

ZAKAT CAN BE CONSIDERED A VITAL RESOURCE FOR SUSTAINABLE DEVELOPMENT IN ISLAMIC COUNTRIES.

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Abstract:

Zakat plays a vital role in reviving the economy and achieving development as a result of three fundamental and interrelated factors, namely, fighting the compactness, encouraging investment and encouraging spending. Hence, this principle is compatible with the principles of the world economy and therefore it is considered one of the most important factors hindering the economic development of the state because these stagnant resources do not enter in the wheel of the economy and thus reduce the volume of domestic resources. Hence, this leads to a much lower level of development than would be possible if all the resources are employed and used to revive the economy and through the above analysis and study of this vital resource and its impact on the decline of poverty by establishing decent jobs and improving the level The livelihood of the individual and society as a whole.

Keywords: Zakat, Sustainable development, factors of development.

Jel Classification Codes: A1, B3

ملخص:

تلعب الزكاة دورا حيويا في إنعاش الاقتصاد وتحقيق التنمية وذلك نتيجة لثلاثة عوامل أساسية ومتراصة وهي محاربة الاكتناز وتشجيع الاستثمار وتشجيع الإنفاق. التالي هذه المبادئ نجدتها تتوافق مع مبادئ الاقتصاد العالمي و من ثم فهي تعتبر من أهم العوامل التي تعوق التنمية الاقتصادية للدولة لأن هذه الموارد الراكدة لا تدخل في مجلة الاقتصاد و بالتالي تقلل من حجم الموارد المحلية. و من ثم، فإن ذلك يؤدي إلى مستوى تنموي أقل بكثير مما يمكن أن يتحقق لو أن كل الموارد موظفة و مستخدمة في إنعاش الاقتصاد و من خلال ما سبق حاولنا تحليل و دراسة هذا المورد الحيوي و تأثيره على انخفاض الفقر بإنشاء مناصب شغل حقيقية و تحسين المستوى المعيشي- للفرد و للمجتمع معا.

كلمات مفتاحية: الزكاة، النمو المستدام، عوامل النمو

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1. INTRODUCTION

The global economic crisis of 2007-2009 is helping to limit the ability of states to address the challenges of poverty, income inequality and high unemployment. Moreover, the revolutions of the Arab Spring, which have been shaking up some Middle East countries since 2011, reflect the failure of national economic plans aimed at improving the standard of living of citizens and achieving sustainable development. This situation makes it urgent to find local financial resources other than public resources alone.

This would fund development projects by ensuring equity and social cohesion. For these reasons, it seems important, even necessary, to resort to the solidarity economy in modern economies, as well as to a "charitable" economy. The social and solidarity economy (SSE) favors the satisfaction of the social interest by relying on the principles of democratic and participative management, free membership and limited remuneration. Its main role is to combine paid and unpaid work, economic and social activities and to interconnect the various local actors to collectively solve the economic problems of society and attract external resources¹. With respect to the charitable economy, it mobilizes philanthropic resources to provide better financing and learning opportunities for people in difficulty.

This practice is aimed at improving the living conditions of the underprivileged classes. In this respect, these two new sectors jointly contribute to wealth and employment creation and the fight against poverty. Our study will focus on forms of solidarity based on the principles of Islam such as zakat ("obligatory alms")¹, waqf (godly foundation) or sadaqa (voluntary alms). These forms of religious solidarity can be adapted to finance development projects that contribute to greater equality. Zakat, a moral obligation based on a levy on the surplus of the rich, contributes to a redistribution of income between the different social categories and plays a sometimes-decisive role of reintegration of the poorest in the economic circuit.

¹ C., Rambaud, T. (2012), "La finance islamique et la crise de l'économie contemporaine, colloque international du 17 janvier 2012, Emirates center for strategic studies and research, Abou Dhabi.

2 -THE WAQF AND SOLIDARITY ECONOMY

The operating mechanism, which consists of making a lifetime gift of the usufruct of a property to the benefit of a charitable foundation, makes it a valuable tool. to support sustainable actions for economic development. Despite their economic and social importance, zakat and waqf remain largely isolated from operations - both humanitarian and development - coordinated by international aid and have their own channels. Our objective is twofold: first, to present the role of zakat and waqf in the economic system, and secondly, to evaluate the possibilities of mobilizing these flows, using the tools of Islamic finance and solidarity finance for make them innovative levers for financing development. This is where we find the originality of this topic that we wanted to address since few studies have been devoted to analyze these forms of religious charity in an economic perspective. Islamic finance is a financing method based on six fundamental principles: participation in losses and profits; the prohibition of excessive risk; prohibition of the practice of interest or usury; the backing of real assets; the prohibition of speculative practices and the prohibition of investing in companies whose activities are harmful to people and society (tobacco, weapons, gambling, etc.). While solidarity finance is a type of financing that collects private and public savings and receives donations to finance specific economic activities (environment, education, social action) or targeted audiences (women, unemployed, activity creators)². These two alternative financing can thus intervene effectively in the field of charity in order to better develop the capacities of these funds to put them at the service of the economic and social development. Our study and our thinking are articulated in three points. First, we will literally and economically define the financial resources from Islamic charity (zakat and waqf), specifying their current criteria, beneficiaries and economic roles. Next, we will examine investment and productive management mechanisms to adapt these resources to financing and development needs. These means must respect both the principles of Islamic finance and the conditions of these resources themselves. Finally, in the last part, we will discuss the benefits of the "Venture Philanthropy³" strategy to put in place effective charitable investment plans for development projects with high growth potential.

² Ben Néfissa, S., (1991), "Zakât officielle et zakât non officielle aujourd'hui en Égypte", la revue Égypte/Monde arabe, pp.105-120,

Zakat As a first step, we propose to define literally and economically the concept of zakat, its conditions and its specific beneficiaries. We will try to see the difference between zakat and other forms of Islamic charity. We will then examine the economic functioning of zakat, the purpose of which is the redistribution of income among different social categories and the inclusion of the poor in the investment cycle. Based on concrete examples from projects in some countries, we will discuss the possibilities of managing and investing in zakat for the sustainable use of these resources. Finally, we will demonstrate that zakat can go hand in hand with international development assistance to meet the huge financing needs. The concept of Zakat Zakat is a religious duty for every Muslim under certain conditions. The term zakat in Arabic means purity, increase, and righteousness. Its purpose is therefore to help the rich to purify themselves of their attachment to material goods and to fight against the behavior of greed.

This duty is thus described by the Qur'an: Surat 9 AtTawbah "Repentance", Verse 103). In economic terms, zakat is a type of 3 Venture capital or venture capital is a form of financing that takes the form of temporary participation in the capital of companies with high growth potential in order to subsequently generate a very strong position. capital gain. "Venture Philanthropy" is the adoption of venture capital investment strategies to the needs of the charitable sector. In this case, the resources of the charity are used to finance sustainable development projects by employing business and business practices characterized by innovation, efficiency, the measurement of results and the search for a leverage effect.

The purpose of Zakat is therefore to fight against the accumulation of unproductive capital by promoting cohesion between the different categories of society. In summary, zakat is a moral obligation for the faithful, taken from the flow or surplus of the rich, created for a year, for the specific beneficiaries mentioned by the Koran (Surah 9, Verse 60). This alms, paid according to the rules of solidarity, is a right of the poor and needy and must not pass through the coffers of the state. There are two types of zakat: zakat al-mal (legal alms), which is paid annually³. Indebted people who have incurred debts for a pious purpose

³ Kettani, Omar, (1997), "L'impact de la zakat sur le développement", in *la Zakat et le Waqf: Aspects historiques, juridiques, institutionnels et économiques*, éd. La Banque islamique de développement et l'institut islamique de recherches et de formation, 187-195.

and unable to pay them. People who find themselves suddenly homeless and away from their family or country and children from the road).

Travelers far from his country: they can benefit from zakat to support themselves. In the way of God: concerns all that is of public utility, such as the construction of hospitals, schools and asylums for orphans. The conditions of zakat¹¹ In order to pay zakat, precise conditions must be respected¹²: - Zakat must come from assets derived from a lawful activity. - The levy must relate to a property that is part of a private property. This property must be absolute, that is to say that it is devoid of indebtedness and gives the owner the possibility of free use. - Before paying Zakat, we must secure the basic needs (food, housing, education, health, expenses for children, ... etc.). Then, the zakaah must be paid at the moment the income reaches the amount of the nissab, and if it has never fallen below this amount during a lunar year.

These are certain activities that are prohibited by Islam because they harm people and society such as: the tobacco and drug industry, alcohol industry, gambling industry, the arms industry. The nissab is the minimum amount for the property or income to be subject to Zakat and therefore anyone whose income does not reach this amount, does not pay Zakat. The nissab on metals is equivalent to 595 grams of silver and 85 grams of gold. As for zakat on money, its nissab is equivalent to that of gold and silver

The payment of Zakat after identification of the threshold of ease Source: (Alaoui, 2014), "The Zakat an ethical readjustment for the business world. Currencies: represented by gold, silver and all that can be valued by currency such as goods, mined mines, bank notes ... etc. The required portion of the zakat of these goods must represent 2.5%, ie one fortieth of the income. For example: a person has 600 grams of money (which exceeds the nissab that is 595 grams) and the price of one gram of money is 5 €. In this case, the amount of zakat would be $600 * 5 * 2.5\% = 75 \text{ €}$. Or, a person has a credit balance in a bank account of 4 000 €, the nissab is 2618 € and if during a lunar year, considering this balance does not fall below the value of the nissab, the zakat amount should be equal to $4000 * 2.5\% = 100 \text{ €}$. (2) Agricultural products: these are grains intended for consumption and capable of being preserved, such as wheat, barley, dates, raisins ... etc. Zakat is equivalent to 10% of the annual harvest for crops that have the distinction of watering without difficulty thanks to rains, rivers. But if watering requires more human effort and equipment like the machines to extract the water, it must in this case out 5% of the annual harvest. 3) Livestock (camels, cattle, etc.)

their Nissab is fixed at 5 for camels, 30 for cows and 40 for sheep. For example: the ownership of 5 camels leads to the donation of a one year old sheep; 10 camels, two ewes aged one year each¹⁵, etc. On the other hand, horses, mules and donkeys are exempt from zakat as it is reported by the Prophet: "The Working Paper:" Islamic Charity: An Innovative Lever for Financing Development? "- February 2015 13 law, neither for his horse nor for his slave" (hadith in the (authentic) sahih of Imam Muslim¹⁶). Zakat, sadaqa and waqf: To better understand the special nature of zakat, one must illustrate the difference between zakat and other financial resources from other forms of charity.

III-THE DIFFERENCE BETWEEN ZAKAT AND SADAQA

these two financial resources have the same goal of promoting social cohesion and helping the poorest in the community. They also aim to reduce, if only slightly, the economic disparities in the population in order to diminish possible claims from the poor in the community towards the most favored, which contributes to establishing peace. social. However, zakat is a divine obligation enjoining Muslims with a wealth that reaches a certain level (the nissab) to pay a precise amount (one fortieth of the income, 2.5%) in favor of beneficiaries quoted by the Koran. , mentioned above. Sadaqa, on the other hand, represents a non-obligatory alms for the poor and is not tied to a limited time or quantity. B) The difference between zakat and waqf "godly foundation": the income from these two sources is paid on a recurrent basis, usually every year at the same time in the year. However, Islamic jurists have excluded the property of the waqf from zakat because the waqf is intended for persons determined by the donor and not by the Koran. The waqf beneficiaries may be, in fact, members of the founder's family who are not necessarily poor or needy. Likewise in sadaqa, the waqf is a non-obligatory charitable act. The Economic Role of Zakat: Theoretical and Empirical Framework Since investment is the engine of development, zakat leads to a reinjection of social surplus into the economic circuit, stimulating demand and production, especially those of basic necessities. It also helps to reduce inequality by providing poor people with purchasing power to achieve a decent standard of living. El Kettani (1997, p.190-194), Boudjelal (2013, p.7) and Alaoui (2014), define zakat as a social investment instrument according to the following mechanism: in the first place zakat exerts a redistribution ¹⁶ All that is related to

the Prophet as words, actions or characteristics "the hadiths" are collected by Muslim scholars such as Imam Muslim and Imam Mohamed Al-Bukhari. The three reliable sources of hadith come from Imam Muslim, Imam Al-Bukhari and Imam Malik.

Working document: "Islamic charity: an innovative lever for financing development?" - February 2015 14 most disadvantaged social groups. Since the propensity to consume (PMC) among low-income people is higher than among rich people¹⁷, this income distribution will increase the level of consumption among them. As a result, this redistribution will create a demand for the goods and services needed to drive mass production, which in turn will increase the demand for jobs. Moreover, the rate of zakat is low (2.5%) so that it does not affect the marginal propensity to invest. On the other hand, it decreases the propensity to uxury by encouraging investment in the staple goods sector. Indeed, when the incomes of wealthy families decrease with the payment of zakat, the consumption of luxury goods decreases more than proportionally in relation to income (the Engel laws of income elasticities). Thus, because zakat is taxed on the return on capital (r) that is not spent on consumption, it can therefore contribute to reducing the concentration of wealth that is equal to " rg " (r = rate of return). (net of tax) of capital, g = growth rate).⁴

Secondly, the poor can, subject to physical fitness, use the financial resources provided by zakat to create their own commercial or other projects. As these projects are likely to improve their standard of living, they may subsequently become contributors to zakat. In addition, zakat can work in complementarity with Islamic finance in areas that it can not cover. Indeed, Islamic banks grant types of financing to customers who can afford to repay. On the other hand, zakat makes it possible to finance the small projects of the poor households, unable to resort to the banks, through loans exempted from interests "qard hassan". Finally, zakat-based income redistribution policy reduces conflicts between social categories by promoting the economic stability necessary for sustainable development. ¹⁷According to the Keynesian consumption function (Consumption = $PMC * Income + Self\text{-}Consumption$), there is a decreasing relationship between the propensity to consume (the share of each additional unit of income consumed)

⁴Noor, A., Abdul Rasool, M., Ali, R., Abdul Rahman, R., (2014), "Efficiency of Islamic Institutions: Empirical Evidence of Zakat Organizations" Performance in Malaysia", Journal of Economics, Business and Management, Vol. 3, No. 2, pp.282-286.

and the household income. In other words, "people tend to increase their consumption as their income grows, but less than proportionally to their growth". As a result, when income rises, households that already reach a high income level consume less of their income than lower income households. Moreover, according to the demonstration effect formulated by J. Duesenberry, the household PMC is determined not only by its absolute income, but also by its relative income relative to the average income of other households. In other words, the CGP is affected by a demonstration effect by high-income households. As such, low-income households try to emulate the mode of consumption of the rich and therefore have a stronger PMC (Villieu, 2008, p.60 to 76). Working document: "Islamic charity: an innovative lever for financing development? Figure 2: The effect of zakat on bringing the poor into the investment cycle In order to concretely measure the effect of zakat on economic development, many studies have empirically evaluated it from Household surveys. Yusoff (2011) studied the impact of tenure and education expenditures on economic growth from a survey in four cities in Malaysia. The results of this work indicate that zakat spending and education significantly and positively affect the rate of real GDP growth. Other things being equal, an increase in zakat spending of 10% increases the real GDP growth rate by 0.138%. In the same way, a 10% increase in the enrollment rate increases economic growth by 0.023%. Using microeconomic data from a survey conducted in Pakistan by the Household Integrated Economic Survey (which provides information on the donors and beneficiaries of zakat), Jehle (1994, p.205-211) demonstrated that zakat improves the redistribution of income between social categories by blurring inequalities.

The official development assistance (ODA) 18, the OECD's Development Assistance Committee notes that zakat can go with international aid to solve development issues such as unemployment and the lack of funding for social and economic projects¹⁹. These studies indicate that zakat reduces poverty through an integrated system of redistribution within society. Its purpose is not only to lift beneficiaries out of poverty but also to ensure the long-term redistribution and circulation of money within the community. That is why Islamic countries must collect it effectively and implement productive methods for its benefit to development projects. Modern Forms of Investment in Zakat: Traditionally, zakat is collected formally or informally.

Currently, zakat is collected by social public banks or Islamic banks. The latter have a social solidarity service whose role is to collect zakat and redistribute it to enable the realization of development projects such as the construction of hospitals, the contribution to the equipment of universities and schools, or to offer the poor the means to make their pilgrimage journey.

Among these banks are the Nasser Social Bank in Egypt and the Faisal Islamic Bank. On the other hand, the informal way is to pay zakaah to trusted people who are responsible for redistributing it. Many doubts about the efficiency and fairness of the public sector's use of zakat money, whereas trustworthy people are closer to the needy and can better understand their needs. . In this regard, there are modern forms of zakat management that are not part of the public sector but have the technical and administrative skills to invest well and grow zakaah. Several Muslim-majority countries (the United Arab Emirates, Qatar, Saudi Arabia, Algeria, Jordan, etc.) have established zakat funds. They are religious and social institutions that work under the supervision of the government to guarantee their legal coverage. Their objective is to count the money of zakat to spend it for the benefit of poor families through a quarterly, semi-annual or annual allowance. They also use these resources to finance pro-poor investment projects and to acquire equipment for small businesses⁵.

In Algeria, the zakat fund is under the supervision of the Ministry of Religious Affairs and Waqfs. It is organized into three levels corresponding to the local basic commission (daïra), the regional commission (wilaya) and to the national commission which represents the high council of the fund. The latter consists of the chairman of the board, government representatives and major donors. The collection of zakat is made by awareness campaigns at the local level, while the distribution is carried out by the wilaya commission of the zakat fund.

This commission allocates 50% of the sum for the benefit of the poor, 35.5% for investment through "qard hassan" (loans exempted from interest) and 12.5% for the authorities. 20The Social Bank Nasser is a bank Egyptian public whose resources come mainly from the earnings of public enterprises and the budget of the Ministry of the Waqfs. Its goal is to fund charitable activities while respecting the ban on usury (Ben Nefissa 1991, Warde 2010, p.71). 21The Islamic Fiqh Council has made zakat funds available for investment projects that will

⁵ Mohammad, M. (2009), " Alternative development financing instruments for waqf properties ", Malaysian Journal of Real Estate, Vol. (4), No 2. Pp:78-80.

eventually be appropriated by the zakat beneficiaries or affiliated with the legal body responsible for the collection and distribution of zakat, but provided that the basic needs of the needy are met in the first place and that sufficient guarantees are provided to guard against possible losses (Islamic Fiqh Council, Third Session, 1986, Amman, Jordan, Feddad, 1997).

4-IMPORTANCE OF ZAKAT IN SOCIETY

The importance of zakat in society through the media, awareness campaigns, publicity, etc. They are also used to use the money collected to improve the economic situation of the most disadvantaged socioeconomic groups. There are several types of NGOs, including: Islamic preaching associations, social and cultural associations and charitable associations²⁴. Examples of NGOs include charities in Egypt: "Misr El Kheir" (beneficence in Egypt), "Resalah" (the message) and "Sonaa el Hayah" (life makers) who collect zakat and donations from individuals or companies to finance non-profit projects (scholarships, micro-loans to small businesses, building schools in small isolated hamlets, providing clean water in poor neighborhoods, etc.)

On a global scale, the American Zakat Foundation of America (ZF)⁶ is dedicated to collecting zakat and sadaqats from Muslims in the United States for emergency relief in poor countries. First, it sends a team of specialists to take stock of the needs of the population. She then sends emergency relief to the victims; for example, during the earthquake in Haiti, the ZF sent aid packages containing hygiene kits and temporary shelters to the victims. In Mozambique, the ZF raised donations to finance a feeding program by providing technical aids to improve agricultural production. The amount of Zakat collected by ZF has gradually increased from \$ 3 million in 2011 to \$ 7 million in 2012 and \$ 9 million in 2013. The Foundation allocates 91% of this amount to support programs. urgency and the rest is allocated to administrative expenditure²⁶. As a result, the number of national and official structures responsible for the collection and management of

⁶Minor, A., (2014), "Zakat and development finance: Filling in the gaps, Open data for international development. Disponible sur: <http://aiddata.org/blog/zakat-anddevelopment-finance-filling-in-the-gaps>

zakat funds has increased sharply in recent decades, especially in South Asia and the Middle East⁷ All of this helps to demonstrate the important role of zakat as a tool for financing local development.

However, investing in zakat faces challenges of many kinds: the main constraint comes from the following: the lack of quantified data on the added value of zakat organizations and funds, which reduces the possibility of strengthening the zakat consciousness of the general public. The absence of these data also makes it difficult to quantitatively measure the importance of zakat. The second constraint lies in the fact that in developing countries most NGOs, whether charitable or non-charitable, face obstacles that limit their productive and philanthropic activities, including red tape, bureaucracy and legal constraints, and some Muslims believe that payment of their tax exempts them from paying zakaah do not wish to be subject to double taxation. Thus, the low awareness of the economic and social importance of zakat has made Muslims feel that Zakat is only a charity that has nothing to do with the modern economic system. As a result, zakat in many Muslim countries contributes only marginally to economic development plans. Faced with these problems, Sudan and Malaysia have adopted collection and redistribution methods to maximize the role of zakat. Working Paper: "Islamic Charity: An Innovative Lever for Financing Development?" - February 2015 21 economy of zakat. Sudan has made zakaah levy compulsory since 1990 (for development, see below).

By contrast, Malaysia has introduced a voluntary zakat levy method on monthly income of individuals, made attractive by tax incentives (for development, see below) 27. The compulsory levies of zakat: the case of Sudan The payment of Zakat in Sudan is made compulsory by law (Article 16 of the 2001 Law). This article stipulates that zakat is a financial obligation collected by the state and its collection, distribution and administration will be in accordance with Islamic law (sharia law²⁸). Zakat is levied on all Sudanese Muslims who possess, in Sudan or abroad, property subject to Zakat and are extended to any non-Sudanese Muslim who works or resides in Sudan. As for non-Muslims, they are subject to taxes of "social solidarity" of a rate that is equivalent to that of zakat²⁹. The responsibility for the management of zakat funds in Sudan is organized into three levels:

⁷ Aziz, M., Johari, F. and Yusof, M. (2013), "Cash Waqf models for financing in education", Islamic Economic System Conference (Iecons 2013), International Islamic University Malaysia Kuala Lumpur, Malaysia.

national level (zakat chamber), regional level (regional office), local level (local councils and neighborhood committees) 30.

As a result, individuals do not officially pay their zakaah, while big business and personal enterprises are forced to pay it to the state. These sums are then registered in an account. It is then stored in different banking structures (the Central Bank and the Bank of Solidarity) which manage the accounts on behalf of the Zakat Chamber. According to the Zakat Chamber's annual report, agriculture and commercial goods are the main sources of funding for zakat in Sudan. These data also reveal that between 2011 and 2012, zakat in agriculture and zakat in livestock increased sharply by a rate of 73.7% and 63% respectively³². This increase in the resources of zakat is explained³¹ Anyone carrying on a gainful activity which requires a registration in the commercial register is obliged to pay Zakat. The regional offices are in charge of redistributing zakat between local councils. The latter are responsible for rebalancing this redistribution between richer and poorer neighborhoods.⁸

4.1-Vertical Redistribution

Concerns all categories of beneficiaries to meet their necessary needs, the aid is distributed either directly in the form of donations in kind or in cash, or through intermediaries (associations, organizations, etc.). They then provide people in difficulty with a certain level of insurance against food shortages caused by rising world food prices. This distribution amount reached 399.3 million Sudanese pounds in 2012, or 48% of the total amount of zakat collected. 2. Horizontal redistribution: refers to the redistribution to income-generating projects that form part of a development policy and the ability of the poor to participate in economic activity. Between 2011 and 2012, projects were launched for an amount of about 104.8 million Sudanese pounds (20% of the total amount of zakat collected), targeting 306483 poor families. To avoid the loss of such aid, the Zakat Chamber has set up departments to analyze the relevance of individual projects and to evaluate their costs in order to provide them with the necessary funds and the missing human capacities. 45% 39% 8% 4% Agricultural products Commercial

⁸ Mahed, G. (2009), "The corporate governance of an 90 organization managing Islamic charitable endowments (waqfs)", Corporate Governance in Africa Case Study, No.2.pp122-123.

goods Personal businesses Livestock Capital Other Working document: "Islamic charity: an innovative lever for financing development? 3. Administrative Costs and Workers' Wages: Like all NGOs, the Zakat Chamber does not receive state funding, but has its own sources of funding (10% of the redistribution). is devoted to administrative costs and 12.5% is allocated to workers⁹. This strategy of collection and redistribution in Sudan is well organized compared to other countries in the same region. It increases the effectiveness of zakat in the fight against poverty and regional inequalities. However, several criticisms have been addressed to this system: - The beneficiary targeting system should not depend solely on informal knowledge, since other criteria than the level of income could bias the method of selecting beneficiaries such as the region, origin, membership of an ethnic group. - Within the Zakat National Chamber, there is the "Zakat Research Institute" which is responsible for putting in place future policies for the management and distribution of zakat. However, much of his research is oriented towards a theoretical rather than a practical approach.

The Zakat House must therefore pay attention to research that develops new practical ideas about the productive investment of zakat (field work that collects data on the economic and social situations of recipients of zakat, on the link between zakat and current economic needs, etc.). Monthly Zakat levies on wages: the case of Malaysia In Malaysia, the Zakat Management Authority (ZMA) is responsible for the collection and redistribution of zakat. It is under the tutelage of each federal state to decentralize the collection and redistribution of funds. In some states, the management of the ZMA is entrusted to the private sector to ensure a better outcome³⁴. In order to improve the zakat collection system, Malaysia enacted a tax law in 1997 encouraging Muslims to voluntarily pay their zakaah from their monthly salary (Mohsin, Lahsasna and Ismail 2011, p.284). This law grants employees tax deductions when they pay zakat. In general terms, the government deducts the annual amount of planned spending based on the number of wives and children in the family.

Zakaah is then deducted from the amount of tax paid. For example, if the annual income of an employee is RM60,000 and he has only one wife and four children, then the estimated expenses will be RM16,000 (personal expenses plus family

⁹ Noor, A., Abdul Rasool, M., Ali, R., Abdul Rahman, R., (2014), "Efficiency of Islamic Institutions: Empirical Evidence of Zakat Organizations" Performance in Malaysia", *Journal of Economics, Business and Management*, Vol. 3, No. 2, pp.282-286.

expenses).). In this case, the net taxable income at the end of the year must be equal to 44,000. Suppose he has to pay RM2,605 in taxes and decide to pay his zakaah ($44,000 * 2,5\% = 1,100$ RM). Under these conditions, he will only pay 1,505 RM of taxes. On the other hand, enterprises and cooperatives have to pay both taxes and zakaah, but the taxable base is calculated by deducting the total zakaah from total net income³⁷. In addition, zakat can be paid from the funds of the Social Security (Employees Provident Fund³⁸). In this case, the payment of zakat is explained by this example: an official whose income amounts to 12,000 RM will be subject to the payment of a wage contribution of 1,320 RM and tax levies of 1,486,50 RM and therefore his net income will be RM 9.193.50. If the official decides to contribute to zakat, his salary and net income will remain unchanged. But the tax payments will be reduced to 1.237,6 RM and he will pay 248,92 RM of zakat. As for investment in Social Security funds, the authors (Mohsin, Lahsasna and Ismail, 2011, p.283) propose to share the fund in two accounts (one conventional and the other Islamic) to guarantee to contributors the choice between the two types of investments and to assure donors that their zakat will be invested in a Sharia-compliant way.

4-2The salary calculation method in Malaysia

The method of estimating the amount of Zakat on annual income repose on social security scheme is mandatory for all public servants who have reached the age of 16 and are employed under a service contract. It offers contributors reduced retirement pensions from the age of 50 (30% of their savings) and increased pensions after the age of 55 (70% of their savings)¹⁰.

Investment = International Islamic Investment, I Property = Islamic Property, IMMI = Islamic Money Market Instrument, Sukuk = Islamic Bonds, MGIS = Malaysian Government Islamic Securities This tax exemption system therefore explains the fact that wages represent the main source Zakat funding in Malaysia. In addition, the Board of Directors of Zakat has succeeded in developing a set of innovative strategies to increase the amount of zakat collected (by recruiting

¹⁰ Geoffroy, V., Robyns, A. (2009), "Les bailleurs émergents de l'aide humanitaire : Le cas des pays du Golfe", Groupe URD (Urgence, réhabilitation, développement). Paris □ Dauphine, DIAL, pp.1-2.

experts, encouraging scientific research, organizing conferences and workshops, using different social networks, etc.).

As a result, Malaysia is the second largest donor of zakat in the world after Saudi Arabia (OECD Query Wizard for International Development Statistics, 2014). Nevertheless, the zakat redistribution method suffers from a loophole since it does not reduce income inequality in cities and rural areas because of incomplete and unclear data on poverty in rural areas³⁹. Thus, much of the zakaah is paid to large cities where the cost of living is high without taking into account the low purchasing power and the credit rationing in rural areas.

The compulsory levies on zakat in these countries apply to agricultural products, commercial goods, livestock and the annual income received by certain liberal professions (doctors, lawyers, engineers, etc.). On the other hand, they do not apply to the monthly income of public officials as in the case of Malaysia. The various systems of collecting zakat Compulsory 41 Voluntary Volunteer with the establishment of an official structure to manage the zakat Obligatory Fund with tax incentives Pays1 (ratio of the poor population having less than 1.25 \$ per day in 2010)² Saudi Arabia (PA) Libya (PA) Pakistan (12.74%) Sudan (19.8%) Yemen (9.78%) Burkina Faso (44.46%) Guinea (40.87%) The Gambia (61 , 3%) Mali (50.6%) Niger (40.81%) Senegal (34.06%) Sierra Leone (56.63%) Algeria (PA) Bangladesh (43.3%) Egypt (1.68%)) United Arab Emirates (PA) Indonesia (18%) Jordan (0.08%) Kuwait (PA) Malaysia (0%)¹¹ Arguments in favor of each system - Many Muslims take lightly how they pay zakat. -Being a minimum tax threshold (the nissab), zakat does not amount to taxing low-level incomes. Therefore, the compulsory imposition of zakat strengthens its social goals by making the poor of today's taxpayers tomorrow. -Zakat is a moral obligation to a spiritual dimension. Its purpose is to help the rich to purify themselves of their attachment to material goods and to fight against the behavior of greed. That is why the State does not have the right to intervene to oblige the Muslims to pay their zakat -The objective is to create an independent social and religious institution having the technical and administrative skills necessary to invest well and to to grow zakat. -These zakat funds work under the tutelage of the state to guarantee its legal coverage. -The tax system of zakat is an alternative to traditional tax systems to solve the issue of income distribution among members

¹¹Aziz, M., Johari, F. and Yusof, M. (2013), "Cash Waqf models for financing in education", Islamic Economic System Conference (Iecons 2013), International Islamic University Malaysia Kuala Lumpur, Malaysia.pp12-13.

of society by fighting the accumulation of unproductive capital. -A system of absolute tax incentives thus avoids double taxation on monthly income. Challenges / Problems -The difficulty of estimating in a relevant way the wealth value of individuals (real estate, jewelry, ... etc.). - Zakat, having a spiritual dimension, is paid for by voluntary solidarity. But when imposed by the state, this solidarity can become coercive. -The absence of a national structure to collect zakat makes some Muslims believe that the payment of their tax exempts them from the payment of Zakat. - This may lead to a small contribution of zakat to strategies to fight against poverty. In some countries, the zakat fund needs good governance and transparency in its functions, collection operations and distribution strategies to ensure donor confidence. -The taxes finance the state budget to serve public expenditure, while the amount of Zakat is allocated to charities -The application of zakat should not be seen as a break with the tax system.

The Zakat levies on wages can not be generalized in all developing countries where many of the employees work in the informal sector whose income is unknown. Working document: "Islamic charity: an innovative lever for financing development? - February 2015 29 Proposals According to several empirical studies⁴², it appears that the trust of the donors, the transparency of the structure in charge of collecting zakat and the efficiency of its modes of operation are the main factors of influence on the payment. zakat. These results demonstrate the need to establish an autonomous, autonomous structure to collect and redistribute zakat using the media, mosque and new social networks to sensitize Muslims to the economic and social importance of zakat. This structure must also be based on a legal basis allowing donors to benefit from tax exemptions. This system of exemptions can work like that of France (and most European countries) which guarantees tax reductions on income equal to 66% of donations to works of general interest. In other words, a donation of € 100 costs only € 34² to the donor. As for the redistribution strategies, they must be put in place by an administrative committee made up of a team perfectly aware of the proponents.

¹² Bendjilal, B., (1997), "Les formes contemporaines du waqf: le cas du Koweït", in *la Zakat et le Waqf: Aspects historiques, juridiques, institutionnels et économiques*, éd. La Banque islamique de développement et l'institut islamique de recherches et de formation, p.282-296.

This team will be tasked with identifying economic needs in order of priority in order to obtain a concrete vision of the strategies to be adopted to allocate zakat to the financing of these needs. To ensure equity and efficiency, such a team will need to establish affiliated committees in villages or poor neighborhoods to collect data on fragile individuals living in isolated small hamlets and to assess their needs. It is important to note that countries suffering from rampant poverty (Mali, Burkina-Faso, etc.) do not have a national body responsible for collecting zakat. Such structures would enable them to effectively manage zakat so that it can play its full role in the fight against poverty either through cash or in-kind support, or through credits to finance micro-activities that generate income. Zakat and official development aid: What complementarity? In order to better channel aid and improve the performance of development projects, international development organizations have recently begun to modify their aid strategies and practices, taking into account the "partnership" needed with local development organizations. more and more present and with specific skills. As a result, they have increased their cooperation efforts with civil society organizations, which therefore no longer have the simple task of providing services to the poor but also supporting participatory democracy as interlocutors of public power⁴³. Previously, we have shown that the functions of the national structures of zakat are not limited to giving simple monetary assistance to individuals in the poorest quartile. They also contribute to fighting the other dimensions of poverty. The classical measurement of poverty based on monetary criteria, the structures of zakat help the most vulnerable categories to reach an adequate standard of living by providing access to essential services (healthy foods, drinking water, sanitation, electricity, etc.). However, poverty is also assessed according to non-monetary criteria such as the enjoyment of human capital (education and health) and social capital. In several countries, the zakat fund thus contributes to improving the level of education and access to medical care for poor households through the construction of schools, medical clinics, etc. Moreover, by granting interest-free loans to the economically disadvantaged to help them achieve their productive projects, the zakat institutions are increasing the participation of this category in the economic life and in the system of mutual aid, which is a decisive factor of social integration. It is clear that the zakat institutions can be the appropriate partners of international development organizations and improve aid effectiveness through coordination efforts. In the first place, the two bodies share the same objectives, namely: "to reduce extreme poverty, to ensure economic and human development, to promote social equality, to fight against unemployment

and social exclusion". On the other hand, the institutions of zakat can guarantee transparency, one of the main difficulties of an international partnership, since they are helped in several countries (Malaysia, Pakistan, Algeria, Lebanon, Palestine, South Africa) by auditors who carry out regular audits. In addition, zakat funds in some countries (eg Sudan and the United Arab Emirates) publish annual reports that report the amount of zakat collected, its distribution channels and the amount spent on administrative costs. These means therefore improve the flow of information between international development aid organizations and local zakat institutions. Comparing the aid provided by zakat with the ODA in Malaysia and Sudan, we found that these two flows of aid target roughly the same sectors. Data from zakat distribution by economic sector in Selangor State⁴⁴ in Malaysia show that in 2011, 57% of the amount of Zakat is allocated to the social services sector and 33.7% to the education sector. Likewise, ODA flows in 2011-2012 are allocated primarily to the education and social services sector in Malaysia. As for Sudan, the distribution of zakat by the 8 beneficiary categories in 2012 shows that a large part of this aid is received by the poorest people (68%)¹³.

4-3 The Different Factors

The similarity of objectives and activities as well as the existence of a certain transparency of information, it is interesting to establish coordination between international development organizations and national zakat structures. This cooperation has benefits for both partners in strengthening development efforts. First, international organizations can provide zakat institutions with skills transfer either through the provision of experience or through financial support. This helps zakat funds develop their development programs and strengthen their ability to meet the needs of the poor. In addition, international recognition of their role as development actors increases the credibility and transparency of these national structures. In addition, this cooperation increases the capacity of international organizations to identify the priority problems and needs of the populations, since zakat institutions are familiar with the local environment. Indeed, the partnership between these two bodies makes it possible to avoid a double concentration in a

¹³Alias, Tunku, (2012), « Venture Capital Strategies in Waqf Fund Investment and Spending », ISRA International Journal of Islamic Finance, v. 4, issue 1, pp: 99-124.

specific sector to the detriment of another sector essential to economic and human development. In short, better coordination between international organizations and national structures of zakat can increase both the effectiveness of ODA and zakat by maximizing their effects on economic development.

The waqf or habous represents a pillar of the Islamic economy since the first centuries of Islam. It holds an important place in the Muslim and non-Muslim communities. Our objective is to highlight the most important aspects of Waqfs, especially in economic terms. To do this, we will first define the concept of waqf, its forms, its conditions, the nature of its beneficiaries and its objectives. Next, we will endeavor to analyze the management methods and investment mechanisms that are used to develop and grow the assets of the waqf, including the waqf public or charitable whose income is distributed for the benefit of public works, charity or nuns. Linguistic and economic definition of the word waqf: The term waqf in Arabic is defined by two concepts: habous (immobilisation), or suspension of the right of ownership and tasbil (reserving the use and the profits of a property immobilized for charitable purposes). The waqf therefore refers to the immobilization of a property for charitable purposes.

The type of beneficiary defines the type of waqf. If the beneficiary is religious, charitable or public, it is a Khayri foundation. In the case where the income from a property dedicated to waqf is allocated to particular persons, it is a private or family waqf: waqf ahli or waqf dhurrî. In other words, this waqf is dedicated to a particular sector, to living people at the time of the constitution of waqf or to people not yet born. Finally, the donor has the right to specify that the revenues generated from waqf simultaneously target public beneficiaries and individuals (waqf hybrid or shared: waqf moushtarak). Voluntary acceptance contract of the donor (waqif / waqifa): the formula of this contract must be immediately operational and not in the future. It must be definitive and not just a promise. Finally, it must not include a condition that contradicts the principles of waqf. For example, it is forbidden to say: I would put in waqf a parcel of land provided that I reserve the right to sell it whenever I want. There are, however, permissible conditions such as: devoting waqf property to a particular category or sector. The administrator of waqf has no right either to the property of the immobilized property or to his usufruct. He does not have the right to sell the property of waqf as long as it is in good condition. But if it falls into ruin and if its profits decline so that it does not meet the needs of the beneficiaries, it will be possible to exchange it for the benefit of another property of a better report for the foundation of the waqf (the steps to carry out this exchange are called *istibdal*, *mu'awada*

"substitution", ibdal "exchange"). The typology of waqfs: We can classify the waqf according to several criteria: 1. According to the purposes of waqf Waqf can be charitable-religious-public, family-private or hybrid. - Waqf public or charitable "waqf khayrî": is the waqf whose income is intended for charitable purposes. Recipients of Waqf revenues may be poor or projects of general interest (hospitals, schools, mosques, public bridges, fountains). They can also be places of prayer and worship (mosque) but also places of education (dar al-hadith, madrasa, etc.). This type of waqf also includes the family waqf whose beneficiaries have disappeared. The social impact of this type is important since its income finances the projects of general or religious interest and subsidizes the infrastructure works that give access to the basic services of companies Working Waqf private or family "waqf dhurrî or ahlî": the income of this type of waqf is intended for one or more persons designated by the founder. He can be the donor himself (the waqif), his children, his grandchildren...etc¹⁴.

Similarly to the charitable waqf, the family waqf was a way of subsidizing the infrastructure (shops, bakeries, baths, houses, farmland), but the benefits are to the benefit of the family members of the waqf founder. However, the opinions of the Islamic jurists differ on this type: the Malékite rite rejects it, because it is against the original purposes of the waqf. Thus, its social impact is negative since it increases social inequalities. But some scholars of the Hanbalites rite accept it because they have seen that the cancellation of the family waqf can discourage people from practicing waqf. It has therefore become more beneficial to revitalize the family waqf in the hope that it will be transformed into public waqf. - Hybrid waqf: is the waqf whose income is intended simultaneously to the particular beneficiaries (including the founder himself) and to religious or public works⁴⁶. For example: individuals who share the usufruct of a waqf land between family members and the poor. 2. According to the purpose of waqf (furniture or real estate) - Waqf real estate: which has lasting value, it is a commercial building (shops, cafes, workshops), residential building (houses), farmland, etc. . The real estate waqf generates income usually from a long-term lease allowing to pay regular income to the beneficiaries or to build projects of social or religious

¹⁴ Idem Aziz, M., Johari, F. and Yusof, M .pp 18-20.

utility. Moreover, there are modern forms of real estate waqf where the assets consist of a form of a company or bank designed as a waqf that generates income intended to finance a social or religious work.

Abu Hanifa, the founding guide of the Hanafite school, does not allow furniture waqf as it may be exposed to the risk of loss and deterioration. Yet this view was not followed by other Muslim doctrines or by his own disciples. The latter consider that the terms sustainability and perpetuity should not be taken literally. It is sufficient that the object of the waqf is usually imperishable, a character is not exclusive to immovable property.

5-CONCLUSION

The development of these goods can help to improve the tourism sector considered as one of the main sources of foreign currency. In Jordan, the government revived an old Waqf Mosque (Ja'far ibn Abi Talib Mosque), considered one of the most important religious monuments, surrounding cafes, restaurants and shopping malls to welcome tourists . - In the Health Sector: some benefactors put hospitals or medical equipment in waqfs. In Cairo, the Egyptian physician and writer Mustapha Mahmoud (1921-2009) created, in 1979, a pious foundation "the association of Mustapha Mahmoud" which includes a mosque, a general hospital, a library, a museum of geology and a museum. aquatic Center. Mustapha Mahmoud Hospital is intended to provide low-cost medical services to low-income individuals and families. Known for the quality of its services, this renowned hospital has an average annual income of 60 million Egyptian pounds. These revenues in turn help finance the other assets associated with the hospital (the mosque, the library and the museum of geology) and acquire new land needed for expansion. Subsequently, the profits from these investments are used to renew medical equipment and recruit teams of caregivers essential to treat many types of diseases (eye diseases, heart disease, dental care, aging-related diseases, etc.). The foundation is managed by a board of directors with 400 members including a president elected periodically. It is responsible for investing and making the waqfs assets profitable to redistribute usufruct to the needy in various forms (financial aid).

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