number of borrowers reached 2.2 million, of whom 83 percent were women and 17 percent were men. The number of farmers benefiting from Kiva loans reached 54,051, and the loan repayment rate was 97.1% (Bakhdar,2017:182-183).

In Malaysia, Waqaf An-Nur was founded by Johor Corporation to run the assets and shares that Johor Corporation (JCorp) had endowed via waqf. This Waqaf implemented several corporate responsibility initiatives on behalf of JCorp, one of which was Waqaf Dana Niaga. This Waqaf is a dedicated investment endowment fund, and it is an initiative to provide zero-interest loans, or the so-called Qard Hassan, to owners of small projects who wish to start new investment projects or expand their existing projects. Among the most important types of projects financed through this fund are the following: Sale of materials Food and beverages, sewing and clothing stores, beauty products, and auto repair shops This program started in 2007, with a total of 312 participants receiving loans of RM592,800. In 2009, about 123 people benefited from good loans amounting to RM247750. In 2012, the number of beneficiaries of Qard Hassan reached 256, and the value of the loans provided amounted to RM 402,200. In 2013, the number of beneficiaries of good loans reached 279, with a value of RM 489,800. In 2014, a total of 292 participants received goodwill loans worth RM526,800. In 2015, the total number of loans amounted to RM615,800, and the number of

beneficiaries was 319. In 2016, an amount of RM709,300 was distributed as loans to 344 beneficiaries and the repayment rate for these loans is 85% (Arqoub,2018:241-242). It can be noted from the previous statistics that the value of good loans provided by the Dana Niaga Endowment has witnessed an increase since the launch of this program, and this increase has also been accompanied by an increase in the number of beneficiaries of these loans, which indicates the success of the waqf as an Islamic financial tool in supporting economic development in Malaysia by financing development projects.

In the state of Blida in Algeria, the Charity Association Kafel Al-yatim (sponsoring an orphan) established a waqf fund in the name of the "Bab Rizk" project in November 2016. The mission of this fund is the economic empowerment of orphaned families sponsored by the association by financing their small projects of a craft nature, and this fund has two sources of financing, each of which is a permanent cash endowment to finance these small projects. The first source is all funds donated by businessmen and the well-off to the association in order to finance Bab Rizq Fund projects. The second source is a partnership agreement with Al Salam Islamic Bank (Algiers Agency) in early 2018, which provides for the financing of projects that have been approved by the Bab Rizq Fund with Qard Hassan. The Bab Rizq Project Fund provides financing for accepted projects in the form of Qard Hassan, where the value of the loan for one project does not exceed 30,000 DZD. Two orphan families can also be partnered in one project and benefit from the financing of their project with a good loan not exceeding 600,000 DZD, provided they are located in the same residential neighborhood and the owner of the project repays the Qard Hassan to a fund through fixed installments divided into 36 months, whereby the payment of the first installment is 6 months after the start of the project. In addition, the project owner can also pay the remaining installments prior to the date of payment set by the Fund Committee, and in the event of full payment of the amount by the project owner, he or she will benefit from another financing estimated at 700,000 DZD in order to expand the activity. In fact, this fund was able to provide finance for a significant number of projects; for example, the number of projects funded by the fund at the end of the first half of the year 2018 was about 70 projects, and the reports of this fund also indicated that 90% of the total value of the loans granted by the fund had been paid (Benin el at.,2022:35-38).

This sample of experiments has shown that the endowment can be used in various fields and adapted according to the needs of the members of society. In other words, the waqf is no longer confined only to the endowment of a residential house, a mosque, or a Qur'anic school, that is, to religious aspects only, but rather, it is broader and more comprehensive than that and goes beyond other aspects such as the health, educational, and economic aspects. In addition, these experiments have demonstrated that the cash endowment is one of the most appropriate forms of endowment that keep pace with contemporary developments because of its characteristics, including that it is available to most people, as well as the diversity of its investment and exploitation methods qualify it to take a significant position in realizing the charitable message of an endowment. Moreover, numerous lessons can be taken away from these experiences and used as suggestions that may benefit and help in developing awqaf in Libya in a way that makes it get out of the circle of traditional endowment investments and keep abreast of endowment developments.

CHAPTER V

A MODEL PROPOSAL FOR DEVELOPING A WAQF FUND IN LIBYA TO FINANCE SMALL ENTERPRISES

Despite the importance of small-scale ventures in redeveloping and strengthening the Libyan economy, where they can provide great job opportunities for recent graduates, craftsmen, and former public employees (combating unemployment) as well as respond quickly to political and economic changes and speed up the flow of knowledge (developing the economy). Additionally, they promote a culture of competitiveness and make a significant contribution to the increase in country income (diversification of income sources). These enterprises, which represent more than 85% of the private sector, still make a limited contribution to the official economic life in Libya, as they did even before 2011. In fact, according to an OECD 2016 report, access to funding was identified as one of the biggest challenges that have played a major role in limiting the growth and development of small Libyan enterprises. Therefore, the researcher seeks, through this research, to present a proposal to establish a waqf fund in Libya to provide financing for small ventures as an attempt to address this challenge. Where it is expected that the establishment of this fund will achieve positive results on two levels, the first at the level of waqf itself, as the researcher believes that by implementing the idea of waqf funds, which is considered one of the most popular types of waqf spreading today, there is a possibility of reviving the developmental role of the waqf and increasing the effectiveness of its contribution to the development of society in Libya. the second level lies in creating and adding a new source of financing that is compatible with the provisions of Islamic law to the financing system in the Libyan market to contribute to solving the financing dilemma facing these projects.

5.1 Legal and Shariah Framework

5.1.1 Shariah Aspect

The legitimacy of the waqf fund is established based on the consensus among Maliki, Hanafi, and Hanbali jurists, who deemed it permissible to endow cash, provided that it does not result in the depletion of its value. This stance was further affirmed by a fatwa issued by the Fiqh Academy, which confirmed the legitimacy of Cash-Waqf, as stated follows: In light of Islamic principles, monetary waqf is permitted and proper. This is

due to the fact that Shariah's main objective in instituting waqf is to preserve the origin of endowed asset while distributing the underlying benefits. Taking into consideration that cash has no explicitly natural corpus as any offer of equivalent worth can supplant the same corpus, cash Waqf also upholds the fundamental goal of Waqf (Nadwi, M.A. and Kroessin, M. 2013).

These perspectives are additionally endorsed by Sheikh Sadiq al-Ghariani, the Libya's Mufti, who contends that monetary waqf holds greater advantages in the contemporary era compared to endowing fixed assets. In accordance with to his perspective, waqf in cash can be utilized to fund various endeavors such as agricultural cultivation, Quranic school construction, hospital and research facility establishment, rehabilitation of dilapidated waqf properties (including buildings and land), support for marketing centers and financial firms, as well as investment in shares of commercial enterprises and institutions.

5.1.2 Legal Aspect

Law No. 124 of 1972 stands as the sole legislation governing waqf regulations in Libya. Article 7 of this law explicitly permits the endowment of both real estate and movable property, even if they are shared or indivisible. Moreover, it allows for the endowment of shares and stocks in companies engaged in lawful activities. This provision explicitly includes the endowment of money, as well as shares and stocks in firms which essentially represent monetary assets within those companies, along with the returns generated from them. Additionally, in the same legislation, article 47 states that in cases where specific regulations are lacking, customary practices should be adhered to, especially in line with the teachings of the Maliki school of thought. Furthermore, Article 15 of the mentioned legislation, coupled with Decision No. 84 of 1996, , grants the authority to invest endowment funds in lawful ventures when no suitable alternative to the sold endowment is available. Consequently, these fatwas, legal opinions, articles, and rulings collectively serve as a foundation supporting the feasibility of implementing the idea of establishing an endowment fund in Libya.

5.2 The Objectives of Establishing a Waqf Fund in Libya

The waqf fund that is proposed to be established is like any other institution in that it has its own economic and social objectives, but it must be taken into account that this fund is an integral part of the waqf institution, which is a non-profit charitable institution, and therefore the fund's objectives are mainly social goals, and therefore they fall under the framework of social and cultural development. whereas the fund's economic goals are actually intermediary goals. In fact, in the case of the waqf fund, the economic goal is considered the main supporter of the social goal, as maximizing the return on endowment investment ultimately maximizes the fund's ability to perform its social role and the expansion of its scope. However, fund management must strive to strike a balance between these two objectives (maximizing the social benefit and maximizing the economic benefit) so that one does not obliterate the other. This is because focusing on the first objective and ignoring the second objective may prejudice the protection of endowments and hinder the development of endowment funds. Among the objectives that the fund seeks to achieve are the following:

- a-** Restore the developmental role of waqf to take advantage of it in our current reality for the benefit of the members of society.
- b-** reviving the waqf system in Libya by recovering the tendency to endowment in society in general and for individuals in particular by providing the opportunity for people with low incomes to participate in the endowment system, which leads to an expansion of the scope of charitable and symbiotic acts in society.
- c-** Establishing a waqf institution specialized in the field of financing, concerned with financing economically active individuals who are less fortunate in obtaining funds from existing financial institutions, and hence working to provide promising opportunities for young people wishing to establish distinct and unique productive projects in production, professions, services, and maintenance, etc. thus contributing to providing practical solutions for developing human resources and reducing unemployment and poverty in Libyan society.
- d-** Adding a new financing strategy subject to the provisions of Islamic Sharia to the financing system in Libya that works to support and create new small

projects and expand and diversify the activities of existing projects, which contributes to stimulating economic and social development in Libya.

5.3 Fundamentals and Principles of the Proposed Waqf Fund's Work

The following characteristics define the fundamentals and principles of the proposed waqf fund's work:

- a-** This fund does not function solely as a financial institution; its scope extends beyond providing funding exclusively to small and micro-project owners. Prior to the financing process, the fund conducts training and qualification programs for both current beneficiaries of the financing and potential future recipients. This preparation equips them with the necessary skills to effectively manage their projects. Essentially, the proposed fund aims to deliver financial services and permanent access to fund for small projects, while also offering non-financial assistance to enhance human capital development. This includes intensive training, skill enhancement, counseling, and educational support for entrepreneurs, with the objective of bolstering their human capital capacity and fostering overall growth and advancement.
- b-** The envisioned waqf fund functions as a non-profit entity, where any profits generated through Islamic investment methods serve solely to safeguard and enhance the fund's assets, thereby ensuring its long-term sustainability.
- c-** The Fund provides cash for these initiatives, but it does so in a way that upholds Islamic values of solidarity and collaboration rather than purely on the basis of business terms. Essentially, the fund acts as a social partner before it assumes the role of a financial partner.
- d-** The Fund is directed towards aiding people who are impoverished and marginalized, as they are overlooked by conventional financing organizations for the causes mentioned earlier¹.

¹The following study was produced from this thesis; Bader, M. (2024). Cash Waqf as a Source of Financing for Small Enterprises in Libya (Waqf Microfinance Fund), *International Journal of Scientific Research and Engineering Development*, 7(1), 707–720.

5.4 The Risk Management Strategy in the Proposed Waqf Fund

There are many and varied risks surrounding the work of the proposed endowment fund, some of which are associated with Projects and their owners, some of which are related to the fund itself in terms of setting goals and following up on them, in addition to the risks of economic conditions and Sharia, legal, and environmental risks. Therefore, Effective risk management is necessary to protect the waqf fund from loss of the principal of cash waqf, avoid faltering investments, and achieve the effectiveness and efficiency of the fund. The following is a set of prudential measures that the management of the proposed endowment fund will follow to mitigate these risks:

- **Diversification:** The diversification strategy of investments in different avenues, thereby distributing risks to multiple investment areas
- **Feasibility Study:** conducting a feasibility study before any cash waqf investment decision is made.
- **Dual Guarantees Policy:** The suggested waqf fund implements a "dual guarantees" strategy. This entails initially pursuing financial collaterals from applicants, but if those are unavailable, it substitutes them with social and family guarantees (Third Party Guarantee).
- **Documenting Contracts:** Ensuring that the contracts are concluded in a manner that clearly defines the terms and conditions, rights, and obligations of both parties as well as provides legal protection for the Waqf fund
- **Establishing Reserves:** investing 65% of the principal cash waqf and retaining the other portion and 20% of the profit obtained from an invested portion of cash waqf as a buffer in case of loss by adding it to the original capital.
- **Transparency and Reporting:** the management of the Waqf fund regularly produces and publishes reports that are easily accessible and fairly reflect the financial condition of the Waqf fund, investment policy, risk management strategies, disbursement programs, and Sharia compliance.

5.5 Regulatory Framework of Proposed Cash Waqf Fund

Establishing a Cash Waqf Regulatory Committee (CWRC) by a decision of the cabinet of ministries, this committee is an independent body with a legal personality. The membership of CWRC can be formed as follows:

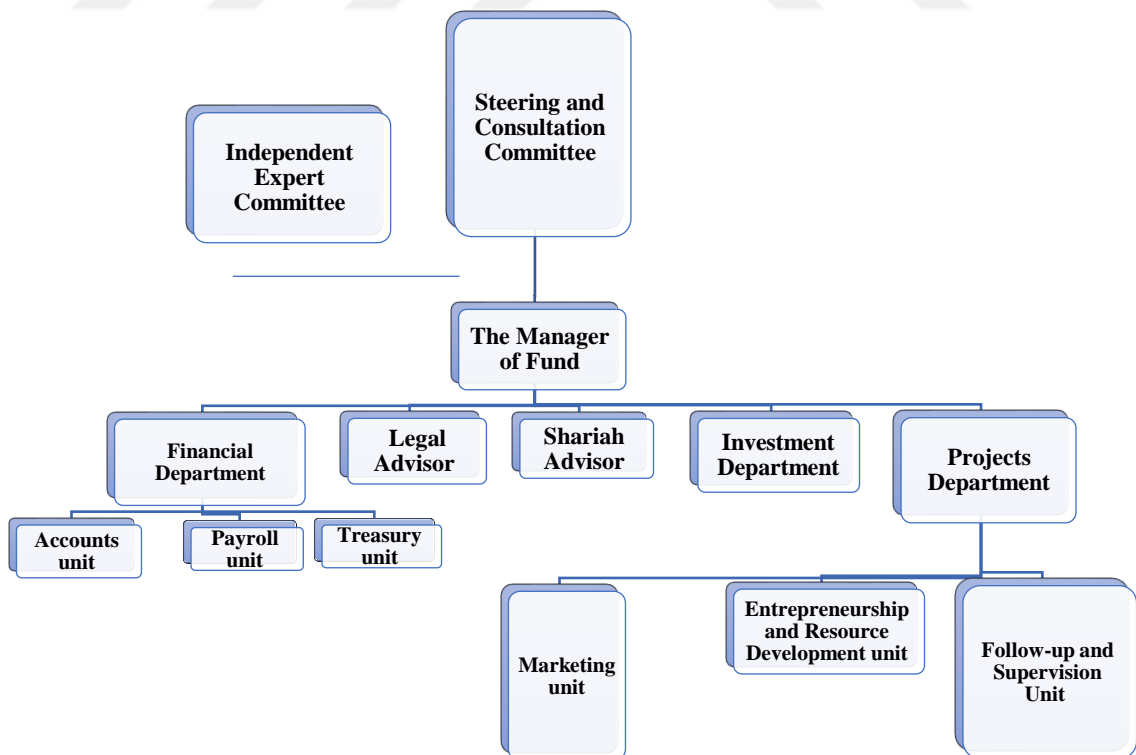
- Representative of the General Authority of Awqaf and Islamic Affairs
- the CBL Representatives
- Representative of Central Shari'a Supervisory Authority of the CBL
- Representative of the Economy Ministry
- Representative of the National Economic and Social Development Board
- Representative of the Dar-Alefta,
- External specialists in Islamic finance and waqf

This body is responsible for drawing up rules, guidelines, and policies that define the scope in which cash waqf is organized, implemented, and supervised. The CWRC outlines the procedures and regulations that govern the action taken by the steering and consultative committee and waqf fund manager.

5.6 The Organizational and Functional Structure of the Proposed Waqf Fund

The organizational structure of the suggested waqf fund will be as follows (see figure 5.1):

Figure 5.1: The Organizational and Functional Structure of the Waqf Fund



Source: Author's own

5.6.1 Steering and Consultation Committee

The fund's administration will be overseen by a steering and consultation committee comprising approximately eight to ten members. This committee includes a representative from the institution of Awqaf and Islamic Affairs, along with representatives from pertinent governmental entities like the National Program Organization for Small and Medium Enterprises and the banking sector. The remaining members consist of reputable civil community associations and people recognized for their honesty, esteemed standing, and expertise in charitable activities. Within this group, a chairman and vice chairman will be appointed by the committee. This approach aims to mitigate government influence over the fund's management and prevent potential administrative drawbacks, ensuring that governmental bodies have only a supervisory role.

The steering and consultation committee's term of management is set at two years, with the possibility of renewal. They will convene regularly throughout the year, holding at least four meetings annually, to assess the performance of fund and ensure compliance with relevant laws and controls by the fund head. This committee, and consequently the fund itself, possesses an independent legal identity. As the highest authority overseeing all fund activities, the steering and consultation committee is responsible for approving programs and operational plans proposed by the Fund's Executive Director, following evaluation by an independent expert committee. It is the duty of this committee to safeguard the assets of the fund and make decisions aimed at augmenting these assets and revenues. Therefore, it must steer clear of corruption, nepotism, and any misuse of the funds allocated for asset purposes. For improving the cash waqf fund mechanism and enhancing transparency, the Steering and Consultative Committee (by following up and observing the mechanism of the waqf fund) provides recommendations to the CWRC that aim to promote and develop the policy and regulatory framework.

5.6.1.1 Independent Expert Committee

The steering and consultation committee appoints an independent expert committee (experts in Islamic finance, Shariah, accounting, and investment) that would be responsible for reviewing the initiatives from economical, social, financial, technical,

and Shariah perspectives. The committee then reports its recommendation on these initiatives (whether approved or rejected) to the steering committee².

5.6.2 Executive Management

The steering and consultation committee selects a fund manager, who may be accompanied by one or more assistants as necessary. The fund manager bears the primary responsibility for overseeing, safeguarding, and enhancing the assets of fund. Consequently, the administrator is tasked with identifying and designating a skilled managerial team to support the effective execution of the fund's administrative and investment activities, thus advancing the fund's goals. The executive management oversees the following departments:

5.6.2.1 Shariah Advisor

The Sharia Advisor oversees and ensures adherence to Islamic law regulations for all financial and investment dealings within the fund, with opinions made by the Sharia Advisor being legally obligatory. The responsibilities of the Sharia Board include:

1. Examining and revising the investment policies of the fund to ensure compliance with Islamic law provisions.
2. Monitoring investments according to established current Sharia regulations.
3. Establishing suitable standards for selecting Sharia-compliant ventures eligible for investment by the fund manager.
4. Providing a Sharia view regarding the adherence of fund to Islamic regulations, which is to be documented in the annual report of the fund.

5.6.2.2 Legal Advisor

The Legal Advisor is responsible for examining contracts signed by the Fund with funding applicants from a legal perspective, offering precise legal counsel to the Fund's management, representing the Fund in legal and judicial matters, and handling other legal duties as required.

² Ibid., 714.

5.6.2.3 Financial Department

This department is in charge of all fund-related financial operations. Together with compiling a variety of financial reports, such as, income statement, , financial position statement, and revenue and expense statement, etc. It also gathers and note down financial information in the accounting records Additionally, it collaborates with the fund manager to establish a system to hand out the profits of the fund and accurately document their allocation to specified recipients, ensuring transparency and preventing fraud or misconduct. The department comprises three administrative divisions: the accounts unit, the payroll unit, and the treasury unit.

5.6.2.4 Investment Department

The investment process stands as the cornerstone of the suggested waqf fund, playing a pivotal role in ensuring its longevity and asset growth. Consequently, the primary goal of this department within the fund is to safeguard and enhance its assets, thereby augmenting its revenues. This department is tasked with formulating suitable investment strategies tailored to the fund's capacities, identifying optimal investment approaches, and evaluating the economic viability of proposed projects—both those intended for establishment by the fund and those requiring financing. Additionally, this department may collaborate with local or regional investment institutions to fulfill its responsibilities effectively.

5.6.2.5 Projects Department

There are three units in this department. The marketing division is the first unit, which, in essence, undertakes two responsibilities. Firstly, it designs a marketing strategy to promote the concept of the waqf fund among individuals, governmental, and non-governmental organizations capable of offering financial or in-kind contributions to the fund or extending various forms of support. Secondly, it promotes and advertises the ventures' output (whether those established by the fund or those receiving financing) should the originators of these ventures seek assistance with marketing their output. The second unit is the Entrepreneurship and resource development unit, which focuses on training, preparing and qualifying individuals within the community identified and prioritized by the financing policy of fund. The third unit is the Follow-up and Supervision unit. This unit oversees the execution of funding programs offered by the

fund for various projects and ensures that project owners stick to the financing terms. Additionally, it evaluates project performance, compiles performance reports, and presents them to the fund manager³.

5.7 Methods of Collecting Cash Assets for the Proposed Waqf Fund Model

The suggested waqf fund is an open-ended public waqf investment fund, welcoming contributions from all sectors of community. This inclusivity allows individuals, institutions, governmental or private entities, and companies to donate to the fund, either in cash or in-kind. In-kind donation may encompass a wide range of assets usable in manufacturing, artisanal, or service sectors, whether novel or utilized, to support the initiation, establishment, or enhancement of small-scale businesses. Such assets include machines for sewing, needlework equipment, agricultural machinery, carpentry tools, traditional crafts, specialized technical apparatus for various industries like electronics, automotive services equipment, and retail infrastructure such as refrigeration units, display shelves, and computers. While in-kind donations can bolster the resources and operations of the waqf fund, cash donations serve as its cornerstone, affording the fund greater autonomy in formulating its investment strategy. The fund solicits monetary donations through the following suggested avenues:

5.7.1 Monthly Voluntary Deduction from Salary

This initiative targets government employees to encourage their engagement in the waqf sector. Under this program, government workers opt to allocate a portion of their salary as a voluntary donation to the suggested fund. To execute this, the employee may either visit their bank and authorize the deduction and transfer of the specified amount to the waqf fund account, subsequently receiving a copy of the transaction notice from the bank to submit to fund management or utilize the bank's mobile application for this purpose.

³ Ibid., 715.

5.7.2 Direct Cash Waqf Deposit

This approach represents an additional form of popular waqf, adopted across several nations like Malaysia, Singapore, Bahrain, the United Arab Emirates, India, South Africa, the Islamic Development Bank, and the Organization of the Petroleum Exporting Countries (OPEC). Under this method, contributors—people, businesses, or organizations—make donations of any size by putting money into the waqf fund's treasury, sending a check made payable to the waqf fund and handing it over to its representative, or instantly depositing money into the fund's account at a bank. If the donation giver wants to make a direct payment into the bank account of waqf fund, the bank will furnish the donator with a deposit receipt, which they will then forward to the fund's administration. The administration of the fund in exchange, provides the donator with a cash waqf certificate, which includes their details and the amount of the donation. This process is replicated in similar situations as well.

5.7.3 Cash Waqf Vouchers

This model is aimed at individuals without a consistent monthly income. The fund distributes cash waqf vouchers of various denominations, ranging from five dinars to 100 dinars, to cater to different financial capacities. To reach out to this demographic, the fund strategically places collection boxes at various locations like mosques, institutions, petrol stations, and rest areas along roadsides. This enables individuals to contribute directly to the fund or its representatives stationed at these locations, who oversee the collection boxes and facilitate the purchase of vouchers based on individuals' financial means.

5.7.4 Electronic Cash Waqf Donation

The use of electronic donation has become one of the main means of cash waqf donation due to the widespread dissemination of communication means and technologies and their ability to communicate with millions of people in one session. The proposed waqf fund can take advantage of these means as a tool for collecting cash donations. Among these methods that can be adopted are the following:

5.7.4.1 Mobile Banking Applications: where a donor (Waqif) transfers the value of the donated amount from his account to the Waqf Fund account through his bank application.

5.7.4.2 Automatic Teller Machine (ATM): Where the donor deposits a donation to the fund's account number (IBAN).

5.7.4.3 Short Message Service (SMS)

This model is practiced in Malaysia and Kuwait, where donations are collected by sending an SMS text message to a specific server number provided by the telecommunications company, through which a specified amount is deducted from the subscriber's balance for the benefit of a religious body or non-profit organization. In fact, it is possible to adopt the same method used by the Kuwaiti Endowment Authority, where the donor sends a text message containing the letter W, followed by a space, and then the value of the donation that is allocated for the Waqf fund (Bader, 2024:715).

5.8 Methods of Investing Assets

In this section, we aim to outline some investment approaches that the proposed waqf fund intends to incorporate into its investment strategy, with the goal of enhancing its assets and ensuring long-term sustainability.

5.8.1 Self-Investment

The suggested waqf fund can utilize this strategy by leveraging its assets, both in-kind and financially, to initiate its own ventures across diverse sectors, albeit on a smaller scale. Examples include setting up an auto repair shop, a woodwork workshop, a smithy workshop, a tailoring center, a dining establishment, a café, a school transportation service, and other ventures tailored to community needs. Through these initiatives, the fund fulfills a dual goal: safeguarding and enhancing its assets while also addressing local unemployment. Furthermore, these enterprises will serve as training hubs to equip individuals targeted by the fund's funding policy with necessary skills and qualifications.

5.8.2 Cash Waqf Investment by Islamic Forms for Funding Small Entrepreneurs

As commonly understood, the primary responsibility of the fund administration is to safeguard and enhance the assets of the Waqf fund. In order to fulfill this objective, the

fund head and their staff must employ these assets prudently and with meticulous care. It is imperative for the management to prioritize investment in a variety of income-generating assets to ensure a steady stream of income for the fund over the medium to long term, in addition to supporting the fund to meet its obligations to distribute regular returns to beneficiaries. Given that the suggested fund is in its preliminary phase, the fund chief must exercise caution in formulating its investment strategy. Consequently, during the initial investment stage, the fund management will focus on investing the gathered funds from monetary waqf in low-risk investment instruments, which will be elaborated upon below.

5.8.2.1 Murabaha Contract

Murabaha is considered one of the most widely used forms of financing in the market by Islamic banks, and therefore this formula could be used by the proposed waqf fund as a means of operating its funds in a legitimate manner that achieves a profit for it, which works to develop its cash assets on the one hand and provides a financing source that makes small entrepreneurs avoid falling into the interest trap on the other hand. In fact, the use of this formula gives the waqf fund the ability to meet and finance the various financing needs of these projects, whether it is capital financing or working capital financing. As this formula is also characterized by flexibility, and thus its use by the fund makes the fund able to meet the needs of various sectors, (the Crafts field, the Industrial field, the Agricultural field, the Commercial field, and the Construction field). The fund can follow the same steps and procedures used in Islamic banks to implement this formula, which includes the following:

- 1) Submitting a Purchase Request to the Fund: The owner of the enterprise submits a written or oral request to the fund asking him to purchase a specific commodity (manufactured goods, raw materials, machinery, equipment, supplies, necessary physical assets, and other requirements) specifying its specifications with complete accuracy, as well as determining its source, the timing required to obtain it, and the appropriate price to purchase it.
- 2) Studying the Request by the Fund: The fund management shall transfer this request to the concerned department (Investment Department) for study and approval of its suitability and the extent of the possibility of financing and purchasing the commodity. In the event that the fund approves the request and

decides to finance the owner of the project, an agreement (a promise to buy) is concluded between them to ensure the continuation of the process.

- 3) **Purchasing of the Goods subject of the Contract:** The fund buys the goods subject of the contract. When the fund obtains the goods, it determines their costs (the original price plus the costs of obtaining them).
- 4) **Conclusion of the Final Murabaha Contract:** After the fund owns the commodity, the financing applicant is requested to come and conclude the final sale contract. Where the cost of purchase of the commodity must be mentioned in the contract in detail (the purchase price, purchase costs such as the purchase commission, transportation expenses, and everything incurred to purchase the commodity until its arrival). In this contract, the agreed-upon sale price and the method of payment for the amount due must also be stated

5.8.2.2 Salam Contract

The Salam contract is a type of legally permissible sale, and it is the opposite of a deferred sale, whereby the price of a commodity is delivered upon contracting but the delivery of the sold item or commodity is deferred to a future date to be determined. The Salam contract is one of the most well-known contracts that is used in the agricultural field in particular, but as a result of its flexibility, the use of this contract has evolved to the point where it has been adopted by Islamic banks and used as a financing mean for several fields. In general, the Salam contract is suitable for financing various agricultural activities, animal husbandry projects, beekeeping projects, poultry husbandry projects.

So, the adoption and use of this formula by the proposed waqf fund can achieve advantages for it, whereby the fund can use it as a means to invest its cash assets and thus make profits (This financing method achieves a return to the fund through The variance between the buying and selling prices of the commodity delivered), which helps the fund maintain and develop its endowed cash assets. In addition, because of its flexibility and its ability to respond to different funding needs, the fund can use this contract as a short-term funding formula to provide an effective and important financing source for small projects that need working capital financing (operating cycle financing), and the financing process takes place either in cash, where the fund delivers a price of goods when contracting with the owner of the project in exchange for

purchasing its products or in kind by supplying the project with operating requirements in return for purchasing its products and re-marketing. It can also be used as a long-term financing formula to finance fixed assets. Thus, it serves as an alternative method for financial leasing, as the endowment fund either provides the fixed assets necessary for the establishment of the project or replaces them with the existing old assets, provided that these assets will be the capital of the Salam in exchange for obtaining a portion of the products of this project in batches within appropriate timing. The waqf fund can finance these small projects with a Salam contract through the following steps:

- The Fund purchases the production of these projects with the original Salam contract.
- In the event that these projects produce products that are used as components for the final product of Major factories and companies, the fund concludes agreements with these factories and companies to sell the products of these projects to them through a parallel Salam contract.
- In the event that these projects produce a final product, the fund makes an agreement with Merchants who deal in the sale and purchase of produced items or consumers to sell these products to them, either by parallel Salam or Murabaha.

The following are the most important basic steps that the endowment fund follows to finance microenterprises through the Salam formula:

The first step: the owner of the project submitted a request for financing through Salam to the Endowment Fund.

The second step: studying the request by the fund to ensure the following:

- The legality of the commodity subject of the contract.
- Identifying the market for a commodity, its prices, the possibility of remarketing and reselling it, and the expected profit from it.

The third step: After approving the financing request, the fund enters into a salam agreement, whereby the fund, as a financier (the buyer), provides finance (the price of the goods), whether in cash or in kind upon contracting. the fund has the right as a financier to request the necessary guarantees, such as material guarantees (if available with the owner of the project) or social guarantees, which ensure the fulfillment of his right.

The fourth step: The fund receives the commodity from the seller (entrepreneur) within the specified period, and the fund sells it through a deferred or current sale.

5.8.2.3 Istisna Contract

Istesna'a is the second type of sale in which the commodity is exchanged before it exists at the time of the contract. The Istisna'a is a contract of sale between the seller (the manufacturer) and the buyer (the Mustasni), whereby the purchaser requests the vendor to make commodities with specified descriptions in return for a determined price that can be paid either upfront at the time of the contract or partially at the front end and the rest paid upon delivery or at a later date, either as a single lump sum or in multiple installments according to the agreed terms. It is noticeable that the Istisna' sale is similar to the sale of Salam in its form, and therefore we find that the Maliki, Shafi'i, and Hanbali jurists did not deal with the Istisna' contract independently but rather considered it a kind of Salam related to the industry. Hence, the conditions stipulated in the peace contract apply to the Istisna contract. However, the Istisna'a contract differs from the Salam contract in two respects. The first is that the Istisna'a contract does not require payment of the price of the goods (the financing capital) at the time of the contract. The second is that the Istisna'a contract is related to industrial commodities, meaning that it can be applied to everything that is involved in workmanship, whether it was done by the maker with his own hands or by machines in the factories, provided that the conditions for Istisna'a are met.

Because of the high flexibility of this contract, and its ability to finance short, medium, or long-term development projects according to the production cycle of each product, its scope of use has expanded in many fields, as the Istisna contract can be used to finance industrialists, craftsmen, producers, and contractors. Therefore, the proposed waqf fund can adopt this formula as an investment vehicle for investing and developing its cash assets, and at the same time, it can use it as a legitimate alternative to interest-based financing to finance industrial projects by financing producers and manufacturers with the money they need in the form of prices for their products. The proposed endowment fund can use the Istisna contract to offer fund that meets the needs of small industrial ventures in the following two ways:

The Fund as a Purchaser (Traditional Istisna Contract): The fund can enter into an Istisna'a agreement as the purchaser (Al-Mustisna') to buy a commodity with specific

specifications. The fund, through its specialized department, studies the local market to determine which commodities are most in demand and best suited to consumer preferences and needs, as well as working on existing commodities to make improvements to them or studying to produce a commodity that will replace imports. After determining the specifications of commodities, the fund, in its capacity as Mustasni, concludes an Istisna'a agreement with the small ventures possessors specializing in the production of these commodities in their capacity as sellers (manufacturers) to manufacture these commodities, and when these commodities become possessed by the fund, the fund has the right to market and sell (either at a spot, deferred, or installment price) or rent it.

The Fund as a Seller and a Purchaser at the same time (Parallel Istisna'a): In this case, the fund concludes an Istisna'a contract as a seller (manufacturer) with the buyer (Mustasni), who wishes to build real estate with certain specifications or purchase certain equipment, machines, or commodities, and then performs a parallel Istisna'a contract as a buyer (Mustasni), with the original manufacturer (seller) to manufacture what was agreed upon in the first Istisna'a contract. According to this formula, first, an agreement is made between the fund and the buyer on the terms of payment, on the basis of which the terms of payment are determined between him and the manufacturer.

To implement this formula, the fund can take the same practical steps that are used in Islamic banks, which include the following:

The first step: the customer (buyer) expresses his desire to purchase a commodity with specific specifications and requests the fund to manufacture this commodity. The fund studies the request of the owner of the establishment and approves it if it meets the necessary conditions. After that, the fund concludes the Istisna'a contract in its capacity as a manufacturer (seller) with the buyer. The date of receipt is determined in this contract (taking into account that this period is longer than the term in which this fund receives the commodity in the parallel Istisna' contract), The price (the fund calculates this price as what it will really give payment in the parallel Istisna' contract along with the desired profit margin that it deems appropriate), and the method of payment, whether deferred or by installments.

The second step: the fund enters into a parallel Istisna'a contract with the original manufacturer (the seller) to manufacture the commodity that it committed to in the first

Istisna'a contract and agrees with the seller (the manufacturer) on the appropriate price and term.

The third step: Delivery and Receiving of the product, where the vendor (manufacturer) transports the produced goods to the fund or to the entity or area specified by the fund in the agreement, and then the fund in turn conveys the goods to a buyer directly or through any entity authorized by him to deliver, including the authorization of the original manufacturer, and the buyer has the right to ensure that the commodity conforms to the specifications requested in the first Istisna'a contract so that each party remains responsible for the party with whom it contracted.

5.8.2.4 Ijarah Contract

The Ijarah falls within the general framework of the sale, as the sale focuses on the ownership of objects and the Ijarah focuses on the ownership of the benefits (well-defined usufruct or service) in exchange for a given price (the rent). The Ijarah contract is considered one of the most important forms of Islamic finance used in financing capital assets, and financing by Ijarah is considered an important source of short-, medium-, and long-term financing. There are two basic forms of the Ijarah contract, namely the traditional or operational Ijarah contract and the Ijarah ending with ownership contract (Ijarah Muntahia Bittamleek), and the latter is considered one of the most preferred contracts and forms of financing and investment among Islamic financial institutions. Due to the low level of risk in this contract, this contract, in addition to the banking Murabaha contract, has become at the forefront of the financing and investment scene in Islamic financial institutions in general, whether they are banks or financing institutions. As a matter of fact, nowadays, in addition to Islamic financial institutions, this financing and investment tool is also being used by traditional financial institutions and other investment institutions.

The proposed waqf fund can take advantage of this contract in two ways: the first as an investment tool that is characterized by low risks to invest its cash assets and maximize its returns, and the second as a legitimate alternative to interest-based lending to support and finance small projects to obtain the equipment and assets necessary for the process of establishment and expansion. The proposed waqf fund can adopt and use the forms of an Ijarah contract (operational Ijarah and financing Ijarah) to finance small enterprises.

First: Financing by the Operating Lease Contract.

According to this contract, the fund (in its capacity as the lessor) purchases leasable assets and leases them to the owners of small projects (which are unable to own them because they do not have sufficient capital to cover their value) to benefit from them for a predetermined period of time and the rental price agreed upon in advance, provided that the asset is given back to its possessor, who is the lessor (the endowment fund), at the conclusion of the lease period, then the fund can lease it to another entity or re-lease it to the same party if both parties consent.

In this kind of lease, the fund owns the assets either as a result of market demand in general as the fund establishes a special hangar for the required equipment, machines, and tools (self-investment policy). That is, the process of acquiring these assets doesn't depend on the lessee's request, which means that the fund is not buying these assets with the intention of leasing them to a particular individual or as a result of the request of the lessee (the project owner), in which case the steps of the lease contract are as follows:

- a) The lessee (the owner of the project) approaches the fund with a financing request that includes basic data about him and his project, as well as all relevant information and specifications of the requested asset, and promises to take the asset on the lease form it upon the fund's purchase of it.
- b) The fund studies the request to ensure its validity and suitability, and in light of that, it makes a financing decision.
- c) In case of approval, the fund (lessor or financier) will purchase the asset from the supplier or manufacturer.
- d) concluding the lease contract with the lessee and handing over the asset to him.
- e) At the conclusion of the lease period, the asset is reverted to the fund's ownership, and the fund renews the contract with the same lessee or concludes a new contract with another lessee.

Second: Financing by Lease Ending with Ownership Contract (Ijarah Muntahia Bittamleek)

Ijarah Muntahia Bittamleek is considered a development of the operating lease contract. This lease contract contains two features that make it differ from a classical lease contract: the first is a Lease premiums in this type are higher than in operating leases,

and the second is a promise to sell at the conclusion of the lease period after paying all a lease installments, where the ownership of the asset is transferred from the lessor (the fund) to the lessee (the owner of the enterprise), and typically, the ownership of the leased asset is shifted through means such as gifting it, selling it at a nominal price, selling it at a price reflecting its market value, or selling it at a price equivalent to the remaining lease payments. Given that each contract has conditions, rights, and obligations that differ according to the two contracts (the rental contract and the sale contract), and accordingly, in order to avoid sharia violations, the waqf fund follows the same procedures applied in Islamic banks, where the fund first concludes and signs the lease contract with the lessee and concludes another separate contract called a promise contract to conclude a selling contract after at the conclusion of the lease period or to conclude a undertaking to give the leased asset as gift to the lessee at the ending of the lease contract duration. With regard to the practical procedures for applying this formula, they are the same as those for the operating lease formula with a slight difference, which is that at the conclusion of the lease period, ownership of the leased asset will be transferred to the lessee by the conclusion of a sale contract between the lessor and the lessee (Bader, 2024:717).

5.9 Distribution of Generated Profit and Beneficiaries

5.9.1 Distribution of Generated Profit

There are three possible ways to divide the fund's investment proceeds: Initially, 15 percent of the proceeds will go toward paying for administrative expenses. Second, twenty percent of the earnings will go toward creating a reserve fund, which will operate as a safety net against economic downturns and market downturns like inflation that might affect the assets of the fund. The beneficiaries will get the remaining 65 percent of the proceeds. The following Table (5.1) shows how the revenues of the waqf fund were allocated.

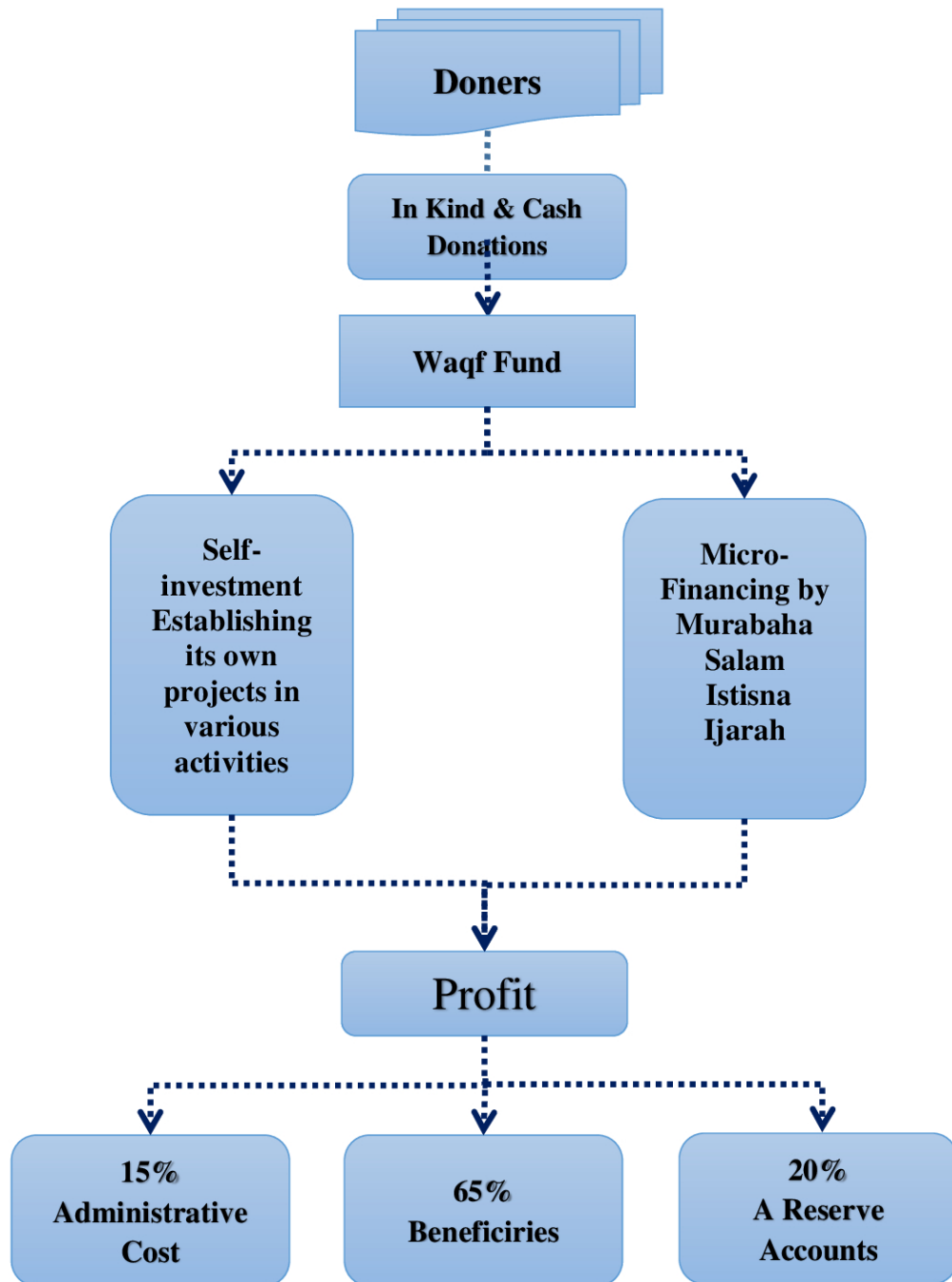
Table 5.1: Distribution of the Fund's Proceeds

Total proceeds 100%	Distribution of proceeds
65%	It will be used to give cancer patients the equipment, care, and rehabilitation they require.
15%	It will be used to pay administrative fees
20%	It is going to be used to create a reserve account.

5.9.2 Beneficiaries (Al-Mawaqoof Alayh)

The management of the fund will provide cancer sufferers with help each year to the tune of 65 percent of its annual revenues. In order to determine the precise needs of these patients—such as therapy, equipment, medical gadgets, and preventative measures—the Fund works closely with specialist facilities.

Figure 5.2: The Proposed Waqf Fund Model



Source: Author's own.

5.10 SWOT Analysis of Proposed Waqf Fund in Libya

Small enterprise financing through waqf-based funds is crucial for the economic empowerment of communities in Libya. Libya, a nation rich in natural resources, recognizes the significance of supporting small businesses to harness its economic potential and uplift its citizens. Therefore, conducting a comprehensive SWOT analysis on waqf-based fund initiatives for small enterprises in Libya can provide valuable insights for crafting effective strategies to address various challenges, thereby facilitating to find alternative mean to finance small. This section presents a detailed SWOT analysis of waqf-based funds for small enterprise financing in Libya, examining both internal strengths and weaknesses, as well as external opportunities and threats impacting the country's entrepreneurial environment. The aim of this analysis is to assess Libya's capacity for fostering small business development through waqf-based financing mechanisms, while also identifying external factors that may influence the investment landscape for small enterprises in the country.

5.9.1 Strengths

5.9.1.1 Islamic Ethos: Libya has a predominantly Muslim population, making the concept of Waqf culturally and religiously resonant. This provides a strong foundation for the acceptance and adoption of the proposed Waqf fund model among the populace.

5.9.1.2 Government Support: The Libyan government has expressed interest in promoting economic development and entrepreneurship, which could translate into supportive policies and initiatives for the proposed Waqf fund. This support can facilitate regulatory approvals, access to resources, and collaboration opportunities.

5.9.1.3 Flexibility: Waqf structures can adapt to various business models and sectors, offering versatile financing solutions tailored to the needs of small enterprises. Furthermore, Waqf funds offer a sustainable financing mechanism that is not subject to market fluctuations or interest rates, providing stability in uncertain economic environments.

5.9.1.4 Entrepreneurial Potential: Libya boasts a diverse range of small enterprises across various sectors, indicating a robust entrepreneurial spirit within the country. The Waqf Fund presents an opportunity to tap into this potential and provide much-needed financial support to fuel enterprise growth and innovation.

5.9.2 Weaknesses

Notwithstanding the possible strengths of creating a waqf fund to finance small businesses, Libya has a number of shortcomings that make its operation difficult. Further details on each of the weaknesses that were found are given in the following sections:

5.9.2.1 Regulatory Ambiguity: The lack of specific legal frameworks and regulatory clarity for Waqf-based financing in Libya may pose challenges to implementation and oversight, leading to potential issues with transparency and accountability.

5.9.2.2 Limited Awareness: Low awareness and understanding of Waqf-based financing among the Libyan populace may hinder adoption and participation, requiring extensive education and outreach efforts

5.9.2.3 Political Instability: Significant political unrest and war have recently occurred in Libya, which could pose challenges to the establishment and operation of the Waqf fund. Uncertainty in the political environment may deter potential donors and investors, affecting the fund's sustainability and effectiveness.

5.9.2.4 Operational Challenges: Managing Waqf-based funds requires specialized expertise in Islamic finance and governance, which may be lacking in Libya, leading to operational inefficiencies and compliance issues.

5.9.3 Opportunities

Although establishing a waqf fund to finance small enterprises may face several obstacles and limitations in Libya, there are still a number of opportunities that might promote the idea of adopting this fund. You may find more details about each opportunity below:

5.9.3.1 Financial Inclusion: Waqf-based financing has the potential to reach underserved segments of the Libyan population, promoting financial inclusion and economic development in marginalized communities.

5.9.3.2 Partnership Potential: Collaboration with government agencies, non-profit organizations, and religious institutions can amplify the impact of Waqf-based fund initiatives, leveraging existing networks and resources to maximize outreach and effectiveness.

5.9.3.3 Market Demand: Growing demand for ethical and socially responsible investment options presents an opportunity to attract more investors to waqf-based funds.

5.9.3.4 Addressing Financing Gap: There is a significant financing gap for small enterprises in Libya, with limited access to traditional banking services and venture capital. The Waqf fund presents an opportunity to fill this gap by providing interest-free financing and support tailored to the needs of small businesses.

5.9.3.5 Social Impact: The Waqf fund has the potential to create positive social impact by supporting job creation, economic empowerment, and poverty alleviation in Libya. By investing in small enterprises, particularly those owned by women and marginalized groups, the fund can contribute to inclusive growth and social cohesion.

5.9.4 Threats

5.9.4.1 Legal and Regulatory Challenges: Establishing and operating a Waqf fund in Libya may face legal and regulatory hurdles, including registration requirements, tax implications, and compliance with Shariah principles. In addition, changes in regulatory requirements or legal interpretations may pose risks to the stability and legality of Waqf-based funds in Libya. Navigating these challenges effectively will be critical to the success of the fund.

5.9.4.2 Market Competition: Waqf-based funds face competition from conventional financial institutions and other alternative financing models in Libya, which may offer more familiar or accessible options to investors, posing challenges to market penetration and growth.

5.9.4.3 Economic Instability: Economic volatility and political uncertainty in Libya may impact the performance and sustainability of Waqf-based funds, particularly if they rely heavily on investment returns or external funding sources.

5.9.4.4 Social Resistance: Resistance from conservative or traditionalist factions within Libyan society may impede the acceptance and adoption of Waqf-based financing, particularly if it is perceived as challenging established norms or practices.

In summary, while the proposed Waqf-based model offers significant potential for addressing the financing needs of small enterprises in Libya, it also faces several challenges and risks that must be carefully considered and addressed. Despite these challenges, the Waqf fund presents a unique opportunity to leverage Islamic finance principles for promoting entrepreneurship, economic development, and social welfare in Libya. Risk mitigation measures, stakeholder collaboration and strategic planning will be essential to mitigate weaknesses and threats while leveraging strengths and opportunities to maximize the model's impact and sustainability within the Libyan context.

CHAPTER VI

CONCLUSION

This chapter presents a summary of the thesis, the main conclusions drawn from the study, as well as a set of suggested recommendations.

6.1 The Summary of the Study

For the aim of researching its topic, which is "Waqf (Endowment)-Based Funds to Finance Vulnerable Small Enterprises in Libya: A Model Proposal", this thesis consists of six interrelated chapters, including this chapter. The five chapters before this one can be summed up as follows:

First Chapter, "Introduction": This chapter started with a general background to introduce the research topic at hand and dealt with all the basic dimensions of the topic, including an introduction that provided brief information on the topic, the research problem, and the objective of the thesis, as well as indicated the research importance, the research methodology, and the reasons for choosing the research topic, and the literature review. The final section of this chapter explained the framework of the thesis.

Second chapter, "The Analysis of the Private Sector and the Place of Small Enterprises in Libya". This chapter provided an overview of the Libyan economy, including its historical development and key aspects. Additionally, it especially discusses the Libyan banking industry and the state-implemented reform efforts. In addition, this chapter has highlighted the significance of offering a conceptual framework for comprehending small enterprises. The review began with a discussion of the various methods typically employed by nations and international organizations to identify small enterprises. There are two criteria used to define small projects: quantitative criteria and qualitative criteria. Both of them were discussed. Quantitative criteria dominate the definition of small enterprises, especially the number of employees criterion. Nonetheless, in practice, the combination of criteria is usually employed to define small enterprises. The examination then expanded to emphasize the unique characteristics of small enterprises, their importance, and their sources of finance. Moreover, this chapter presented the reality of small enterprises in Libya, their size, types, and importance to the Libyan economy, as well as the plans, policies, and means adopted by the state of Libya to boost and develop this sector. The final section of this chapter discussed the

sources of financing small enterprises in Libya, barriers preventing these projects from gaining access to these resources, and the situation of the financial sector in Libya.

The third chapter, "An Overview of Waqf and the Potentials of Waqf in Libya". This chapter dealt with various conceptual aspects related to waqf where it reviewed the definitions of waqf in the schools of jurisprudence and contemporary scholars. The definitions of contemporary scholars were much broader than those of classical scholars, as some of them introduced several novel kinds of waqf that weren't included in earlier classic Fiqh literature. The chapter also went through the meaning of waqf under Libyan law as well as the definition of waqf in economic terms. This chapter has also provided details about the sources of legitimacy of the waqf, the pillars, and conditions of the waqf, the types of the waqf, its dimensions, and the multiple effects of the waqf (the economic and social effects). The discussion then extended to highlight the reality and nature of Waqf wealth in Libya, types of current Waqf management in Libya, and Ways to invest Awqaf in Libya. The last section of this chapter discussed using Waqf as a financial source for funding small ventures.

The fourth chapter, "Waqf Funds". This chapter discussed the definition of waqf funds, their objectives, types, and characteristics. As this chapter gave a review of the method of operation of waqf funds, which consists of three parts: mobilizing or accumulating money, administration of pooled funds for revenue creation (investment), and the disbursement of earnings, it also showed the basic financing formulas that the waqf (endowment) fund may use in the process of financing small projects and a set of preventive measures that can be adopted by the waqf fund to face the risks of financing small enterprises on the one hand and preserve its monetary assets from loss or devaluation on the other hand. The final part of this chapter has highlighted the existing practices and experiences of financing small projects by cash endowments.

The fifth chapter is "A Model Proposal for Developing a waqf fund in Libya to finance small projects". This chapter tried to give a complete vision of the proposal to institute a waqf fund in Libya to finance small scale ventures. In this chapter, the legal and Shariah framework for a suggested waqf fund and its objectives were presented. This chapter has also introduced the fundamentals and principles of the suggested waqf fund's work and its organizational structure. Both the methods of collecting cash assets for the suggested waqf fund model and the methods of investing were illustrated.

Finally, the last part of this chapter highlighted how the proposed fund allocated the gains from its asset investments.

6.2 The Main Findings of the Study

1- Small enterprises make up 88.5% of Libya's private sector, with 59% categorized as small businesses, while the remainder are micro-enterprises

2- Around 80% of small businesses in Libya operate as sole proprietorships, with approximately 16% structured as small partnership corporations. Meanwhile, about 3% of these ventures are family-run enterprises.

3- Small businesses in Libya rely heavily on their owners' own resources and personal savings, as well as the financial resources of family and friends, trade credit, to fund their operations. In fact, the bulk of these businesses rely on these resources as a first step in meeting their financial obligations.

4- In Libya, the banking sector is the primary only external source for financing small businesses. Nevertheless, these businesses have difficulties in obtaining finance from this source. because of a combination of hurdles such as high interest rates, high collateral requirements, the necessity of maintaining close ties with key decision-makers in banks, a mountain of paperwork (too much bureaucracy), An enormous number of documents are needed, sluggish (very centralized) decision-making, the requirement for financial documentation, etc. Apart from all these obstacles, it is important to not overlook religious considerations.

5- the financial system of Libya is thought to have almost no venture capital organizations. This glaring absence of outside resources of equity financing makes the Libyan financial market suffer from an equity financing gap. The Libyan financial industry also suffers from a debt financing gap as there are no other viable sources of debt financing other than Libyan banks.

6- Waqf is a charitable act with multidimensional religious, social, and economic implications; its activities cover various areas of society, and its revenue is considered one of the alternative sources of funding that are characterized by permanence and continuity.

7- Although the Awaqf in Libya has high development potential, which qualifies it to contribute effectively to meeting community needs and addressing the challenges it

faces, the waqf still occupies a marginal position in the Libyan economy, due to the totalitarian policy pursued by the state and its desire to dominate all the services needed by the Libyan society, which made the role of the waqf confined to mosques, Katateeb, and Al Zawaya, and its failure to keep pace with the great developments in the field of awqaf in the Islamic world.

8- Waqf funds represent a contemporary approach in the domain of waqf work, with the term "waqf funds" emerging as part of the modern discourse aimed at reimagining and revitalizing cash waqf practices. Hence, the legitimacy of waqf funds stems from the recognition of the permissibility of endowing cash assets.

9- Waqf funds provide financial sustainability. as the fields of investment for Waqf funds are numerous and varied, which leads to open prospects for expansion and an increase in their revenues, which reflect positively on increasing the dues of beneficiaries on the one hand and their permanence on the other hand.

10-The experiments have shown that the cash waqf is one of the most appropriate forms of waqf for keeping up with contemporary developments because of its characteristics, including that it is available to most people and the diversity of its investment and exploitation methods qualify it to take a significant position in realizing the charitable message of an endowment.

11- The experiences have proven that the cash waqf, represented by Waqf funds, is an important mechanism for financing and developing such small projects. This is because these funds and their management can have administrative and social flexibility that traditional financing institutions do not have, and this flexibility is what financing programs for such projects in general need to get away from routine stagnation and restrictive systems.

12- Several factors support the adoption and execution of waqf fund initiatives in Libya, notably the Sharia and legal considerations. Regarding Sharia, Libya follows the ideology of Maliki, renowned for its endorsement of cash waqf. Legally, Libyan law on waqf incorporates significant provisions and statutes, facilitating the potential adoption of this concept.

6.3 Recommendation

- a) Reconsider the legislation and laws related to waqf and work on developing them in a way that enables the waqf system in Libya to add a new building block to it, namely the cash endowment, which makes it keep pace with the great developments in the field of endowments in the Islamic world.
- b) Overhauling and reorganizing the Awqaf administrative system, dispelling the myth that it is a state religious body that solely manages mosque operations and assigns personnel to them, and reconfiguring this institution into an economic investment entity, managed on sound economic principles by proficient individuals with expertise in management, finance, investment, and Islamic finance.
- c) Implementing and upgrading the waqf system, as well as embracing it as a tool of finance, has become an urgent necessity due to the dearth of financing choices available in the country's financial system.
- d) carrying out an extensive media strategy, involving workshops and awareness initiatives utilizing various technological platforms, to introduce and educate the public on the significance of cash waqf overall, and specifically the significance of these suggested funds in supporting the development and funding of small-scale firms.
- e) Taking advantage of the best practices and the strategies used by top-performing countries in the waqf fund industry with regard to risk management, investment strategies, management techniques, and other technical areas in order to minimize drawbacks and create a applicable and realistic model.
- f) Establishing designated waqf funds to finance small-scale initiatives in major cities as a beginning step. These funds will be structured as legal entities, subject to government oversight, and committed to complete transparency measures in order to foster trust between them and society members and institutions.

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APPENDIX

Dear [Interviewee's Name],

We are pleased to welcome you as we delve into the exploration of utilizing Waqf-based funds to finance vulnerable small enterprises in Libya. Your expertise and insights are invaluable as we embark on this journey to develop a sustainable and impactful financial strategy to support small businesses in Libya, particularly those facing vulnerability. At the core of our discussion lies the proposed framework for establishing Waqf-based funds, aiming to provide financial assistance and stability to small enterprises while aligning with the principles of Waqf in Islamic finance. This proposed framework serves as our guiding blueprint, offering a structured approach to address the challenges faced by vulnerable small businesses and enhance their access to much-needed capital.

As we engage in this dialogue, we will focus on key objectives outlined in the proposed framework, including:

1. Do you believe that leveraging Waqf-based funds could significantly impact the financing landscape for vulnerable small enterprises in Libya, and if so, how ?
2. Considering the current financial infrastructure in Libya, what regulatory and institutional reforms do you think are necessary to facilitate the establishment and operation of Waqf-based funds effectively?
3. Do you believe it is necessary to establish a Cash Waqf Regulatory Committee to oversee and regulate cash Waqf activities in Libya, ensuring compliance with legal and Shariah principles, and if so, what would be the key responsibilities and functions of such a committee?
4. Do you believe it is necessary to establish this Committee as independent body with legal personality in Libya alongside with official waqf authority?
5. How can we ensure transparency, accountability, and effective governance within Waqf-based funds to build trust among stakeholders and attract investment for supporting small enterprises in Libya ?
6. How can we promote awareness and understanding of Waqf-based financing among the general public and potential investors to foster greater participation and support for initiatives aimed at empowering small businesses in Libya?

7. Considering the socio-economic and cultural context of Libya, do you believe that the proposed Waqf-based fund to finance small enterprises can be effectively applied and applicable in the Libyan context? If so, what adaptations or considerations would be necessary to ensure its successful implementation and impact within the local environment?
8. If the proposed Waqf-based model to finance small enterprises is found to be applicable in Libya, do you believe there is a need to issue new legislation or enact new laws to support and regulate its implementation effectively? If so, what specific legislative measures or reforms would be essential to ensure the success and sustainability of Waqf-based initiatives in Libya?
9. Do you agree with the risk management methods adopted by the proposed endowment fund?
10. The organizational structure of the proposed Waqf Fund in Libya consists of a steering and consultation committee and executive management (manager, legal advisor, shariah advisor, financial department, investment department, and project department). Do you believe that this organizational structure is sufficient and efficient?

A summary of Interviewees' Answers:

1. Absolutely. leveraging Waqf-based funds has the potential to significantly improve the financing landscape for vulnerable small enterprises in Libya by providing interest-free financing, creating a stable funding source, prioritizing social impact, enabling localized decision-making, and offering comprehensive support services. This holistic approach contributes to the economic empowerment and resilience of vulnerable communities, fostering inclusive growth and sustainable development within the Libyan economy.
2. Regulatory and institutional reforms are crucial to unlock the full potential of Waqf-based funds. We need clear legal frameworks that recognize and support cash Waqf as a legitimate financial instrument. Additionally, establishing specialized regulatory bodies tasked with overseeing Cash Waqf operations and ensuring compliance will provide the necessary oversight and confidence for investors and beneficiaries alike.

3. Yes, establishing a Cash Waqf Regulatory Committee in Libya could be instrumental in ensuring the effective oversight and regulation of cash Waqf activities. This committee would play a vital role in upholding legal and Shariah compliance, thereby promoting transparency, accountability, and trust within the Waqf sector. Key responsibilities of the committee could include:
 - Drafting and implementing regulations specific to cash Waqf activities, ensuring they align with Libya's legal framework and Shariah principles.
 - Registering and licensing cash Waqf funds, as well as monitoring their operations to prevent misuse or fraudulent activities.
 - Conducting regular audits and inspections to verify the integrity and proper management of cash Waqf funds.
 - Providing guidance and support to cash Waqf institutions, including training programs and advisory services on compliance matters.
 - Resolving disputes and grievances related to cash Waqf transactions through fair and transparent arbitration processes.
 - Collaborating with other regulatory bodies, government agencies, and religious institutions to harmonize efforts and promote the growth and sustainability of cash Waqf activities in Libya.

By establishing a dedicated regulatory committee, Libya can enhance investor confidence, stimulate growth within the cash Waqf sector, and ultimately contribute to the socio-economic development of the country.

4. Establishing a Cash Waqf Regulatory Committee as an independent body in Libya, alongside the existing official Waqf authority, could be beneficial. It would offer specialized focus, enhanced expertise, increased accountability, efficiency in enforcement, and flexibility. This additional regulatory body could ensure that cash Waqf activities comply with legal and Shariah principles while promoting transparency and trust among stakeholders.
5. Transparency and accountability are paramount in building trust and attracting donors and investors to Waqf-based funds. Implementing robust governance structures, regular audits, and transparent reporting mechanisms will ensure that funds are managed ethically and in accordance with the principles of Waqf, ultimately enhancing stakeholder confidence and participation.

6. Raising awareness about Waqf-based financing requires a multi-pronged approach that leverages various communication channels and platforms. Public education campaigns, seminars, and workshops can help demystify Waqf principles and showcase successful, encouraging greater participation and support from both the public and potential participants.
7. Given Libya's socio-economic and cultural context, the proposed Waqf-based fund for financing small enterprises holds significant promise for effective application and relevance. With a predominantly Muslim population and a cultural appreciation for Islamic principles, including Waqf, there exists a strong foundation for the acceptance and adoption of such a fund within Libyan society. To ensure its successful implementation and impact, several adaptations and considerations are necessary. Firstly, customizing Shariah compliance to align with Libya's specific socio-economic and legal context is crucial. This may involve consulting local scholars and legal experts to ensure adherence to both Islamic principles and Libyan regulatory requirements. Additionally, community engagement and participation are essential. By involving local stakeholders in the design and governance of the fund, it can better address the unique needs and priorities of Libyan entrepreneurs. Moreover, the fund must be adaptable to Libya's economic realities, characterized by volatility and dependency on oil revenues. Diversifying investment strategies and implementing risk management measures can enhance the fund's resilience and sustainability amidst economic uncertainties. Overall, by incorporating these adaptations and considerations, the proposed Waqf-based fund has the potential to significantly contribute to economic development and entrepreneurship in Libya, fostering inclusive growth and social welfare within the local environment.
8. Yes, if the proposed Waqf-based model proves viable for financing small enterprises in Libya, new legislation would be essential to regulate and support its implementation effectively. Clear legal frameworks would ensure transparency, accountability, and legal protection for all stakeholders,
9. Certainly! The risk management methods adopted by the proposed Waqf fund for financing small enterprises in Libya are comprehensive and proactive. where these strategies together align well with the objectives of the Waqf fund and

effectively mitigate risks, enhance stakeholder confidence, and contribute to the fund's overall effectiveness and sustainability in supporting small enterprises.

10. Absolutely, the proposed organizational structure is both sufficient and efficient. It features clear decision-making, specialized expertise, comprehensive operational coverage, scalability, and promotes synergy among stakeholders. This setup ensures effective governance, compliance, and operational effectiveness, positioning the fund for success in supporting small enterprises and driving economic development in Libya.

In conclusion, the endorsement of the proposed Waqf-based framework to finance small enterprises in Libya stems from extensive discussions with experts and academics who have provided resounding support for its adoption. Through their insights and expertise, it has become evident that Waqf-based funds offer a viable and sustainable solution to address the financing needs of vulnerable small enterprises in Libya. These conclusions are not only rooted in academic rigor but also draw upon practical experiences and real-world applications, demonstrating the robustness and relevance of the proposed model. Therefore, with the backing of esteemed scholars and practitioners, we advocate for the presentation and adoption of the Waqf-based framework as a transformative tool for driving economic empowerment and inclusive growth in Libya.