

Waqf and Water Crisis: The Case of Paciran, Lamongan

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Abstract.

The geographical location of Paciran sub-districts located on the coast causes a minimum supply of clean water because the community only relies on 2-3m shallow well water and PDAM water whose distribution is hampered by a long distance between the source of raw water and the service area, water production capacity is not sufficient and management is not healthy. This causes the availability of clean water in the northern coastal area of Lamongan Regency still does not meet the needs of the surrounding community. The purpose of this study is to propose waqf model to build clean water source infrastructure through synergy between Mineral Water Trading Company (PDAM) and productive waqf using third party assistance, namely investors as an effort to support infrastructure financing, known as the Triangle Synergy concept. The method used is descriptive qualitative. The primary data sources in this study are the results of observations and interviews with relevant speakers related to this research. Secondary data sources are books and journals relating to productive waqf, infrastructure development, triangle synergy cooperation agreements. The results of the discussion show that, the level of efficiency and effectiveness of development is more easily realized if using the help of investors through the Triangle Synergy in financing infrastructure development.

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I. Introduction

Indonesia is a country that is predominantly Muslim. The population reaches (87.17%) or around 207,176,162 of Indonesia's total population of 237,556,363 [1]. This Muslim population has great potential in empowering the community economy and developing the national economy. One example of empowerment that can be utilized is waqf. [2].

Study by Budiman [3] stated waqf system socioeconomic has played a significant role throughout the history of Islamic civilization and dynamism of the waqf institution and its mechanism, hence could bring about essential contributions to the economic development in the present times. Waqf can also act as an instrument of community empowerment [4].

The endowment fund scheme plays an important role in the economic development of the Muslim community in Penang. This indicates that waqf has an important role in the economic development of a country. 167/5000. The waqf funding model can be used as an alternative infrastructure financing that is economical and does not burden the Indonesian State Budget in developing infrastructure in Indonesia [5].

According to data from the Indonesian Waqf Agency (BWI), the number of waqf land in Indonesia reached 4,359,443,170.00 m² spread across 435,768 locations throughout Indonesia. With the large potential of waqf, if it can be optimally optimized and can be managed productively, it can contribute to Indonesia's economic development.

The economic activities of a country are highly dependent on the availability of infrastructure, where the 2015-2019 National Medium-Term Development Plan (RPJMN) has emphasized the importance of infrastructure because the level of efficiency and effectiveness of Indonesia's economic activities will depend on adequate availability of infrastructure. This is also supported through the 2011-2015 Lamongan's Medium-Term Development Plan (RPJMD), one of which is to improve the quality of public services in order to realize community welfare. For example, the availability of drinking water facilities and infrastructure. Without the existence of such infrastructure, namely in the form of pipelines, water transmission, etc., to obtain clean water must go directly to water sources or rely on ground water. If the condition of rivers, wells and groundwater is very bad due to waste and the large number of bacteria E-Coli, it is undeniable that this will endanger the health of its users.

The condition of clean water in Paciran is currently very worrying. The geographical location of Paciran, which is in the lowlands, causes low quality of clean water, in addition to the management of clean water which is still low so that it has not been able to meet the clean water needs of all Paciran residents to the maximum. Therefore, it is necessary to develop clean water infrastructure for the Paciran community in meeting water needs. From these problems, waqf can be used in an effort to develop clean water infrastructure in Paciran. Several studies show the use of waqf forms in terms of infrastructure development. Mohsin [6] found in his research that cash waqf found its ways to finance different types of goods and services by different types of scholarships in Muslim and Muslim minority countries. His findings show the potential of cash financing, but also financing different goods and services

needed globally, such as education, health, social care and commercial activates, basic infrastructures, besides opening jobs for the majority of people. In a study conducted by Agha [7] found that the water and electricity crisis that occurred in Pakistan could be overcome by using sukuk-based waqf models. Agha [7] explained the sukuk-based cash waqf model to finance Diamer-Basha Dam. Waqf-sukuk is considered to be a perfect sustainable financing instrument offered by the Islamic State for projects that have been successfully implemented in recent years, such as the sukukintifa (US \$ 390 million) to construct ZamZam Tower in Mecca and the musharakasukuk (US \$ 60 million) issued by MUIS (Islamic Religious Council of Singapore) in Singapore. CWM (Crowdfunding Waqf Model) is expected to provide the institution of Malaysia to meet their liquidity constraints in developing waqf land. It also involves involvement of crowdfunding platform. This shows that various forms of waqf models can be used in infrastructure development which can later contribute to economic development.

Based on the literature, this paper aims to make waqf models in developing clean water source infrastructure through productive waqf by using third party assistance as an effort to support infrastructure financing, known as the Triangle Synergy concept. Because, the level of efficiency and effectiveness of development is more easily realized. The writing of this paper is important in providing references and has the potential as an alternative solution in supporting the development of clean water infrastructure and as a solution to overcome the scarcity of clean water experienced by the Paciran, Lamongan, East Java.

II. Literature Review

Waqf had been the provider of public goods and mixed public goods in previous Muslim

economies. This was made possible because of its nature as a perpetual source of fund where continuous income was derived. Waqf can be viewed as a pious endowment in Islam. Waqf, or its plural awqaf, means “holding certain property and preserving it for the confined benefit of certain philanthropy and prohibiting any use or disposition of it outside that specific objective” [8].

Mahat[9], waqf is simply beyond the Islamic ritual act of giving. The concept of waqf have a notion of charity is also duly emphasized by God (Allah) in the Quran: “Help one another in furthering virtue and Godconsciousness (Taqwa), and do not help one another in furthering evil and enmity” (Quran 5:2).

Ambrose [10], There are various traditions of Prophet Muhammad (Peace Be Upon Him[PBUH]) or Hadith that describes waqf. The most frequently cited is presently below: Ibn Umar reported: Umar acquired a land at Khaibar. He came to Allah's Apostle (may peace be upon him) and sought his advice in regard to it. He said: Allah's Messenger, I have acquired land in Khaibar. I have never acquired property more valuable for me than this, so what do you command me to do with it? Thereupon he

(Allah's Apostle) said: If you like, you may keep the corpus intact and give its produce as sadaqah. So 'Umar gave it as sadaqah declaring that property must not be sold or inherited or given away as gift. And Umar devoted it to the poor, to the nearest kin, and to the emancipation of slaves, aired in the way of Allah and guests.... (Sahih Muslim, Hadith no:4006)

Ambrose [10], these were studied by Kahf[11]. The Prophet (Peace Be Upon Him[PBUH]) for instance had built al-Masjid an-Nabawi and used fruits from orchards that was left by Mukhayriq to finance for artillery. In addition, Uthman bin

Affan had bought a well in Madinah to make drinking water free for all Muslims. Meanwhile during the Abbasid era, there were hospitals financed by waqf. In order to cover the hospitals' operating expenses, the government had even set up a waqf investment fund. Ibn Jubair, the Andalusian historian and Ibn Battuta, the Moroccan explorer had recorded the implementation of waqf in Damascus.

From several definitions of the waqf, it can be concluded that waqf is intended to provide benefits that is vested in a person entitled to and used in accordance with Islamic shariah teachings. This is in line with the function of waqf mentioned in Article 5 of Law No. 41 of 2004 which states that waqf serves to realize the economic potential and benefits of waqf property for the benefit of worship and to promote the general welfare.

Mohsin [6] found in his research that cash waqf found its ways to finance different types of goods and services by different types of scholarships in Muslim and Muslim minority countries. His study uses data collected from primary sources including text from the Hadith, while data collected from secondary sources include books, articles, journals besides web sites and e-books. His findings show the potential of cash financing, but also financing different goods and services needed globally, such as education, health, social care and commercial activates, basic infrastructures, besides opening jobs for the majority of people. Mohsin [6] explain various kinds of waqf schemes used to finance various kinds of goods and services including Water wells scheme. This scheme succeeded in constructing dams, digging surface wells and supplying the poor and needy with water coolers in India, Jordan, Somalia, Africa, Bangladesh, Nigeria and Somalia. The main focus will be on six cash waqf schemes and their roles in Muslim

and Muslim minority countries. These six schemes are; waqf shares scheme, deposit cash waqf scheme, compulsory cash waqf scheme, corporate waqf scheme, deposit product waqf scheme, and co-operative waqf scheme.

Agha [7] found that the water and electricity crisis that occurred in Pakistan could be overcome by using sukuk-based waqf models. Agha [7] explained why the sukuk-based cash waqf was used in his paper, an interesting element in his proposal is the combination of waqf and sukuk. Even though Islam does not tolerate negligence of the state in providing necessities and preserving the welfare of its citizens, it offers a voluntary option for the public to support state's responsibilities through the institution of waqf. Indeed, the institution has played a crucial role in enhancing socioeconomic activities throughout Muslim civilization. The proposed waqf-sukuk will generate various benefits to the country. For example, it will support the public financing of the government and will enhance the efficiency of the non-profit sector by reviving the Sunnah of donation, qard al-hassan and waqf. Furthermore, a successful issuance will ensure to (1) set a standard for low cost fund raising (2) provide a secured infrastructure to globalize the awqaf industry (3) attract investment from other waqf institutions specially from the Middle East and (4) entice religion-oriented donors.

Study was done as developed CWM (Crowdfunding Waqf Model) as a source of financing for institution in Malaysia. His study extant literature on the financing constraints faced by waqf institution in developing waqf land, and crowdfunding have been reviewed critically and used in the attempt of proposing an alternative model. This model is expected to provide the institution of Malaysia to meet their liquidity constraints in developing waqf land. It also

involves involvement of crowdfunding platform. This shows that various forms of waqf models can be used in infrastructure development which can later contribute to economic development.

III. Data and Methodology

This research uses qualitative methods. Qualitative methodology is a research procedure that produces descriptive data in the form of written or oral words from people or observable behaviour. This approach is directed at the background and individuals holistically. The qualitative research is a study that is used if the research factors cannot be quantified or cannot be calculated so that the variables cannot be expressed by numbers such as perceptions, opinions, assumption and so on. However, this study aims to describe the nature of an ongoing event and examine the causes of certain symptoms. The method used is descriptive method with a qualitative approach. The qualitative approach carried out by the author in this study is to observe the condition of clean water in the local area which coincides with the location of waqf. The primary data sources in this study are the results of observations and interviews with relevant speakers related to this research. Secondary data sources in this study are data obtained from books, journals, and online articles relating to productive endowments, infrastructure development, model collaboration agreements Triangle Synergy or Public-Private-Community Partnership.

IV. Result and Discussion

Waqf as one of the fiscal instruments of Islam that has existed since the beginning of the arrival of Islam has proven that waqf is the potential of public finance owned by Muslim communities, and is one form of the importance of public participation in help the government to encourage economic growth so as to improve the welfare of

its people. With the existence of public participation through waqf, the burden to encourage economic growth in improving people's welfare has become lighter and relatively easier. One of the government's efforts to encourage economic growth is through infrastructure development.

The government policy of Joko Widodo through his aspiration has a program to develop the village. So much effort in building villages is through RPJMDes and BUMDes. Infrastructure development is indirectly a government program in developing villages. Therefore, for the existing problems and potentials, waqf is able to play a significant role in the process of developing clean water infrastructure, namely as land acquisition in an effort to meet the needs of clean water for the Paciran community. So far, the problems faced by the local government of Lamongan Regency in building infrastructure in Paciran as an effort to provide clean water, especially the problem of financing and land acquisition. Through the synergy of Regional Drinking Water Companies (PDAMs) and productive waqf are alternative solutions for financing the development of clean water infrastructure. Regional Water Company (PDAM) can be used as a solution to the problem of clean water, namely as a facilitator of clean water, while productive waqf can be used as a solution to the problem of land acquisition, namely as a land facilitator in the construction of the infrastructure. Then, the financing problems faced by PDAMs can be overcome by using third party assistance as an effort to support infrastructure financing, which is known as Triangle Synergy.

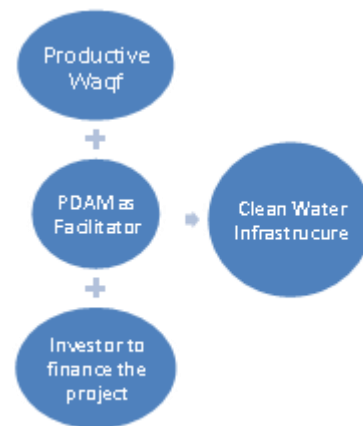
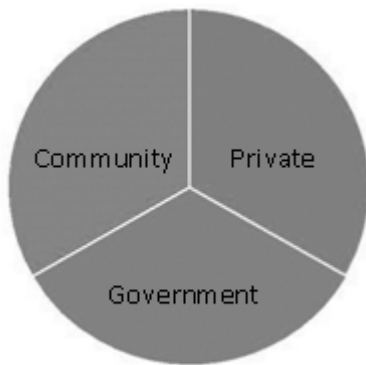


Figure 1. Triangle Synergy

With various existing problems both faced by Regional Water Supply Companies (PDAM) and productive waqf, of course it will be very effective and efficient if it is able to synergize namely in the construction of clean water infrastructure. Then, the financing problems faced by PDAMs can be overcome by using third party assistance as an effort to support the infrastructure financing, which is known as the Triangle Synergy concept or Public-Private Community Partnership.

This cooperation scheme is O & M (Operation and Maintenance), which is for certain cases, especially the construction of clean water infrastructure for the Paciran community, the government (PDAM) builds and as facilitator of clean water, investors contribute funds both in terms of financing and infrastructure development tools, and the community is involved as manager, maintainer, care to improve the welfare of the local community. Of course, the government (PDAM) and investors carry out a system of supervision over the management so that a system of integration and transparency will occur in improving the welfare of the community and as an effort to increase the source of clean water for the Paciran community.

Synergy between PDAM (clean water facilitator), waqf (land acquisition facilitator), and Investor (financing facilitator). Therefore, the need for mutually beneficial cooperation in Triangle Synergy is in the development of clean water infrastructure as an effort to meet the needs of clean water for the Paciran community. The cooperation bonds can be explained through the chart below:



Based on the description of the chart above, it explains that the concept of cooperation is a concept of cooperation that is very effective and efficient in the effort to develop clean water infrastructure, especially the Paciran community. In terms of land acquisition, which will later be supported through (productive waqf), in terms of the availability of clean water which will be distributed through (PDAM), and financing problems in the form of infrastructure financing, operational maintenance financing, and others. Later, it will be supported by investors as an effort to finance infrastructure development to make it easier and more accelerating development. To make it more clear, author explained with the Triangle Synergy model:

4.1 Stages of Implementation of the Cooperation Triangle Synergy Agreement.

As for the implementing stages in this cooperation agreement to facilitate the process of implementing clean water infrastructure

development projects, both in terms of planning and technical and non-technical aspects. Starting from the stages of collaborative project planning, continued with the stage of preparation of collaborative projects, collaborative project transactions, and management of implementing cooperation agreements. The purpose of this stage is to create transparency, accountability, and professionalism in carrying out a development project.

4.1.1. Stage 1: Planning of Collaborative Projects

Identification and selection of cooperation agreement projects

Priority setting Outputs:

List of project priorities

Development study documents

4.1.2. Stage 2: Preparation of Cooperation Projects

Preliminary study of feasibility study of collaborative projects

Assessment of readiness of collaborative projects Outputs:

Collaborative project preparation document

Application process for government support needs

4.1.3. Stage 3: Cooperation Project Transactions

Completion of feasibility study

Preparation of signing cooperation agreement Outputs:

Pre-study document

Cooperation agreement document and guarantee document

Confirmation of government support agreement

4.1.4. Stage 4: Management Implementing Cooperation Agreements

Management guarantor implementing cooperation planning

Implementing management cooperation agreements Outputs:

Obtaining contract financing

Periodic reports implementing management

Process disbursement allocation, supervision, monitoring government support and evaluating cooperation agreements

In the first stage, it was explained that the need for planning this collaborative project is that the parties in cooperation need to be convinced that the project is technically, economically and financially feasible, and not has a large negative social or environmental risk or impact.

In the second stage of the preparation of collaborative projects, the substance of the preliminary study of the pre-feasibility study of the collaborative project includes legal studies, institutional analysis, regulatory analysis, technical studies, technical analysis, land preparation, preliminary design, feasibility study output specifications (economic and finance), cost analysis, social benefits, market analysis, financial analysis, risk analysis of social and environmental studies, initial environmental impact analysis, social analysis, support from both central and local governments (BAPPEDA and BUMDes), government guarantees review of forms of cooperation in provision of infrastructure, forms of cooperation, risk sharing, revenue sharing on the implementation of this collaboration through mudharabah agreements, namely profit sharing according to the size of investment invested in infrastructure development

projects. Then, proceed with the process of requesting government support needs.

In the third stage of the collaborative project transaction, completing the feasibility study and continuing the preparation of the signing of the cooperation agreement. Then, it is continued by the confirmation / approval process of providing support from the government.

In the fourth stage of the management implementation of the cooperation agreement, the formation of management plans for implementing the cooperation agreement, the establishment of an executing management unit cooperation agreement, reporting the results of the implementation of the cooperation agreement, pre-construction (from the signing of the financing agreement), construction (since construction commences commercial), commercial operations (since the cooperation agreement operates commercially until the end of the cooperation period).

4.2 Internal and External Factors in Running Program

In carrying out an idea or idea, of course, it must identify several internal factors and external factors. As for several internal factors and external factors in the author's ideas, as follows:

4.2.1. Internal factors

a. Strengths:

Clean water is managed by the PDAM and there are strong regulations on sources of clean water to be distributed to the community

Extensive employment opportunities for local people in the construction of clean water infrastructure

The majority of residents in Paciran District are Muslims, so endowments existing ones can be managed productively

Faster process of developing clean water infrastructure and more infrastructure availability through funding assistance from investors

There is a special regulation in the implementation of this cooperation project because there has been a special agency and agency established in this collaboration

There is a risk sharing and the results obtained in this collaboration using a sharia contract, namely modaraba, are profit sharing according to the amount of investment given

b. Weaknesses:

Low / limited economic factors of the community are the reason for the community not to install clean water networks from PDAM

Sources of limited funding and low restitution rates so as not to cover operational costs of PDAM

Community paradigm is still limited to waqf management only for construction of worship facilities and infrastructure.

Projects built under this cooperation scheme are specific projects that require large and long-term costs resulting in complex contracts and negotiations.

4.2.2. External Factors

a. Opportunities:

Cooperation with the investor / private sector in the development and management of drinking water / clean water

Synergy of PDAMs and potential productive waqf as alternative solutions in building clean water infrastructure

The existence of production utilities and drinking water / clean water networks

The majority of the population in PaciranSubdistrict are Muslims, so it is easier to approach the community for the great benefits of managing productive waqf namely in supporting the development of clean water infrastructure

b. Challenges:

Lack of public education in managing waqf productively

Water resources are still widely used by upstream areas, while the Paciran Sub-District is in the downstream area

The cost of water utilization from PDAM is still felt to burden the local community

The concession period long so that the process of new capital returns will be achieved after the project has been running for a long time. This causes doubts for investors to invest.

V. Conclusion

Waqf can not only be used for social and religious purposes, but also for Islamic economic purposes. Waqf has the potential for the construction of vital objects that are needed by the community, such as the construction of clean water facilities and infrastructure. Utilization of waqf for the supply of clean water will help overcome the clean water crisis that often engulfs the local area and is able to provide employment for the surrounding community in managing the infrastructure. Through Triangle Synergy it can be realized in the construction of clean water infrastructure. This concept will create a synergy of mutually beneficial cooperation between

PDAMs, waqf and investors in terms of financing the construction of this clean water infrastructure. This concept is very effective and efficient, so the implementation process will be easier and faster in the development process. It should be noted that this concept can lead to a cooperation contract that can benefit or harm one party. The biggest challenge in waqf productivity is how to convince the community that the actual use of waqf is not limited to the real socio-religious sector such as mosques, prayer rooms, schools, etc. But it can also be used in the non-real sector which is needed by the community as well as the construction of clean water infrastructure. This development is based on the main problem that is often faced by local residents about the clean water crisis that has often hit some time lately.

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