

Waqf And Zakat: Distinctive Financial Instruments For Achieving Development And Fighting Poverty

Aissa Benlakhdar^{1*}

^{1*}Professor Lecturer A, Faculty of Economic and Commercial Sciences, Djillali Liabes University of Sidi Bel Abbes (Algeria),

E-mail : aissa.benlakhdar@univ-sba.dz

Citation: Aissa Benlakhdar, (2024), Waqf And Zakat: Distinctive Financial Instruments For Achieving Development And Fighting Poverty, *Educational Administration: Theory and Practice*, 30 (8) 433- 441

Doi: 10.53555/kuey.v30i8.7404

ARTICLE INFO ABSTRACT

Both Zakat and Waqf have directly contributed to addressing many economic and social problems in the Islamic world. As a result, they have emerged in the current era as tools to reintegrate them into contemporary economic life, which has somewhat failed in its attempt to eradicate the phenomenon of poverty. Algeria, like other Arab and Islamic countries, has sought to integrate zakat and waqf into economic activity because of their significant impact on solving social problems and their ability to contribute to achieving economic and social development. Since independence, Algeria has made many legislative and legal changes that have greatly contributed to the recovery and organisation of Waqf properties, as well as the organisation of Zakat and the establishment of some funds that collect Zakat revenues and reinvest or distribute them to the poor and needy.

This research paper has attempted to address the effective role played by both Zakat and Waqf in development and the eradication of poverty, as well as the reduction of unemployment, while highlighting the Algerian experience through its adoption of the Zakat Fund and the Waqf Fund.

Keywords: Zakat, Waqf, Development, Poverty, Zakat Fund, Waqf Fund.

Introduction

The issue of development and the fight against poverty is of interest to many countries, as it is a major priority in their economic and social programmes, due to its role in achieving the well-being of the members of society, away from economic dependence and deprivation. The achievement of this matter (development and the fight against poverty) differs according to the prevailing economic system, and therefore the tools to achieve it differ. From here, we will try to talk about the largest economic system in the universe, the Islamic economic system, which relies on several Islamic financial tools that distinguish it from other systems and enable it to achieve economic and social goals. Perhaps the most prominent of these tools are Zakat (obligatory charity) and Waqf (endowment), as each of them is a financial act of worship, an economic function and a developmental investment, due to their characteristics and their great role in building Islamic civilisation, which has become the focus of attention for researchers and scholars seeking ways to revive and sustain it in past centuries.

Based on the above, the following problem arises:

To what extent can Zakat and Waqf contribute to achieving development and reducing poverty rates?

In order to answer the proposed problem, this research paper has been divided into three main axes as follows:

Axis 1: Concepts of Zakat and Waqf.

Axis 2: The developmental dimensions of Zakat and Waqf.

Axis 3: The experience of Waqf and Zakat funds as two tools to achieve development and fight poverty in Algeria.

The First Axis: The General Framework of Zakat, Waqf, Development and Poverty

First: Definition of Zakat

Linguistically: Growth, increase¹, purification and justice.

¹- Jamal Laamara, "The Economics of Zakat", Dar Al-Khalduniya for Publishing and Distribution, Al-Qubba, Algeria, 1st edition, 1435 AH-2014 CE, p. 12.

Legally: It is an obligation on wealth and has been defined by the schools of thought as follows:²

The Malikis defined it as: “Extracting a certain portion from a certain wealth that has reached the nisab (minimum threshold), for its eligible recipients, after the property has been fulfilled and a year has passed, excluding minerals and crops”.

The Hanafis defined it as: “The transfer of ownership of a specific portion of a specific asset to a specific person designated by the legislator for the sake of Allah the Exalted.”

The Shafi’is defined it as: “A term for what is taken from wealth or the body in a certain way”.

The Hanbalis defined it as: “An obligatory right to a certain wealth for a certain group at a certain time”.

Thus, Zakat is a year-long obligation taken from the wealth of the rich to be given back to the poor. It trains the giver in generosity and giving, purifying him from miserliness and avarice, just as it purifies the recipient from envy and hatred. It is considered a material and moral support for the recipient, which improves his condition and enables him to meet his needs.

Zakat is the third pillar of Islam after the two testimonies and prayer, and its obligation is confirmed by the Quran, Sunnah and consensus.

Zakat Corpus:

The so-called “Zakat Corpus” refers to the sources on which Zakat (obligatory charity) is levied. Zakat is obligatory on capital, cash wealth, cattle wealth, commercial wealth, earnings and income, agricultural wealth, mineral wealth, rental income from real estate, income from factories and machinery, and income from employment and liberal professions³.

Second, the concept of Waqf (endowment):

Waqf **linguistically** means containment and prevention. It is a noun derived from the verb “waqafa”, which means to restrict. Restriction is the opposite of free disposition, and what is restricted is called “mawquf” (endowed)⁴.

Technically, waqf is the permanent or temporary confinement of a property and the dedication of its usufruct to a charitable or public purpose, without being at the disposal of the founder or any other person⁵.

Moundhir Qahf has provided a comprehensive definition of waqf that reflects its legal reality, economic nature and social role:

Waqf is the perpetual or temporary confinement of an asset for the recurring benefit of its usufruct or produce, for a public or private charitable purpose⁶.

Third: The concept of development

Linguistically: It is derived from “growth”⁷, which means increase and abundance, and it is the work of bringing about growth.

Technically: It is a process of change in the economic, social and cultural structure of a society in order to achieve specific goals, to raise the standard of living of the population and to achieve prosperity and progress in all fields.

Fourth: The concept of poverty

According to the World Bank’s 1990 World Development Report, poverty is “the inability to attain the minimum standard of living”.

Accordingly, poverty can be defined as a phenomenon that affects the economies of countries and is manifested in the inability of some members of society to satisfy their natural needs for food and clothing, where this is an obstacle to their leading a normal life.

The Second Axis: The Developmental Dimensions of Zakat and Endowment and their Role in Poverty Reduction

First, the developmental dimension of zakat:

Discussing the developmental dimension of zakat leads us to discuss the role it plays in various aspects, whether it is through combating hoarding and increasing investment, developing production and raising employment levels. All these factors mean that Zakat contributes to achieving and developing economic development.

²- Wahba Al-Zouhayli, “Islamic Jurisprudence and Its Proofs”, Dar Al-Fikr for Printing, Distribution and Publication, Damascus, 1st edition 1404 AH-1985 CE, 2nd edition 1405 AH-1985 CE, Volume 2, pp. 730-731.

³- Jamal Laamara, op. cit., p. 13.

⁴- Ibn Manzur, “Lisan Al-Arab”, Dar Ihya’ Al-Turath Al-Arabi, Beirut, (42/106).

⁵- Ahmad Abdul Aziz Al-Haddad, “From the Jurisprudence of Waqf (Endowment)”, Department of Islamic Affairs and Charitable Work in Dubai, 1st edition 1430 AH/2009 CE, p. 15.

⁶- Moundhir Qahf, “Islamic Endowment (Waqf): Its Development, Management, and Growth”, Dar Al-Fikr Al-Muasir, Beirut, Lebanon, Damascus, Syria, 1st edition 1421 AH/2000 CE, p. 62.

⁷- Ibn Manzur, “Lisan Al-Arab”, Egyptian House of Compilation and Translation, volume 42, undated, p. 102.

The role of zakat in combating hoarding:

The term “hoarding” refers to the withholding of money from circulation, which means that one of the elements of wealth remains idle and does not contribute to the movement of economic activity. Zakat aims to combat hoarding by directing capital into the field of economic activity, leading to the creation of job opportunities that would not have existed without the investment of these funds.

Zakat combats hoarding through two important mechanisms:⁸

1. Considering cash capital as potential wealth, whether the owner develops it or not, and imposing Zakat on it.

2. Considering zakat on capital and the income it generates.

We find that the deduction of Zakat is a percentage of a quarter of a tenth, i.e. 2.5% of the capital, and this percentage is considered the cost of holding the funds, which motivates their owners to put them to work. In this way, Zakat helps to channel money in the right direction, as it is necessary to develop it in a way that generates a higher return than this percentage.

The role of Zakat in stimulating investment:

It is well known that investment is the use of money in production, and production is the creation of new benefits or the addition of new benefits to an existing one. Therefore, investment is a process by which money is given a new utility or added to an existing one.

Zakat works to develop capital and use it in development projects without falling into the trap of hoarding. This makes Zakat payers feel the need to multiply productive investments and consequently multiply the absorption of labour and its integration into the community to create public benefits for local development⁹.

Zakat (obligatory charity) works to increase the number of producers, which in turn leads to an increase in production, through the following:

The imposition of Zakat on unused wealth induces its owners to invest it in productive sectors so that it is not consumed by Zakat. This leads to the addition of new labour, which contributes to increased production.

Zakat works to increase the number of producers by providing eligible recipients with the means of production if they are artisans or farmers, or with capital if they are merchants. Zakat transforms its recipients from a burden on society into productive individuals.

It is worth noting that the investment of Zakat funds in income-generating economic projects is a modern issue that was not known to the jurists of past eras, as the prevailing view was to collect Zakat and then distribute it to its eligible recipients according to the legal channels of Zakat distribution. In the present era, however, there has been a great deal of interest in this issue, with many scholars disagreeing on its permissibility. Some have seen the permissibility of investing Zakat funds, while others have come out against it, each based on arguments and evidence that cannot be detailed here.

Nevertheless, the Islamic Fiqh Academy, an offshoot of the Organisation of the Islamic Conference, in its third session held in Amman, Jordan, on 16/10/1986, after an extensive discussion of the issue involving more than twenty scholars, decided by a majority that: “It is permissible, in principle, to use zakat funds for investment projects that end up in the ownership of the zakat recipients or that are related to the body responsible for collecting and distributing zakat, provided that the urgent and immediate needs of the recipients are met first and that sufficient guarantees are in place to avoid losses, and Allah knows best”.

It is necessary to have controls on the investment of Zakat funds:¹⁰

When the scholars decided on the permissibility of investing Zakat funds, they set a number of controls and conditions that must be met, which are:

1. The investment must achieve a predominant interest for the beneficiaries, such as increasing the Zakat funds if they are scarce, and the realised benefit from these projects must fall within the framework of the original needs to be secured by Zakat, such as food, clothing, shelter and treatment. The existence of this interest must be assessed and decided by those who are qualified in this matter.

2. Not all Zakat funds should be spent on investment projects, as some of it must be diverted to urgent expenditure channels that require immediate disbursement of Zakat funds.

⁸- Jamal Laamara, op. cit., p. 20.

⁹- The Sheikh Al-Dawi and others, “Zakat and Waqf as Tools for Achieving Sustainable Development”, a research paper presented at the Second International Scientific Conference on the Role of Non-Profit Islamic Finance (Zakat and Waqf) in Achieving Sustainable Development, Blida, Algeria, p. 05.

¹⁰- Khatam Arif Hassan Amawi, “The Role of Zakat in Economic Development”, a dissertation submitted for the Master’s Degree in Jurisprudence and Legislation, Faculty of Graduate Studies, An-Najah National University, Nablus, Palestine, 2010, pp. 96-97.

*Involuntary unemployment: This is unemployment that is not chosen by the individual but imposed on him/her (lack of capital, inability to purchase equipment, etc.).

**Voluntary unemployment: This is the unemployment of those who are able to work but do not because they do not want to.

3. Zakat funds must be invested through legitimate means and in legitimate fields, and they must not be used for dealing in forbidden things or for interest-based transactions, as these are forbidden in investments in general and even more so in Zakat funds.

4. The supervision and management of the projects must be entrusted to those with economic efficiency, experience and religious integrity. A number of experienced Zakat payers can be included in the board of directors of the institution, as this will increase their confidence in Zakat and the confidence of Zakat payers.

5. The establishment of any project must be preceded by a feasibility study to ensure that profit is achieved, even if the probability of loss is high. If the probability of loss is high and the risk ratio is significant, it is not permissible to start such projects.

3- The role of zakat in raising the level of employment and combating unemployment:

Zakat plays a positive role in raising the level of employment by combating both involuntary (and voluntary) unemployment. The Zakat system achieves this by enabling the poor to enrich themselves. For those who have a trade, the Zakat fund provides them with enough money to practice their trade or buy the necessary tools so that they can earn a sufficient and regular income to support their families¹¹.

As for those who are unable to practise a trade, profession or work to earn a living, they are entitled to a lifelong sufficiency from the Zakat proceeds, not with the intention of giving them cash for their entire lives. Rather, they are given the price of what is sufficient for their income, such as buying property that they can use and become wealthy from, owning it and passing it on as an inheritance. This is involuntary unemployment.

As for voluntary unemployment, where there are people who are able to work but tend to be idle, the Zakat system confronts them by depriving them of the benefits of work. Zakat is a right for those who are unable to earn, so it is not given to the strong who are able to work. In this way, this energy is channeled into the economy for work, and they are not deprived of their services.

4- The role of Zakat in combating poverty:

The problem of poverty is one of the economic problems faced by countries all over the world, and these countries are looking for solutions to reduce and limit it and free their people from its clutches.

When we reflect on our Islamic system, we find that the problem of poverty has been addressed through the imposition of Zakat, which is collected and given to its eight legitimate recipients, first among them the poor and the needy, according to the noble verse in the Qur'an: "Alms are only for the poor and the needy, and the officers (appointed) over them, and those whose hearts are to be reconciled, and to free the captives and the debtors, and for the cause of Allah, and (for) the wayfarer; A duty enjoined by Allah. And Allah is All-Knowing, All-Wise)¹².

The primary function of Zakat is to assist the poor and needy in meeting their material needs, such as food, drink, clothing and shelter, as well as their spiritual needs, such as marriage, which scholars have determined to be part of sufficiency.

The aim of zakat is not to provide the poor with the bare minimum, but to help them achieve a decent standard of living that is consistent with their human dignity and meets their needs.

In addition to cash assistance, the public projects established by the Zakat institution and allocated to the poor and low-income individuals provide the following services:¹³

Housing projects: Construction of economic housing units and transfer of ownership at cost or less, with instalment payments, or provision of loans to help solve the housing problem.

-Charitable credit projects.

-Free or partially free hospitals and clinics.

-Free education and training centres for the training of skilled workers.

It can therefore be said that Zakat aims to alleviate poverty by redistributing income, narrowing the gap between the rich and the poor, reducing disparities and bringing levels closer together.

Second: The Developmental Dimension of Waqf (Islamic Endowment):

Waqf provides a mechanism for mobilising community resources, whether material or human, and using them for developmental purposes. This is to address economic problems and challenges that can affect the development process, such as unemployment, which is considered a major cause of poverty. Here, the role of Waqf emerges as one of the means and mechanisms that can be used to support economic or social sectors and reduce the difficulties they face.

¹¹- Jamal Laamara, source cited above, p. 28.

¹²- Qur'an, Surah Al-Tawbah, verse 60.

¹³- Jamal Laamara, source cited above, p. 32.

1- The economic dimension of the Waqf:

Islamic waqf is considered a permanent economic institution, especially if the waqf is perpetual (i.e. permanent), or temporary if the waqf is temporary¹⁴. It is a process of investment and growth of productive assets.

Waqf plays an important role in the economy through the following:

1. Increasing the productive capacity of the community through Waqf investment projects, as this leads to providing employment opportunities and reducing unemployment in the community¹⁵.
2. Waqf contributes to the dynamism of the economy by increasing the purchasing power of individuals as they receive their entitlements from the Waqf, which in turn increases the demand for basic human needs.
3. Waqf limits the expansion of private wealth and leads to circulation, as it is in the interest of the community that there should be no hoarding and inflation in the ownership of private economic wealth. Waqf works to achieve this principle by getting wealthy individuals and owners of wealth to donate their property, real estate and money for public interest¹⁶.
4. Waqf is one of the indirect financial resources that can be used by the government to meet expenditure, as it reduces the financial burden of the government in the area of public expenditure and provision of services.

2 The social dimension of endowments (Waqf):

Endowments (Waqf) are considered one of the most important elements of social development, as they focus on meeting the social needs of individuals and providing them with various services in different areas such as education, training and capacity building. Endowments also contribute in several ways:

1. Contributing to the reduction of inequalities between social classes and the achievement of social justice through the redistribution of national income in favour of the poor and needy, which is done through the philanthropy of the wealthy and institutions that direct their funds to public welfare.
2. In the field of education, training and rehabilitation, foundations are prepared to establish training centres to develop the skills of community members and qualify them for the necessary professions according to the circumstances of each community¹⁷.
3. Foundations also have an impact on social solidarity by
 - Caring for the segment of the population living below the poverty line and providing assistance to those affected by disasters and wars.
 - Contributing to the achievement of social integration and the preservation of the social fabric and unity of the community.

3- The role of endowments (waqf) in reducing unemployment and alleviating poverty:

Unemployment is considered to be one of the obstacles to development in countries, so these countries strive to reduce it. Perhaps the most prominent effects of unemployment are the large number of beggars, the severe suffering of the unemployed, social and security problems, and the diversion of human energy into an idle force unable to play its role in the productive process. This leads to further backwardness and regression in society. The role of Endowments (Waqf) in addressing this problem is manifested through:¹⁸

Direct intervention: This is reflected in the employment of labour by endowment institutions in various fields, which helps to create a large demand for labour in society.

Indirect intervention: Endowments contribute to improving the quality of labour in society by providing opportunities to learn free professions and skills, which increases the professional competencies and productive capacities of the workforce. Endowments secure jobs for many people through the variety of jobs in endowed institutions, thus securing the needs of many families.

Endowments have also contributed to reducing the phenomenon of poverty by meeting the basic needs of the poor, destitute and homeless, and by raising their health, education and living standards. For example, the phenomenon of begging in society was reduced, as the agricultural land donated or leased to the destitute peasants at a small rent provided a means of livelihood and eliminated the need for begging¹⁹.

¹⁴- The Sheikh Al-Dawi and others, "Zakat and Waqf as Tools for Achieving Sustainable Development", a research paper presented at the Second International Scientific Conference on the Role of Non-Profit Islamic Finance, University of Blida, Algeria, 2013, p. 08.

¹⁵- Zaydan Mohammad, Al-Milodi Saad, "Approaches to Investing Waqf Funds", a research paper presented at the Second International Scientific Conference on the Role of Non-Profit Islamic Finance, University of Blida, Algeria, 2013, p. 11.

¹⁶- The Sheikh Al-Dawi and others, source cited above, p. 08.

¹⁷- Jamal Laamara, source cited above, p. 110.

¹⁸- Mouataz Mohammad Mosbih, "The Role of Charitable Waqf in Economic Development (An Applied Study of the Gaza Strip)", a Master's thesis, Islamic University of Gaza, 2013, p. 41.

¹⁹- Mouataz Mohammad Mosbih, source cited above, p. 43.

The Third Axis: The Experience of Zakat Funds, Endowment Funds and Waqf in Algeria and their Role in Achieving Development and Fighting Poverty

First: The Zakat Fund

1. The nature of the Algerian Zakat Fund: It is a religious and social institution that operates under the supervision of the Ministry of Religious Affairs and Endowments, where it is granted legal cover based on the law regulating the mosque institution by Executive Decree No. 91/82 of 07 Ramadan 1411 AH corresponding to 25 March 2007. It works to organise the collection of zakat funds and their distribution to its beneficiaries, where the collection process takes place at the level of mosques as well as through current postal accounts at the state level. The Fund, which was established in 2007, consists of the following three organisational levels

a. The Basic Committee: This committee is at the level of each district and its role is to determine the beneficiaries of zakat at the district level. The advisory committee is composed of: the head of the body, the heads of the mosque committees, representatives of the neighbourhood committees, representatives of the notables, and representatives of the Zakat payers.

b. The State Committee: It is at the state level where it conducts the final studies of the Zakat files after the initial decision at the level of the Basic Committee. The Consultative Committee is composed of: the head of the state body, two imams from the state, major zakat payers, representatives of the state association of mosque committees, the president of the state scientific council, an economist, a social assistant, and the heads of the basic bodies.

The National Committee: which has the Supreme Council of the Zakat Fund, which in turn consists of:

- The President of the Council,
- The Chairmen of the State Zakat Fund Committees,
- Members of the Sharia Board,
- A representative of the Supreme Islamic Council,
- Representatives of the ministries concerned with the Fund,
- Major contributors.

It also includes a group of supervisory committees that closely monitor and guide the work of the State Committees. In terms of its basic functions, it can be said that it represents the highest authority and the organisation for everything related to the Zakat Fund in Algeria²⁰.

2- Reasons for establishing the Zakat Fund: There are several general and specific motives for the establishment of the Zakat Fund in Algeria²¹:

General Motivations:

These motives are presented as follows:

- To work for the collection and distribution of Zakat funds to their rightful recipients, all within the framework of Islamic Sharia.
- To monitor and study cases of poverty, identify the reality of individuals and families, and provide them with aid and assistance in order to consolidate the principles of social solidarity and integrate the weaker classes into society.
- Benefiting from the experience of Arab Islamic countries in the field of collecting Zakat and distributing it to its rightful recipients in a wise manner and in accordance with the principles of Islamic Sharia, such as the experience of Saudi Arabia, Qatar, Kuwait, etc.
- Trying to alleviate the unemployment crisis that Algeria is suffering from, which has increased in recent years.

Specific motivations:

These motivations include

- Managing the resources of Muslims by contributing to reducing the phenomenon of poverty and narrowing the gap between the rich and the poor.
- Trying to give qualified and competent people the opportunity to invest from Zakat funds, which would contribute to their transition from the category of recipients to the category of donors.
- The Zakat Fund is based on the principle of locality, which means that the funds collected in a particular state are distributed only to the people of that state, which would contribute to the local development of each state separately and achieve the goal for which Zakat was established.
- The Zakat Fund meets the aspirations of many Muslims who are looking for funding formulas that comply with the rules of Islamic finance.

²⁰- "Morad Nasser, Karini Nouredine "The Role of Zakat and Waqf in Achieving Economic Development - The Case of Algeria -" A research paper presented at the Second International Conference on Non-Profit Islamic Finance (Zakat and Waqf) in Achieving Sustainable Development, Algeria (Blida 2013), pp. 10-11".

²¹- "Miftah Saleh, Khabiza Miftah, The Role of the Zakat Fund in Achieving Social Development - A Comparative Study between the Qatari and Algerian Zakat Funds -, A research paper presented at the Second International Conference on Non-Profit Islamic Finance (Zakat and Waqf) in Achieving Sustainable Development, Algeria (Blida 2013), pp. 07-08."

3. How Zakat is disbursed in Algeria:

Zakat funds in Algeria are disbursed based on the final deliberations of the Wilayah (Provincial) Committee to:

Poor families: This is done according to priority by giving them an annual, semi-annual (every 6 months) or quarterly (every 3 months) amount.

Investment for the benefit of the poor: Part of the zakat is used for investment, which of course must be for the benefit of the poor. This may involve interest-free loans or the purchase of tools to enable their owners to work and achieve self-sufficiency.

Table 1: Disbursement rates of zakat receipts

| Declaration | Distribution rates of Zakat proceeds | |
|--|--|--------------------------------------|
| | For proceeds less than 5 million DZD | For proceeds more than 5 million DZD |
| The poor and the needy | 87.5% | 50% |
| Expenses for the development of Zakat income | 37.5% | / |
| Operating Expenses of the Zakat Fund | 12.5% will be distributed as follows - 4.5% to cover the operating costs of the Provincial Committee. - 6% to cover the activities of the Basic Committees. - 2% is paid into the national account to cover the costs of the Fund's activities at national level. | |

Source: Prepared by the researcher based on the website of the Ministry of Religious Affairs and Endowments, <http://www.marw.dz/index.php/2010-12-01-39>

From the above table, it is clear that the highest percentage of zakat revenues is distributed to the poor and needy, which is 87.5% when the revenues do not exceed 5 million Algerian dinars. When the proceeds exceed 5 million, the percentage allocated to the poor and needy reaches 50%, while 37.5% of the proceeds are used to develop the Zakat Fund, which is distributed in the form of interest-free loans to benefit unemployed poor youth.

We can also explain the annual national revenues of the Algerian Zakat Fund through the table below:

Table 2: Growth of national revenues from Zakat on Wealth and Zakat al-Fitr during the period 2007-2015. (Unit: million Algerian dinars).

| Years | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|-----------------|--------|--------|--------|--------|--------|--------|------|------|------|
| Zakat on Wealth | 118.15 | 200.52 | 367.18 | 483.92 | 478.92 | 427.17 | 614 | 900 | 1200 |
| Zakat al-Fitr | 57.58 | 114.98 | 257.15 | 320.15 | 262.17 | 241.94 | 270 | 280 | / |

Source: Prepared by the researcher based on:

Miftah Saleh, Khebiza Miftah, The Role of the Zakat Fund in Achieving Social Development - A Comparative Study between the Qatari and Algerian Zakat Funds -, a research paper presented at the Second International Conference on Non-Profit Islamic Finance (Zakat and Waqf) in Achieving Sustainable Development, Algeria (Blida 2015).

Website of the Ministry of Religious Affairs and Endowments:

<http://www.marw.dz/index.php/2010-02-10-06-01-09>

The data in Table 2 show that the return on zakat in Algeria has been increasing over time. In 2007, it was about 118.15 million dinars and in 2008 it was about 200.54 million dinars, an increase of about 70%. The yield continued to rise, reaching 367.18 in 2009, an increase of around 83% compared to 2008. This yield continued to increase, reaching 614 million Algerian dinars in that year and 900 million dinars in 2010, to reach 1,200 million Algerian dinars.

As for the Zakat al-Fitr collection, it has also shown an upward trend over the years. It reached 57 million Algerian dinars in 2007, then rose to 114 dinars the following year (2008), an increase of 100%. The value doubled again in 2009, reaching 257 million dinars. It has continued to increase over the years, reaching 270 million dinars in 2009 and 280 million dinars in 2010.

The main reasons for the increase in Zakat (obligatory alms) on wealth and Zakat al-Fitr (alms given at the end of Ramadan) can generally be attributed to:

1. Establishing the idea of Zakat fund in the minds of the citizens (the poor and the needy).
2. Conviction of the need to organise the collection and distribution of Zakat.
3. The integration of the concept of Zakat in the media world (newspapers, magazines, radio, television, etc.).
4. The investment of Zakat funds and their role in reducing unemployment:

The Algerian Zakat Fund invests zakat funds by giving them as interest-free loans to poor young people who are educated and able to work, whether they are traders, farmers, craftsmen, university graduates, etc. These

people lack the qualifications and financial means to work. These people lack the qualifications and financial resources to start projects, but have the cognitive, experiential and physical skills to work and be productive. The Zakat Fund plays a key role in providing appropriate financing for these projects.

The following table (Table 3) illustrates the main projects financed by the Zakat Fund, categorised by sector.

| Sectors | Number of projects funded | Total amount | Percentage of total amount |
|--|---------------------------|-----------------------|----------------------------|
| Services | 1331 | 261.861.981.26 | 34% |
| Agriculture | 506 | 119.348.107.61 | 16% |
| Commerce | 570 | 116.907648.47 | 15% |
| Manufacturing | 712 | 114.502.667.19 | 15% |
| Traditional industries and professions | 501 | 93.655.850.38 | 12% |
| Industry | 328 | 55.954.098.98 | 08% |
| Total | 3948 | 762.230.353.80 | 100% |

The source: Prepared by the researcher based on:

Ammoura Jamal, Daghmim Rawia, "The Financial and Investment Role of Zakat" a research paper presented at the Second International Conference on Non-Profit Islamic Finance (Zakat and Waqf) in Achieving Sustainable Development, Algeria (Blida 2013).

The table above illustrates the different forms and sectors in which zakat funds are invested, contributing to economic development by supporting investment and harnessing human resources. We note that the Zakat experience in Algeria seeks to allocate part of the Zakat fund to finance small enterprises owned by unemployed youth, who can benefit from interest-free loans, which are then returned to the fund to be used as a continuous investment and development tool. In this way, the Zakat Fund plays a role in the ongoing redistribution of income, as well as discouraging hoarding and encouraging savings.

Conclusion:

This paper has shown us the essential role of both Zakat (obligatory Islamic charity) and Waqf (Islamic endowment) in achieving economic and social development, as well as their role in eradicating poverty and unemployment. Zakat has played an important role in encouraging the investment of the year's income, thus avoiding hoarding and redistributing wealth from the rich, on whom it is imposed, to the poor and needy, who are considered the most important group in need of care and reintegration into society. In order for zakat to fully fulfil its mission, it was necessary to have an effective institutional framework to support it. Algeria is one of the countries that have sought to give Zakat its role in activating the development process in order to benefit from it in various fields, which it has sought to achieve through the establishment of the Algerian Zakat Fund, which has contributed greatly to development and the eradication of poverty through the provision of several interest-free loans that have contributed to the elimination of unemployment.

As for the Waqf in Algeria, moving it away from its traditional role of financing mosques and Koranic schools and integrating it into the economic game is a necessary condition for achieving development. The Waqf sector possesses considerable financial wealth that must be exploited in the economic cycle, for example by investing its funds in Islamic banking projects, which in turn contribute to driving the wheel of real investment by financing various agricultural, industrial and commercial sectors, and their role in absorbing labour and increasing the real income of individuals, thereby increasing their purchasing power.

References:

1. Ibn Manzur, Lisan al-Arab, The Egyptian House of Authorship and Translation, volume 42, undated.
2. Ibn Manzur, Lisan al-Arab, Dar Ihya' al-Turath al-Arabi, Beirut (42/106).
3. Ahmad Abd al-Aziz al-Haddad, From the Jurisprudence of the Waqf, Department of Islamic Affairs and Charitable Work in Dubai, 1st edition, 1430 AH/2009 AD.
4. Jamal Amara, Economics of Zakat, Dar al-Khalduniyyah for Publishing and Distribution, Al-Qubba, Algeria, 1435-2014 edition.
5. Khitam 'Arif Hasan Amawi, The Role of Zakat in Economic Development, Master's thesis submitted to the College of Graduate Studies at An-Najah National University, Nablus, Palestine, 2010.
6. Al-Dawi al-Shaykh et al, "Zakat and Waqf as Tools for Achieving Sustainable Development", a research paper presented at the Second International Scientific Conference on the Role of Non-Profit Islamic Finance - University of Blida, Algeria - 2013.
7. Al-Dawi al-Shaykh et al, Zakat and Waqf as Tools for Achieving Sustainable Development, a research paper presented at the Second International Scientific Conference on Non-Profit Islamic Finance (Zakat and Waqf) in Achieving Sustainable Development, Blida, Algeria, 2013.

8. Al-Zouhayli, Islamic Jurisprudence and Its Evidence, Dar al-Fikr for Printing, Distribution and Publishing, Damascus, 1st edition 1404-1985 AD, 2nd edition 1405-1985 AD, Volume 2.
9. Zaidan Mohammad, Al-Miloudi Suaad, "Approaches to Investing Waqf Funds", a research paper presented at the Second International Scientific Conference on the Role of Non-Profit Islamic Finance - University of Blida, Algeria - 2013.
10. Jamal Amara, Raouia Daghmig, "The Financial and Investment Role of Zakat", a research paper presented at the Second International Scientific Conference on the Role of Non-Profit Islamic Finance (Zakat and Waqf) in Achieving Sustainable Development, Algeria (Blida 2013).
11. Mahmoud Ahmed Mahdi, The Waqf System in Contemporary Application "Selected Models from the Experiences of Islamic Countries and Communities", Proceedings of Symposia No. 45, Jeddah Islamic Development Bank, 1st edition, 2007.
12. Mourad Nasser, Gourini Nouredine "The Role of Zakat and Waqf in Achieving Economic Development - The Case of Algeria -", a research paper presented at the Second International Scientific Conference on Non-Profit Islamic Finance (Zakat and Waqf) in Achieving Sustainable Development, Algeria (Blida 2013).
13. Mouataz Mohammad Misbah, The Role of Charitable Waqf in Economic Development (An Applied Study of the Gaza Strip), Master's Thesis - Islamic University of Gaza, 2013.
14. Miftah Saleh, Khoubayza Miftah, The Role of the Zakat Fund in Achieving Social Development - A Comparative Study between the Qatari and Algerian Zakat Funds -, a research paper presented at the Second International Scientific Conference on Non-Profit Islamic Finance (Zakat and Waqf) in Achieving Sustainable Development, Algeria (Blida 2013).
14. Monzer Kahf, Islamic Waqf, Its Development, Management, and Growth, Dar Al-Fikr Al-Mu'asir, Beirut, Lebanon, Damascus, Syria, 1st edition 1421/2000.

15. Websites:

16. <http://www.marw.dz/index.php/2010-02-10-06-01-09->
17. <http://www.marw.dz/index.php/2010-12-01-39->