



## Sustainable Public Debt Management in The Gambia: The Role of *Waqf* and Sukuk as Islamic Financing Alternatives

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**ABSTRACT** - Macroeconomic instability, such as budget deficits, currency depreciation, and inflationary pressures, is a current challenge facing the Gambian economy despite a commendable Real Gross Domestic Product (RGDP) growth rate of 5.9% in 2025, which surpassed the average growth rate of 4.1% for sub-Saharan African countries. Among all the macroeconomic challenges faced by The Gambia, the most significant is the continuous budget deficit, which affects the overall economy. The debt-to-GDP ratio as of 2025 stands at 68%, surpassing the 50% benchmark for many developing countries. This research examines alternative financing mechanisms by applying Islamic finance instruments, such as *waqf* and sukuk, using a qualitative research method. A cash *waqf* model was developed, and the results showed that *waqf* has the potential to support the government's operational expenditure, thereby allowing tax revenues to be redirected toward debt servicing and the financing of development projects. In addition, sukuk instruments can serve as an effective means for the government to mobilise funds to finance development projects through collaboration with Islamic financial institutions acting as Special Purpose Vehicles (SPVs). These SPVs would negotiate and issue sukuk on behalf of the government, enabling the acquisition of development financing while minimising direct government expenditure and reducing reliance on conventional borrowing. Overall, the study demonstrates that Islamic finance instruments can offer sustainable and fiscally prudent alternatives to address The Gambia's ongoing budgetary and debt challenges.

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### INTRODUCTION

Macroeconomic instability, such as budget deficits, currency depreciation, and inflationary pressures, is a current challenge for the Gambian economy despite an estimated Real GDP growth rate of 5.9% in 2025, which surpassed the average growth rate of 4.1% for sub-Saharan African countries. Reports from The Central Bank of The Gambia showed headline inflation of 18.5% in 2023, which has since dropped significantly to 7.0% as of October 2025. The bank's tight monetary policy rate of 17% led to a significant 62.16% drop in the inflation rate. Additionally, the Gambian dalasi continues to struggle against major international currencies, such as the dollar, euro, pound sterling, and West African CFA Franc (XOF), due to liquidity challenges and a decline in forex market transaction volume (Central Bank of The Gambia, 2023). In terms of magnitude, Gambian dalasi has depreciated by 5.2% against the dollar, 10.0% against the euro, and 9.7% against the CFA as of the third quarter of 2025. Furthermore, the budget's fiscal performance indicated an overall deficit of 1.3% of GDP in 2025, projected to narrow to 1.0% of GDP in 2026 (Budget Speech, 2026).

Among all the macroeconomic challenges faced by The Gambia, the most significant is the recurrent budget deficit, which affects the overall economy. A budget deficit is defined as a situation in which a country's expenditure surpasses its revenue. In the case of The Gambia, the government persistently runs a budget deficit that requires financing. A budget surplus was recorded only in 2002 and 2006. To reduce the budget deficit, governments resort to inflationary financing, which occurs when the central bank prints more money, increases taxes, or takes on more debt (Zohra & Djoumana, 2024). Economic theory exhibits that increasing money issuance reduces the value of the currency, and taking on more debt increases the country's public debt.

According to the Ministry of Finance's 2025 report, public debt as of the third quarter stood at Gambian Dalasis (GMD) 134.824 billion, comprising GMD 49.591 billion in domestic debt and GMD 86.301 billion in external debt. The Debt-to-GDP ratio is estimated at 69%, surpassing the 50% benchmark for many developing countries. The Debt-to-GDP ratio peaked in 2017 at 123.3%, followed by 2018 and 2020 at 89.1% and 84.5%, respectively. The public debt rose from GMD 64.8 billion in 2017 to GMD 135.796 billion, a 109.56% increase over eight years, averaging a debt growth rate of 13.695% per year. Note that presidential Elections played a significant role in 2017 and 2021. In 2017, the large debt-to-GDP ratio could be attributed to the change in government in 2016, which necessitated fiscal expansion to implement reforms and address the institutional weaknesses left by the previous regime. In 2021, the first presidential election after the regime change was held as the government favoured fiscal expansion to gain public support, resulting in a large budget deficit.

The Islamic finance industry has indicated persistent growth potential, especially in the aftermath of the 2008 global financial crisis. Islamic finance instrument, sukuk, accounts for 15% of global financial instruments, as revealed in a study by Zohra and Djoumana (2024). A more recent study conducted in Tanzania by Bukanu and Mukama (2025) demonstrated the resilience of Islamic banking. The authors demonstrated that, despite legal and regulatory constraints and the dominance of conventional banking, Islamic banks managed to survive by adopting numerous approaches, including establishing reserve accounts, forming strategic partnerships, adhering to international standards, and applying the doctrine of necessity.

A similar study by Ulusoy and Ela (2025) highlighted the resilience of Islamic finance by assessing the impact of credit provision by both Islamic and conventional financial institutions in the aftermath of the 2008 global financial crisis. The authors contended that conventional banks in the United States and Europe significantly curtailed their credit provision in response to the crisis. In contrast, Islamic financial institutions gained prominence, stimulating sukuk issuance and making it a viable source of credit.

Can Islamic finance support a country's public finances? This question has garnered much attention, especially after the ineffectiveness of the conventional approach to solving the debt crisis. Reports established that the conventional approach is futile as countries continue to accumulate more debt despite uninterrupted debt servicing. The public debt of The Gambia, for instance, stood at GMD 101.5 billion in 2022 and GMD 112.5 billion in 2023, a 10.84% growth rate despite continuous debt servicing (Central Bank of The Gambia, 2023).

Islamic finance, grounded in balance and fairness, can support a country's public finances through instruments such as *waqf*, sukuk, and *zakah* (Habib, 2018). *Waqf* is a generous act intended to support community welfare or advance religious goals, involving the donation of an asset and its usufruct under Islamic law, without any intention of recovering it (Habib, 2018). The core purpose of *waqf* is to provide essential services, such as education and health care. It is driven by personal satisfaction, spirituality, and social justice, at no cost, to improve the welfare of residents in a society (Lawal & Imam, 2017). In contrast, *zakah* is among the five pillars of Islam. It is binding on every Muslim provided they have wealth that is parallel to or above a specified threshold for a whole lunar year. It is paid annually to support the needy, purify wealth, and show empathy (Gambia Supreme Islamic Council, 2025). "Every Muslim has specified economic obligations towards society, of which *zakah* is compulsory charity imposed on Muslims who own above a

certain minimum level of wealth” (Habib, 2018). Sukuk are Shariah-compliant equivalents of conventional bonds issued to finance medium- or long-term investment projects that operate on a profit-and-loss-sharing basis, known as *Ghannam bi al-ghuram* in Arabic (Zohra & Djoumana, 2024). They are asset-backed securities and are linked to the real economy, whilst conventional bonds represent a transfer of wealth in the form of interest payments (Baita & Daud, 2019).

According to the annual report of The International Waqf Fund 2024 (International Waqf Fund, 2024), a total of £378,565, which representing 80% of its annual return, was used to execute charitable projects in Niger, Somalia, Iraq, Albania, Pakistan, the United Kingdom, Bosnia, Afghanistan, Palestine, Mali, and Bangladesh. These countries were typically supported with medical facilities and supplies, as well as food aid and water. Additionally, in Indonesia, Surat Berharga Syariah Negara sukuk over nearly a decade has financed 2937 projects, including the construction of roads and bridges, education facilities, laboratories, etc. (Citaningati & Kamaluddin, 2022). Without the establishment of the International Waqf Fund and SBSN Sukuk, governments would be entirely responsible for providing all services, increasing the likelihood of a budget deficits. This demonstrates how Islamic finance can support a nation’s public expenditure while maintaining fiscal sustainability.

The literature exhibits that Islamic finance can serve as an alternative to support a country’s public debt management objectives. Therefore, this paper aims to assess the roles of *waqf* and sukuk as Islamic financing alternatives to address The Gambia’s public debt crisis, using a qualitative, library-based method. This study is particularly significant as it will be the first to examine the role of Islamic finance in alleviating public debt crisis in the Gambian context, providing policymakers with a conceptual framework and possible avenues for integrating Islamic finance instruments into public finance. It will also be part of the growing literature on Islamic finance, specifically in the African context, which is underexplored.

## LITERATURE REVIEW

### Islamic finance in The Gambia

An Islamic financial system operates in accordance with the tenets of the Shariah principles. The key differences from conventional finance are the prohibition of interest, the promotion of risk in trade, and the discouragement of money as a subject of trade (Habib, 2018). The core purpose of Islamic finance is not only wealth maximisation. It also promotes justice and fairness, as well as socio-economic wellbeing (Habib, 2018). An Islamic financial system comprises Islamic banking, Takaful, the Islamic capital market, and the Islamic money market. All Islamic financial institutions follow the country’s legal and regulatory framework, as well as Shariah principles. According to the central bank guidelines for Islamic financial institutions in The Gambia (Central Bank of The Gambia, 2022), Islamic financial institutions should not directly or indirectly engage in any activity that is not Shariah-compliant, including *gharar*, speculation, hoarding, interest, gambling, unfair trade practices, exploitation, as well as non-halal products such as pork and alcohol.

In The Gambia, there is an Islamic bank, Agib Bank, which was licensed in 1997 and began operations in 1998. It is the only Islamic bank in the country, and it is regulated under the Banking Act of 2009 (The Banking Act, 2009). Despite robust growth, the bank’s share of total industry assets remains minimal (Central Bank of The Gambia, 2023). Table 1 provides a comprehensive overview of the bank’s asset structure over the years.

While Agib Bank’s assets grew by an average of 24.51% (2019–2023), its market share averaged only 5.16%. This minimal footprint illustrates the significant gap between conventional and Islamic banking, reflecting the nascent state of Islamic finance within the national economy. Takaful, also known as Islamic insurance, is one of the components of a well-structured Islamic Financial system. This sector is relatively underdeveloped, despite experiencing modest growth over the years, with market penetration rate of 0.4% (Central Bank of The Gambia, 2024). There are five takaful institutions in the country, including Takaful Gambia, West Africa Takaful, and

Salam Family Takaful, which are regulated under the Insurance Act (2003) and the Insurance Amendment Act (2006).

**Table 1:** Consolidated assets of Agib Bank (millions of GMD)

Structure of Assets (D'000)	2023	2022	2021	2020	2019	2018
Cash and Cash Equivalents	1,323,101	1,389,957	752,345	897,150	359,414	165,617
Investments	818,461	763,024	791,240	706,583	715,419	839,021
Financing	3,051,042	2,287,144	2,180,134	1,159,410	820,863	717,436
PPE	230,399	216,140	148,200	127,538	139,054	88,337
Other Assets	58,949	61,759	26,425	20,899	26,361	60,231
Total	5,481,952	4,718,024	3,898,344	2,911,580	2,061,111	1,870,642
Agib Assets growth rate	16.19%	21.03%	33.89%	41.26%	10.18%	-
Total Industry Assets	<b>86,516,000</b>	<b>78,572,000</b>	<b>73,058,000</b>	<b>58,820,000</b>	<b>50,862,900</b>	<b>43,636,600</b>
Agib Share of Industry Assets	<b>6.336%</b>	<b>6.005%</b>	<b>5.336%</b>	<b>4.945%</b>	<b>4.052%</b>	<b>4.287%</b>

**Source:** Agib Bank Annual Reports, CBG Annual Reports, with the author's calculation

### Empirical Review

Numerous studies have examined how Islamic finance instruments can support a country's public debt, particularly in Asian countries such as Indonesia and Malaysia, where Islamic finance is more widespread. However, few studies exist, particularly in developing countries in Africa, such as The Gambia. This study is particularly significant as it will be the first to evaluate this gap in the Gambian context. Concerning studies that examined sukuk as an alternative financing tool to address countries' debt crises, the majority concluded that sukuk is a valuable tool for supporting a country's debt sustainability goals, as demonstrated by Baita and Daud (2019) and Zohra and Djoumana (2024). They examined sukuk as a possible financing option to solve the public debt crisis. The authors argued in a similar vein, concluding that sukuk is a powerful tool for achieving liquidity and providing the government with funds for its development objectives, ultimately reducing its dependence on loans. Nevertheless, both studies failed to explicitly examine how sukuk can achieve debt sustainability. A similar study by Farooq and Haider (2025) and Raghibi and Oubdi (2018) complements the findings of previous authors, showing that sukuk provides liquidity, thereby promoting the government's development objectives without relying heavily on loans. Notably, the study by Farooq and Haider (2025) was quantitative. However, it omitted empirical data on Islamic finance instruments, relying instead on variables such as GDP and labour force participation, which are not representative of asset-specific performance. Additionally, the study failed to explore external debt, which, for The Gambia, accounts for the largest share of public debt. Furthermore, the study by Raghibi and Oubdi (2018) lacked an empirical quantitative approach. It did not provide a detailed analysis of how sukuk can support a country's public debt despite examining the theoretical framework of sukuk. The findings by Ulusoy and Ela (2025), Santoso et al. (2025), and Vanni et al. (2025) reiterate the arguments of previous researchers. Nevertheless, there was a quantitative gap and a methodological mismatch. Toualbia et al. (2020) also concluded that Malaysia's budget deficit was financed through the Islamic capital market via sukuk, thereby complementing the previous researchers' work.

Similar studies by Citaningati and Kamaluddin (2022) and Ambrose et al. (2019) examined *waqf* as an instrument to support the public debt crisis faced by Indonesia and Malaysia, respectively. The authors argued along similar lines, highlighting how mitigating budget deficits is crucial for reducing public debt. Consequently, they concluded that *waqf* can be utilised to manage sovereign debt burdens in both countries. The study by Citaningati and Kamaluddin (2022) was qualitative, however failed to provide a detailed description of how *waqf* can support the

government's expenditure. Meanwhile, the study by Ambrose et al. (2019) was quantitative and made unrealistic assumptions. The author assumed a closed economy, which does not accurately reflect a country's behaviour. Additionally, the study failed to reflect the complex behaviour of individuals, given its reliance on assumptions about a representative household. Ambrose et al. (2015) and Lawal and Imam (2017) explored *waqf* as an alternative mechanism to solve the debt crises faced by many countries. The results echoed the sentiments of previous researchers. Nevertheless, the cash *waqf* model built by Lawal and Imam (2017) has significant gaps. The model focused on the 15-64 age group as the major contributors to *waqf* funds, which is challenging because individuals aged 15 are unreliable contributors, as majority of participants are unemployed or students, making their participation doubtful. Additionally, individuals aged 60-64 are retired or nearing retirement, making their contributions doubtful, as most depend on pension funds. The authors aim to address this gap by building a cash *waqf* model tailored to Gambian demographics, focusing on households rather than targeted age groups, thereby being more consistent and inclusive.

Ahmed (2019) examined *zakah* as a potential financing mechanism using Pettifor's (2019) framework. The results were consistent with past literature, which indicates Islamic finance as a possible alternative for debt management. Nonetheless, the author's findings do not suit the Gambian context. The author assumed that in times of economic expansion, the budget is usually in surplus, and vice versa. Therefore, the government will save more in times of expansion to be used in times of downturns. In The Gambia, despite periods of expansion, the budget is typically in deficit, which refutes the findings.

In summary, all the studies in the literature review indicate a consensus that Islamic finance is a viable alternative that can support any country, particularly developing countries, in achieving sustainability in its public debt management. However, certain limitations warrant consideration. The majority of studies lack quantitative methods, highlighting the need for more empirical research in this area to explore this relationship. There is also a methodological gap, as existing empirical studies use descriptive methods, underscoring the need for studies that employ multiple approaches, such as regression analysis, to assess the magnitude of the relationships among Islamic finance variables. There is also a significant lack of research on African countries, with most studies focusing on Nigeria. This study aims to fill the contextual gap by specifically examining this topic in The Gambia, particularly given the underdevelopment of its Islamic financial system and the unavailability of reliable data to address the empirical gap.

## METHODOLOGY

This study employed a qualitative, library-based methodology, relying on scholarly articles, journals, books, and official reports to examine the role of Islamic finance instruments in public debt management. Kasanah and Ryandono (2021) defined qualitative research as a dynamic, field-dependent, and general study. The literature search was conducted systematically through Google Scholar and institutional databases, focusing on contemporary studies within the last decade to capture relevant insights.

Based on the outputs of this library search, the researcher synthesized existing models and frameworks to propose a **cash waqf model** tailored to the Gambian context. This model was developed by critically reviewing prior waqf applications in countries such as Malaysia and Indonesia, identifying their limitations, and adapting the framework to local demographic and fiscal realities. The proposed model serves as a conceptual bridge between the literature review and the results section, ensuring methodological continuity and providing a foundation for the subsequent analysis of waqf's potential role in supporting The Gambia's public finances

## RESULT

### Background of waqf

*Waqf* is a philanthropic act that has existed since the early days of Islam. *Waqf* and its plural *Awqaf* are Arabic terms derived from the word *waqafa*, which means to prohibit or hold something (Kahf, 2015). The Gambia Waqf Commission Act (2016) defined *waqf* as “a permanent or temporary donation of the usufruct of any movable or immovable property for a pious, religious or charitable purpose recognised by Islamic law and includes a corporate body or other institution established for this purpose.”

The core purpose of *waqf* is to provide essential services, such as education and health care. It is driven by personal satisfaction, spirituality, and social justice to improve societal welfare at no cost, as demonstrated in the Ottoman Empire, where public expenditure was funded by *waqf*, which was integrated into the fiscal system (Lawal & Imam, 2017). As noted by Ambrose et al. (2015), a property left by Mukhayrig was used by the Prophet Muhammad (peace be upon him) to strengthen the defenses of Muslims after it was successfully converted into a *waqf*. Additionally, Umar, under the guidance of the Prophet Muhammad (peace be upon him), converted a land acquired in Khaibar into a *waqf*, devoting its usufruct as a charity to the poor, the freeing of slaves, and the nearest kin. The property was declared to never be sold or inherited as a gift.

### Conditions of waqf

Despite the potential benefits of *waqf*, it must meet certain conditions to be considered an eligible instrument. The founder, also known as *wakif*, the beneficiaries or *manquf'alaib*, the trustees or *mutawalli*, and the item intended to be converted into *waqf*, itself also known as *manquf*, are the four components that are required for the establishment of *waqf* (Çizakça, 2000). The two principles, according to Kahf (2015), that govern *waqf* are that once an asset has been converted to *waqf*, it will always remain *waqf* (irrevocability), that no one can alter its terms and conditions, and that it will remain for eternity (perpetuity).

The possibility of a temporary *waqf*, which is a *waqf* donated for a specified period of time, has been a subject of discourse in Islamic jurisprudence, with the four main madhabs, Hanafi, Shafi, Maliki, and Hanbali, sharing opposing views about its permissibility. The primary reasons for these deviations in opinion stem from the different *madhabs'* conceptualisations of *waqf*. As stated by Ermawati et al. (2025), the Hanafi and Maliki madhabs asserted that only the usufruct of the asset is relinquished by the *wakif*, while the *waqf's* property legally belongs to the owner. In contrast, the Shafi and Hanbali contend that *waqf* cannot be temporary, as it is done for the pleasure of Allah SWT. Altruistic acts, such as freeing slaves and charity, would be considered invalid if there is a time limit. Solichin (2022) examined temporary *waqf* from the perspective of the four main madhabs and contended that temporary *waqf* is deemed impermissible from the view of the Shafi and Hanbali, whereas it is permissible from the view of the Hanafi and Maliki. Ermawati et al. (2025), in contrast, examined temporary *waqf* from the perspective of the Hanafi madhab and argued that it is more suitable for addressing the evolving socio-economic needs of modern society. They concluded that it is permissible to implement, provided it leads to a more effective management of the *waqf* assets.

According to Ambrose et al. (2015), the conditions for the founder or *wakif* of the *waqf* are: a.) The *wakif* should be in possession and the owner of the intended *waqf* item. b.) The *wakif* should be mentally sane and sound. c.) The *wakif* should have reached puberty. d.) The decision to establish a *waqf* entity should be voluntary, not forced. The conditions for the beneficiaries are: 1.) Muslims or non-Muslims who have shown signs of peacefulness towards Muslims and free men/women 2.) The usufruct of the *waqf* entity should enable the beneficiaries to get closer to Allah and is for the interest of Islam only. The conditions for the *waqf* entity are: i.) The *waqf* entity should be able to provide benefit, ii.) The *waqf* should have a nominal value, iii.) The founder of the *waqf* should be the owner of the *waqf* entity, iv.) The *waqf* entity should be in line with Shariah principles.

## Islamic Sukuk

Islamic sukuk, like conventional bonds, are financial instruments used to raise financing for medium- or long-term investment projects. Notably, they operate on a profit-and-loss-sharing basis, known as *Ghannam bi al-ghuram* in Arabic (Zohra & Djoumana, 2024). Islamic Sukuk are also known as Islamic bonds, as they are identical to conventional bonds, with the key difference that Sukuk are asset-backed securities linked to the real economy, whereas conventional bonds represent a transfer of wealth in the form of interest payments (Baita & Daud, 2019).

Sukuk are made available in the form of a document for public subscription, where potential investors express their interest by acquiring the document for a specified amount. Notably, the documents are of equal value and represent ownership in a particular investment activity. After acquiring the document, the investors become entitled to any profit or loss generated by the project for which the sukuk was issued (Habib, 2018).

Sukuk are a catalyst for infrastructural development, as evidenced in various countries, for example, when a sukuk of USD700 million was issued for the construction of Hamad Medical Centre in Qatar in 2003, the extension of Bahrain airport in 2004 with *ijarah* sukuk worth USD250 million in 2004, and the construction of 23 public schools in Nigeria with *ijarah* sukuk worth USD70.6 million (Baita & Daud, 2019).

## Types of Islamic Sukuk

- I. **Sukuk *al-Salaam*:** These are documents issued to acquire funding for a project, in which payment is made on the spot, while delivery of the goods is made at a predetermined later date. It is analogous to the normal *salaam* contract, which is primarily used to finance agricultural products (Habib, 2018). The financial certificates issued to all shareholders have the same value, irrespective of the capital contributed. However, the profit-sharing ratio is proportional to the capital contributed (Habib, 2018). In their study, Zohra and Djoumana (2024) highlighted that once payment is made, the holders of the documents are entitled to the goods. Their rights are deferred until the goods are delivered and sold, at which point they receive any profit or loss realised. Additionally, *sukuk al-salaam* involves the sale of goods for future delivery, with the seller still retaining possession of the goods.
- II. **Sukuk *al-Musharakah*:** It is a mode of financing where two or more parties contribute capital for a project with an agreed profit-sharing ratio and losses proportional to the capital contributed. In addition, one of the partners may be appointed to manage the project (Habib, 2018). They are documents of equivalent value issued to raise capital to start or continue a new project, or to acquire funding for a *Musharakah* contract (Zohra & Djoumana, 2024). Once payment is made, the holders of the sukuk become owners of the project, and profits are shared in proportion to their shareholdings or capital contributions.
- III. **Sukuk *al-Mudarabah*:** It is a mode of financing that is based on a *Mudarabah* contract in which one party, known as the *Rabbul-mal*, provides capital and the *Mudarib* contributes entrepreneurial skills to launch a project with an agreed profit-sharing ratio (Habib, 2018). The *Rabbul-mal* invests his capital in acquiring *sukuk al-Mudarabah*, which represents certificates of equal value. The *Mudarib* then uses the capital provided by the *Rabbul-mal* to invest in a Shariah-compliant project, with the returns generated shared with the *Rabbul-mal* at a pre-agreed profit-sharing ratio. At the same time, the losses will be borne by the *Rabbul-mal* alone except in cases of negligence, where the *Mudarib* will bear the entire loss.
- IV. **Sukuk *al-Ijarah*:** *Sukuk al-ijarah* is a document of equivalent value representing ownership in an underlying asset raised to acquire funding in order to purchase an asset that will be leased for operational purposes or end up in transfer of ownership of the asset, in which the rental payment will be the returns of the sukuk holders (Habib, 2018).

## Role of *Waqf* and Islamic Sukuk in ensuring a sustainable public debt in The Gambia

Previous studies suggested that *waqf* and Islamic sukuk have the potential to support public debt management. The government of The Gambia should adopt a cash *waqf* model similar to the framework developed by Lawal and Imam (2017), to be implemented in four phases, with a few adjustments to account for demographic differences in Nigeria. The Gambia focused on households rather than the working-age population (ages 15-64 years) to raise *waqf* funds. The first phase will focus on raising awareness, the second on collecting *waqf* funds, the third on investing *waqf* funds, and the final phase on implementation. The cash *waqf* would be headed by the National Waqf Authority, whose main responsibility would be to ensure compliance and invest the cash *waqf* funds to provide public goods that support the budget deficit. Figure 1 below provides a conceptual visualisation of the cash *waqf* model in The Gambia.

**Phase One:** To ensure maximum participation, delegations appointed by the National Waqf Authority would be responsible for raising awareness and building trust with the targeted contributors. This would be achieved by appointing respected people in society, such as community leaders, including Imams and Alkalo, who would raise awareness about the importance of *waqf* and its benefits to society. An Imam is the head of a mosque, whereas an Alkalo is the head of a community or village. They are highly respected in society with significant influence.

**Phase Two:** This phase will focus on collecting the *waqf* funds, contingent upon the success of the previous phase. Cash collection would be decentralised across all regions of the country, with an administrative office headed by a representative of the National Waqf Authority in each region. There are five regions and two cities in The Gambia. The regions are: Lower River Region (Mansakonko), Central River Region (Kuntaur and Jangjanbureh), North Bank Region (Kerewan), Upper River Region (Basse), West Coast Region (Brikama), with Banjul and Kanifing as the country's two main cities. In each region, the *waqf* funds would be collected by regional representatives with support from the community leaders.

**Phase Three:** The collected *waqf* funds would then be invested in this phase in a Shariah-compliant, low-risk project through *Mudarabah* or *Musharakah* sukuk, which would yield returns to be used in the next phase. The National Waqf Authority would work closely with stakeholders, including the Ministry of Finance, The Gambia Supreme Islamic Council, and the Central Bank, to ensure funds are invested to generate positive returns.

**Phase Four:** This is the final phase of the cash *waqf* model, which is the implementation stage. The National Waqf Authority would use the returns generated from the investment in the previous stage to support the budget deficit by spending on healthcare, education, and agriculture, which are priority sectors for Human Capital development and achieving Food security.

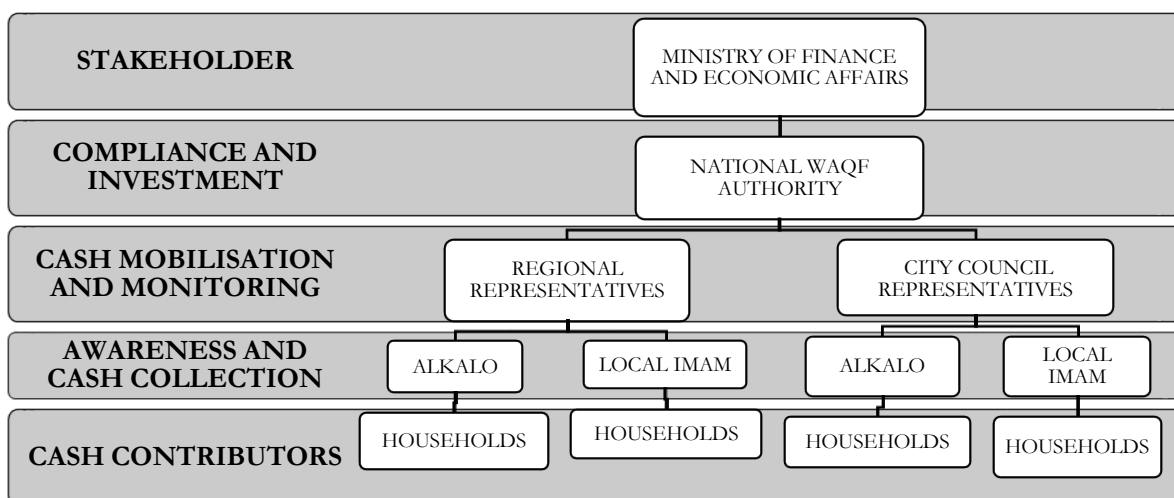


Figure 1: Proposed cash *waqf* collection mechanism in The Gambia

According to The Gambia Bureau of Statistics (2024) population survey, there are 297,581 households, consisting of 5,551 households in Banjul, 61,586 households in Kanifing, 147,611 households in Brikama, 10,858 households in Mansakonko, 25,891 households in Kerewan, 10,821 households in Kuntaur, 14,649 households in Jangjanbureh, and 20,614 households in Basse. The cash contribution will vary by region. Households in Banjul, Kanifing, Brikama, and Basse will contribute D2,500 per month, approximately D80 per day, whilst households in Mansakonko, Kerewan, Kuntaur, and Janjanbureh will contribute D1,000 per month, approximately D30 per day. The number of households in Banjul, Kanifing, Brikama, and Basse is 235,362, and in Mansakonko, Kerewan, Kuntaur, and Janjanbureh is 62,219. The table below provides a summary of the proposed cash *waqf* collection in households in all regions of The Gambia.

**Table 2:** Proposed cash *waqf* model implementation across households in The Gambia

Regions	Number of Households	Cash <i>Waqf</i> collection (D2500) yearly	Cash <i>Waqf</i> collection (D1000) yearly	Half the number of households	Cash <i>Waqf</i> collection (D2500) yearly	Cash <i>Waqf</i> collection (D1000) yearly
Banjul	5,551	166,530,000	-	2776	83,280,000	-
Kanifing	61,586	1,847,580,000	-	30,793	923,790,000	-
Brikama	147,611	4,428,330,000	-	73,805	2,214,165,000	-
Basse	20,614	618,420,000	-	10,307	309,210,000	-
Mansakonko	10,858	-	130,296,000	5,429	-	65,148,000
Kerewan	25,891	-	310,692,000	12,946	-	155,346,000
Kuntaur	10,821	-	129,852,000	5,410	-	64,926,000
Jangjanbureh	14,649	-	175,788,000	7,325	-	87,894,000
<b>Total</b>	<b>297,581</b>	<b>7,060,860,000</b>	<b>746,628,000</b>	<b>148,791</b>	<b>3,530,445,000</b>	<b>373,314,000</b>

Assuming all households contribute, a total of D7.06 billion will be collected from Banjul, Kanifing, Brikama, and Basse, whilst D746.6 million will be collected from Mansakonko, Kerewan, Kuntaur, and Jangjanbureh, for a total of D7.8 billion yearly. This figure exceeds the combined budgets of the Ministry of Finance (2.3 billion), Ministry of Defense (1.2 billion), Ministry of Agriculture (1.8 billion), and Ministry of Interior (2.4 billion) for 2026 as stated in the 2026 Budget Speech (Ministry of Finance and Economic Affairs, 2025)). Assuming a worst-case scenario in which only half of households contribute across all regions, a total of D3.9 billion will be collected annually, which is still more than the combined budgets of the Ministry of Finance and the Ministry of Defense. The majority of residents in The Gambia are Muslim. Consequently, households would be encouraged to voluntarily contribute to the *waqf* funds as a means of charity to gain the reward of Allah SWT and to support the development of projects that will benefit the entire community. The returns from the investment will be used to finance projects such as building medical facilities, schools, and roads, which are especially needed in the country's rural areas. These incentives are compelling enough to encourage households to contribute, as they will ultimately be the beneficiaries of the community projects. The returns generated will be used to support communities by funding healthcare, agriculture, and education. In contrast, the government will use the collected tax revenue to service the public debt and to spend on priority development projects to curb its expenditure and budget deficit. Consequently, this approach will significantly alleviate sovereign borrowing requirements and ease fiscal budgetary pressures.

The government of The Gambia can also reduce its budget deficit and public debt by issuing sukuk, an alternative source of financing, in close collaboration with the Central Bank of The Gambia. The central bank will engage in negotiations on its behalf by issuing sukuk to fund development projects, as an alternative to interest-based loans.

Suppose the government wants to build a university, the central bank can, on behalf of the government, issue sukuk to finance this project. Nevertheless, unlike traditional loans that carry interest, investing in sukuk is Shariah-compliant, and the government is not required to repay any principal or interest to sukuk holders once the university is fully operational. Instead, sukuk holders recover their funds from the project upon delivery. There are four main parties required for the establishment of a sukuk: the originator, issuer, investors, and investment trustee (Toualbia et al. 2020). In this context, the government would be the originator, the central bank would be the issuer of the sukuk, the investors would be the sukuk holders, and a third party acting on behalf of the investors would serve as the investment trustee or Special Purpose Vehicles (SPVs). Suppose a profit or loss sharing contract, such as a *Mudarabah* or *Musharakah* Sukuk, was issued by the central bank, the sukuk holders, along with the government, would be the investors and partners of this project, and they would be issued a financial certificate legally recognising them as the owners of the university. Once the university is newly established, all investors will be compensated contingent on their capital contribution. By agreement, they could be eligible for the university's profits or for revenue from tuition fees for each enrolled student. In contrast, if an *ijarah* sukuk were issued, sukuk holders would finance the university and acquire ownership of the university for a predetermined period, after which ownership would revert to the government. Sukuk are crucial Islamic financial instruments that can help reduce a country's budget deficit, as government expenditure is minimised when sukuk are issued, limiting the need for excessive government borrowing to finance development projects.

## CONCLUSION

The core aim of this paper was to examine how to address the rising public debt in The Gambia through the lens of Islamic finance. Numerous Islamic finance instruments were identified in the literature. However, *waqf* and Islamic sukuk were selected for their significant potential in The Gambia. This paper showed that a cash *waqf* model can support the provision of public goods, enabling the government's expenditure and tax revenue to be redirected towards debt servicing and the financing of priority development projects. Sukuk can also provide the government with funding for development projects by working closely with the Central Bank of The Gambia to negotiate on its behalf. This ensures funding, minimising the government's expenditure and limiting the need for loans. In summary, this study indicates a consensus that *waqf* and sukuk are viable alternatives that can support any country, particularly developing countries, in achieving sustainability in its public debt management. Nonetheless, certain limitations warrant consideration. The author could not solve the empirical quantitative method gap, which warrants future research. Further research could empirically investigate sukuk issuance and its impact on budget deficits using multiple regression or correlational analyses. Future research can also forecast the effectiveness of *zakah* and public finance using Vector Auto Regression (VAR).

This research provides solid, evidence-based recommendations for policymakers and the public to aid decision-making and improve the Islamic financial industry whilst supporting The Gambia in achieving public debt management and sustainability. Policymakers should introduce policies that support the establishment of Islamic financial institutions, such as tax breaks, to encourage more Islamic financial institutions to be established, thereby bridging the gap between conventional and Islamic finance sectors. The government should legislate a national *waqf* authority that will be responsible for the establishment, control, and investment of the *waqf* funds. The government should also integrate *zakah* collection into public revenue, serving as an alternative domestic resource mobilisation to support the government's capital and recurrent expenditures. Sukuk should be integrated into the financial sector and used as a substitute for conventional bonds to finance medium- and long-term projects.

The public should be made aware of Islamic finance and the different types of instruments and contracts available through advertisements, blogs, newspapers, capacity-building

training, etc., to ensure maximum participation. To increase participation in Islamic finance, there should be interoperability among digital wallets and payment systems, thereby increasing accessibility and coverage. For instance, Agib Bank should collaborate with WAVE, the most commonly used digital wallet, to offer free banking transactions and easy payment of *zakah* obligations. Additionally, this collaboration should include a package that allows users to easily initiate and open *Mudarabah* or *Musharakah* accounts.

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