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Poverty Alleviation through *Zakah* and *Waqf* Institutions: A Case for the Muslim Ummah in Ghana

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Abstract

The institutions of Zakah and Waqf are among several instruments instituted by Islam to combat poverty and enhance welfare in the society. While Zakah helps generate a flow of funds and recruit the necessary manpower, Waqf provides the material infrastructure and creates a source of revenue for use in, among others, social welfare enhancing activities both at family, community and state levels. This paper discusses the role of Zakah and Waqf institutions in poverty alleviation. The paper is analytical with presentation based on survey of relevant literature with a view to adding to existing literature and synthesizing opposing views on the socio-economic role of Zakah and Waqf and the process of their revitalisation in the modern time. The paper posits that Zakah serves as a unique mechanism of compulsory transfers of income and wealth from the haves to the have-nots in the community. Through Zakah, every individual in the society is assured of minimum means of livelihood, which provides social security system in an Islamic society. Waqf on the other hand, has been used to provide the material infrastructure and create a source of revenue for use in, among others, social welfare enhancing activities both at family, community and state levels. The paper concludes that to activate and revitalise the Zakah and Awqaf systems in Muslim societies and communities, there is dire need for reform in their management formulars and to address the unsettled issues inherent in the institutions.

Introduction

Man has been created with different capabilities and potentials. For instance, some are more intelligent while others are more industrious. These differences eventually lead to unequal earnings and the subsequent differentials in the distribution of accumulated wealth. That this has been the order for all generations of human civilization and history cannot be disputed (Alhabshi, 1996). The only difference among societies would be in terms of the extent or degree of inequality and the steps taken to address persistent and widen inequalities that lead to absolute poverty rather than relative poverty.

Absolute poverty, otherwise called extreme poverty, describes a situation in which people barely survive, where the next meal may literally be a matter of life or death. Relative poverty on the other hand, where there is lack of income necessary to satisfy essential non-food needs such as clothing, energy and shelter; and exists as long as there is inequality in

income and wealth distribution. Thus, relative poverty is not a serious problem as long as it does not imply absolute poverty.

The extent or degree of poverty varies from one community to another and from one place or country to another. Its result has a direct effect not only on the life of the individual but also on the community and on the level of their material progress and civil development, causing over 1 billion people in the world today to live under unacceptable conditions of poverty and around 30,000 people in the world to die every day because they are too poor to stay alive (Sachs, 2004 cited in Dogarawa, 2006).

Poverty does not only depend on resource endowments, population size, economic and social policies, but also on the kinds of economic activities that are being undertaken. What is significant is the sort of policies, which are formulated to eradicate poverty, and to what extent their implementations are sufficiently successful in meeting the objectives. Accordingly, different communities have adopted different approaches to poverty reduction over the centuries, depending on their ideology or religious belief, extent of poverty, resource endowments, the level of political commitment, etc.

Islam is dedicated to universal brotherhood, social and economic justice. However, the Islamic teaching of brotherhood and social justice would not be meaningful unless accompanied by economic justice so that everyone gets his due for his contribution to society or to the social product and that there is no exploitation of one individual by another. To meaningfully realize social justice therefore, all the resources at the disposal of human beings must be utilized efficiently and equitably to fulfill the needs of all and to bring about an equitable distribution of income and wealth.

Hence Islam emphasises distributive justice and incorporates in its effort to foster brotherhood among Muslims a system that seems to: one, make arrangements for training and then rendering assistance in finding gainful employment to those unemployed and looking for work in accordance with their ability; two, enforce a system of ‘just’ remuneration for those working; three, make compulsory arrangements for insurance against unemployment, occupational hazards, old-age pensions and survivors benefits for those who can afford to provide for this; four, provide assistance to those who, because of disunity, physical or mental handicaps, or obsolescence are unable to support themselves or to attain a respectable standard of living by their own effort; and five, collecting and distributing *Zakah* and enforcing Islamic teachings related to law of inheritance to accelerate distribution of income and wealth in the community of Islamic brotherhood (Dogarawa, 2008).

The institutions of *Zakah* and *Waqf* are among several instruments instituted by Islam to combat poverty and enhance welfare in the society. While *Zakah* helps generate a flow of funds and recruit the necessary manpower, *Waqf* provides the material infrastructure and creates a source of revenue for use in, among others, social welfare enhancing activities both at family, community and state levels.

Problems and Objectives of the Paper

The obligation of *Zakah* is not in any way affected if governments neglect it or in the absence of an Islamic government or constituted agencies. Where government or its agencies are not responsible for *Zakah* administration, individual Muslims remain religiously obligated to give away their due *Zakah* by distributing directly or through charitable voluntary organisations to the specified recipients in order to achieve its socio-economic objectives.

Due to a variety of eroding factors, the institution of *Zakah*, which once provided an economic safety net to society, has lost its meaning. Today, it has an ad hoc and irregular function reduced to almost a ritual practiced individually by a small minority of Muslims. Many who pay *Zakah*, unfortunately, do not even know how to accurately calculate it, let alone its potential economic impact on society. The absence of trustworthy and credible *Zakah* administration voluntary organisations in many Muslim minority countries has made the socio-economic role of *Zakah* almost a thing of the past.

More so, many Muslim communities depend on local voluntary contributions, fund-raising events and foreign assistance to cover the cost of operating mosques, educational and welfare institutions. However, while the altruistic and philanthropic nature of Muslims has facilitated the establishment, growth and development of such institutions, the establishment of revenue streams *Awqaf* to facilitate sustainable growth and development remains sadly lacking in most communities. What is needed is the availability of a revenue stream that can revolutionise how Muslim communities operate and what they achieve, and which can also facilitate better planning and budgeting for growth and development.

Accordingly, this paper discusses the role of *Zakah* and *Waqf* institutions in poverty alleviation. The paper is analytical with presentation based on survey of relevant literature with a view to adding to existing literature and synthesizing opposing views on the socio-economic role of *Zakah* and *Waqf* and the process of their revitalisation in the modern time.

The paper is organised in seven sections as follows. Section two gives the conceptual framework of *Zakah* and *Waqf*. Section three traces the history

and development of *Zakah* and *Waqf* institutions. Section four discusses the socio-economic role of *Zakah* and *Waqf* in Muslim societies. Section five presents Islamic approach to poverty eradication through the institutions of *Zakah* and *Waqf*. Section six discusses the process and challenges of establishing and managing *Zakah* and *Waqf* Trust Funds in non-Islamic countries and section seven summarises and concludes the paper.

Conceptual Framework of *Zakah* and *Waqf*

In Arabic linguistics, *Zakah* is the infinite of the verb *zaka*, meaning ‘to grow, to purify and to increase’. When said about a person, it means ‘to improve, to become better.’ Consequently, *Zakah* means ‘blessing, growth, cleanliness, purification or betterment’ (Kahf, 1999). In the Islamic law, the word *Zakah* refers to the determined share of wealth prescribed by Allah to be distributed among the categories of those entitled to receive it. It is a compulsory payment by the wealthy to the economically underprivileged (Mathews and Tlemsani, 2003).

The Islamic law makes the obligation of *Zakah* a right for the poor and needy, so as to set every Muslim free from the enslavement of fear and hunger. The *Zakah* is based on the fact that man has created nothing but he adds to the utilities of things. Here, it is a must to give the right of the poor and needy for the cause of Allah, realising the security and subsistence of every individual in society (Kahf, 1989). The *Zakah* payer while giving it has a deep sense of duty towards the Law-Giver, he has a genuine dedication to the aims and objects of this levy, and he is aware of his ability to pay it.

Zakah is therefore, a unique, spiritually charged filtering device primarily designed to cleanse one’s possession or wealth necessary to protect the owners of wealth against spiritual poverty. While protecting the rights of

“haves” and “have nots”, its main objective as an act of worship are: (1) the promotion of stable economic growth through investments, employment and balance consumption, and (2) the achievement of greater income equality through an equitable distribution of wealth, there by eliminating poverty and extreme disparities of wealth between the rich and the poor (Ali, 2009).

The obligation of *Zakah* is mandatory on every Muslim who possesses the minimum *Nisaab* (exemption limit or criterion of Zakatability) of wealth that enjoys growth or is a result of a growth process, whether the person is man, woman, young, old, sane or insane (Qaradawi, 1999). The reason for *nisaab* is to ensure that no one is forced to give *Zakah* out of what he or she does not have, and that no wealth goes without *Zakah*. *Nisaab* is also an insurance against the tyranny of the state to tax the poor and or the most needy as is the case in many countries, and is a reference point for the average Muslim who is not sure whether he possesses the minimum wealth on which *Zakah* is obligatory (Kahf, 1989).

The *Nisaab* will not be valid unless it fulfills two conditions. One, the amount must be the excess or surplus from one’s essential needs for living such as food, clothing, housing, vehicles, tools and machinery that is used in business. Two, *Nisaab* must mature, that is the money is not liable for *Zakah* unless it has remained a full year in the possession of a person. What should be considered is the existence of *Nisaab* at the beginning and the end of the *Zakah* year set by the payer and it does not matter if the *Nisaab* money increases or decreases during the calendar year. This condition does not include farm produce, for it is due on the day it is harvested (Qaradawi, 1999).

Zakah is different from *Sadaqah*. The term *Sadaqah* refers to non-obligatory actions, where it is left to a man's faith and charitable nature to give without being asked believing that Allah will compensate him, and hoping for a greater reward. It is the act of voluntarily spending one's resources with one's closest relatives or next of kin, as well as with other members of the human community, including those of other faiths, also, including *Waqfs*, that is, charitable deeds aimed at providing continuous flow of reward after one's death (Haq, 1996).

Based on the texts of Qur'an and many Hadiths that cover the subject of *Zakah*, classical and contemporary scholars have differing views and opinions concerning items of wealth and income that are subjected to *Zakah*. While acknowledging the differing views and opinions of the scholars, in this paper however, we consider farm produce that are considered as food and can be stocked or saved naturally without refrigeration; cattle, including camels, cows, sheep and goats, that are freely graze and are raised for trade and production; merchandise and goods of trade and commerce (including stocks of share investments); and gold and silver used for commerce or jewellery irrespective of whether it is in coins, raw or nugget, jewellery for wearing or for rent to be items of *Zakah*.

Waqf on the other hand, is a voluntary act of charity that comes under the general terms of *Sadaqah* and *Infaq*. Linguistically, *Waqf* means stand still, hold still, not to let go (Ahmed, 2004). Technically, it may be defined as holding a *Maal* (an asset) and preventing its consumption for the purpose of repeatedly extracting its usufruct for the benefit of an objective representing righteousness and/or philanthropy for as long as its principal is preserved either by its own nature - as in land - or from arrangements and conditions prescribed by the *Waqf* founder (Kahf, 1998).

Making a *Waqf* is considered a virtuous act. The Prophet (Peace and blessing of Allah be upon him) encourages Muslims to create on going *Sadaqah*, that is, charity that continues generating benefits/revenues for use in the targeted objectives as reported in many authentic Hadiths. Throughout Islamic history and in all lands inhabited by Muslims therefore, *Waqf* had had a formidable presence. The real innovations in the idea of *Waqf* came in the early Islamic period in Madinah. After the first generation of Muslims, *Waqf* grew by leaps and bounds, and its endowment became a pillar in the religious, social, cultural, scientific, economic and political life of Islamic society to the extent that for every conceivable enterprise of social benefit there was a *Waqf*: for mosques, universities, schools, hospitals, orphanages, houses for the poor, food for the poor, the blind, battered/abused women, soup kitchens, wells, aqueducts, fountains, public baths, watchtowers, bridges, cemeteries, salaries, pensions, guest houses, libraries, books and animal welfare (Ali, 2009).

An important characteristic of *Waqf* relates to its objective of *birr*, which means doing charity out of good intention and implying that a *Waqf* for bad or immoral objectives is not recognised. The objective of *Waqf* may be for the society at large; or for the family and descendants of the founder or another specific person; or dual objectives of serving partly the family and descendants and partly the public (Ahmed, 2004).

Over the years, *awqaf* expands the scope of benevolence to cover all areas of social welfare even sectors which many contemporary economists and political sociologists consider as part of the domain and responsibility of governments such as health, education and defense (Kahf, 2003). For example, the Ottoman society left the financing of health, education and welfare entirely to the *Waqf* system. The system of *Waqf* flourished during

that empire so much so that a person would have been born into a *Waqf* house, slept in a *Waqf* cradle, eaten and drunk from *Waqf* properties, read *Waqf* books, been taught in a *Waqf* school, received his salary from a *Waqf* administration, and when he died, placed in a *Waqf* coffin and buried in a *Waqf* cemetery (Baskan, 2002).

The voluntary institution of *Waqf* therefore, supplemented the state in fulfillment of its obligation towards the provision of public goods. After the establishment of various departments of the Islamic state the importance of voluntary contribution especially in the form of *Waqf* did not diminish. Muslims have commonly followed this practice throughout the ages all over the Muslim world. Today, almost every Muslim country has a Ministry that handles *Awqaf* and Islamic Affairs while *Awqaf* properties make up a considerable proportion of the social wealth in several Muslim countries (Ali, 2009).

***Zakah* and *Waqf* Institutions in History**

The government of the Prophet (Peace and blessing of Allah be upon him) used to collect and distribute *Zakah*. The Prophet (Peace and blessing of Allah be upon him) and later his caliphs appointed *Zakah* workers and assigned to them some income from *Zakah* proceeds based on Qur'an, 9:60. During the early history of Islam, *Zakah* officials used to go to potential *Zakah* payers, and after having properly assessed their *Zakatable* assets, collected the due amounts. The application of this method was clear with regards to *Zakah* on apparent and obvious wealth, that is, livestock and agriculture.

With the introduction of the idea of *al'ashir* during the reign of Umar bn al-Khattab (May Allah be pleased with him), a new form of collecting *Zakah* on merchandise was introduced at check points on major highways, especially those coming from other countries and appointed tax collectors

who used to collect both taxes on import from non-Muslim foreign traders and *Zakah* from Muslim traders, a practice that continued throughout the early history of Islam (Ahmed, 2004).

Until the end of the Ottoman Empire, it was the tradition of Muslim governments throughout the history to assign a fund or account in the treasury for *Zakah*, and its proceeds are distributed within the *Shari'ah* requirements. On the other hand, the state may delegate individual payers to dispose of their *Zakah* to proper recipients as long as it is generally known that individuals are keen to pay it out of their religious enthusiasm (Kahf, 1999).

In the history of Islam, the first known *Waqf* is the mosque of *Qubaa* in Madinah, which was built upon the arrival of the Prophet (Peace and blessing of Allah be upon him) followed by the purchase of the land and construction of the mosque, known today as the Prophet's mosque. According to Kahf (2003), mosque and real estates confined for providing revenues to spend on mosques' maintenance and running expenses are in the category of *religious Waqf*, which in any Muslim society adds to the social welfare of the community because it helps satisfy the religious needs of people and reduces the direct cost of providing religious services for any future generation.

On the recommendation of the Prophet (Peace and blessing of Allah be upon him), a second kind of *Waqf* known as *philanthropic Waqf*, which is aimed at supporting the poor segment of the society and all activities that are of interest to people at large such as public utilities, libraries, scientific research, education, health services, care of animals and environment, lending to small businessmen, parks, roads, bridges, dams, etc was established. According to Kahf (2003) and Ahmed (2004),

philanthropic *Waqf* began by the Prophet's (Peace and blessing of Allah be upon him) calling on people to alleviate the water-shortage related suffering of their brothers through buying the popular well of *Rumah* and making it into a *Waqf* free to whoever takes water, a task accomplished by Uthman bn Affan (May Allah be pleased with him). The Prophet (Peace and blessing of Allah be upon him) also advised Umar (May Allah be pleased with him) to make *Waqf* of his most precious land in Khaybar. The land was made a *Sadaqah* that could neither be sold nor given as a gift, and the fruits from the far were to be distributed to the poor and kinships, to liberate slaves, to provide for guests and the wayfarer, and some reasonable quantity to its custodian.

Kahf (2003) documented another form of *Waqf* called *posterity or family Waqf*. According to him, this kind of *Waqf* started when Umar bn al-Khattab (May Allah be pleased with him) decided to document in writing his *Waqf* in Khaibar and invited some of the Prophet's companions (May Allah be pleased with them) to attest the document. Thereafter, many companions who owned real estate made certain *Waqf*, some of whom stipulated as part of the conditions that the fruits and revenues of their *Waqf* must first given to their own children and descendants and only the surplus, if any, should be given to the poor. It is argued that the family *Waqf* is charitable in essence because it gives income/usufruct to persons free of charges and improves the welfare of future generation.

The history of both *Zakah* and *Waqf* is very rich with impressive achievements in serving the poor in particular and enhancing the welfare of the *Ummah* in general. In addition to *Zakah* funds, various kinds of *Waqf* were established including *cash Waqf*. The cash investment *Waqf* dates back to as early as the turn of first century of Hijrah, as related by Imam Malik and Bukhari in their books. According to Ahmed (2004), cash *Waqf*

had two forms: first, cash was made into *Waqf* to be used for free lending to the beneficiaries and second, cash was invested and its net return is assigned to the beneficiaries of the *Waqf*.

With the falling of several parts of the Muslim world to the military and cultural colonisation during the nineteenth century, the institutions of *Zakah* and *Waqf* suffered a serious setback. The collection and disbursement of *Zakah* on obvious wealth by the government or its agency was one of the early victims of the reality that befell the Muslim world in addition to the partial withholding of *Zakah* from the government by some individual Muslims during the late era of Umayyad, the eras of Abbasids and later the Ottomans in opposition to the high corruption in government ranks and the great injustice and oppressive means used in extracting payments from people. It is believed that the only country where *Zakah* application by government agency on livestock and agriculture and *Zakatul fitr* continued since the time of the Prophet (Peace and blessing of Allah be upon him) is Yemen. It is however, documented that *Zakatul fitr* has continued to be collected and distributed by the different Sultanates offices in parts of Malaysia.

The institution of *Waqf* has also degenerated in many Muslim societies from its past glory. Attempts have been made by the political authority to take over management of *Waqf*, though strongly resisted by the *Fuqaha* and other social leaders, due to either loss of or difficulty to locate deeds of *Awqaf* in the old records and archives of local courts, and the centuries of old problem of corruption and mismanagement by judges and *Waqf* managers respectively. The shift of *Waqf* management to government started with the establishment of *Waqf* Administration by the Ottoman Empire in 1826, which led to the liquidation of most Islamic *Awqaf* of that time.

According to Khan (2007), the current state of *Awqaf* has the following two remarkable features: firstly, there is a huge stock of *Awqaf* property lying in various parts of the world (Muslim as well as non-Muslim) which have been abandoned and are no more operative. Secondly, not only that considerable number of *Awqaf* properties inherited from the past is lying idle, but also the new *Awqaf* are not coming up particularly to alleviate hardships faced by the poor despite potential capacity among the wealthier population in Muslim countries and communities. The main factor thwarting the emergence of new *Awqaf* institutions is the absence of legal protection to the *Awqaf* property. The legal system of property rights in many Muslim countries is not only weak but also whatever system exists is not properly enforced. These weaknesses in the system of property rights are detrimental to the growth of private sector as well as third sector and *Awqaf* development.

Since the beginning of the 1990s, government in several Muslim countries have taken bold steps to change the style of administering *Waqf* properties and activities by establishing some agency to take charge of *Waqf* (Ahmed, 2004). Also, religious and other voluntary organisations, especially in non-Islamic Muslim majority and minority countries are taking steps to revitalise the institution of *Waqf*.

Socio-Economic Role of *Zakah* and *Waqf*

Zakah, in fact, created the first universal welfare system in human history. The economic system that emerged when Islam took hold in the Arabian Peninsula was a reflection of what is known in the contemporary world as welfare economy (Khan, 2007). *Zakah* is a cornerstone of the values that govern Islamic economics. Being directional and normative, *Zakah* defines the norms of economic activity and, through its effects on economic

variables, determines the direction along which the economy should move. On the revenue side, it specifies the manner in which *Zakah* revenue is to be raised and who pays it, and on the expenditure side, it sets forth the uses (recipients) of the revenue. Like any modern budget, it describes the economic order that it attempts to establish and express the ideals and aspirations of society. Finally, as a fiscal mechanism, *Zakah* performs some of the major functions of modern public finance, which deals with social security entitlements, social assistance grants for childcare, food subsidy, education, health care, housing, and public transportation in a welfare state.

Zakah aims at eliminating poverty and the desire for personal accumulation at any cost, and encouraging socially orientated behavior. It aims for the reduction of socio-economic differences by providing support and financial help to the have-nots to bring them closer to the haves. It is an effective means of redistribution of wealth on a yearly basis to keep the poor propertied and facilitate the attainment of full employment. The major social and economic objectives of *Zakah* include purification of *Zakah* payer, heart reconciliation between the payer and recipient, satisfaction of the basic economic needs of the poor, defense of the Muslim *ummah* and its ideology, solving dangerous problems such as poverty, unemployment, catastrophes, indebtedness and inequitable income distribution (Qaradawi, 1999).

Zakah distribution reduces the risk of debt failure as part of its proceeds is distributed to persons under debt; *Zakah* collection and distribution increases employment through job creation for the management of *Zakah* itself and transfer of some of segments of recipients into productive workers by means of distribution in the form of training, rehabilitation and capital goods. It is also argued that in a contemporary Muslim society,

Zakah may increase labour force participation as well as labour productivity without any negative effect on the incentive to work among the rich; induce an increase in investment; and enhance efficiency of investment (Dogarawa, 2008).

Zakah proceeds, according to some contemporary Muslim economists, may be used to finance Islamic socio-economic infrastructure that include providing for the beneficiaries Islamic education; vocational training and the necessary tools; agriculture and cottage industries; simple fixed assets for small utility and trade projects working capital to craftsmen; and low-cost housing and medical facilities (Shehata, 1989).

Waqf as an important institution of Islamic civilization aims at taking care of the needs of the society that are otherwise ignored in the process of economic growth and development. It is an institution that helps social development keeps pace with economic growth in the society. It represents a property dedicated in perpetuity for specific beneficiary to achieve specific objectives. The motivation of establishing such a socio-economic activity is as the case with *Zakah*. It is this motivation that has kept the institution of *Waqf* not only alive and active throughout Islamic history but has contributed significantly to various social causes such as health, education, research and meeting needs of less privileged/poor sections of the society.

The institution of *Waqf* in the contemporary socio-economic set-up should be seen as an additional source to support the program relating to poverty alleviation. The past history of *Waqf* suggests that the institution can be used to mobilize additional resources for poor sections of the society to address socio-economic issues such as:

a) Education.

- b) Skills and micro entrepreneurial development
- c) Health care and care of HIV/AIDS infected population
- d) Water and sanitation facilities in rural areas

Awqaf can also maintain a fund, which if properly invested, can be utilized in periods of famine and other crisis to help extreme poor to survive the crisis or the famine. In the context of countries with extreme poverty, *Awqaf* can help people in extreme poverty facing starvation, death and diseases.

Role of *Zakah* and *Waqf* in Poverty Alleviation

Zakah system provides a permanent mechanism from within the economy, to continuously transfer income from the rich to the poor, so that whatever is the number of poor people in a society or whatever are the causes of poverty there is always a continuous flow of transfer to take care of the welfare of the poor (Qaradawi, 1999). The allocation of *Zakah* and disbursement between the poor, needy and other recipients on one hand and between capital goods and consumption goods on the other, as well as the principle of *tamlik*, which means giving to the poor and needy on a grant basis, are considered to lead to more specific approach in dealing with the problem of eradication of poverty, since *Zakah* addresses specific poor groups. Further more, what is given to the poor is essentially and basically determined with the aim of enriching them and removing them completely from the poverty level to such factory level in which they produce sufficient income to take charge of all their needs. There is consensus of Islamic scholars that the higher priority in *Zakah* disbursement is for eradication of poverty.

There was a time in the early history of Islam, which is recognised by contemporary historians also, when hardly any one was in need of charity.

Muslims were finding hard to locate poor and hungry in order to discharge their religious obligations of paying *Zakah*. Two reports gave an account of the role of *Zakah* in poverty alleviation during the classical times; one, during the time of Umar bn al-Khattab (13-22A.H) and the other during the period of Umar bn Abdil-Azeez (99-101A.H). At those periods, poverty was completely eliminated among the people of some regions, as nobody was willing to collect anything from the proceeds of *Zakah*. Although there are no definite figures on the amount of *Zakah* collected, there are indications regarding its quantitative effects. The two reports confirmed the efficacy of *Zakah* in addressing the problems of both absolute and relative poverty

According to Ahmed (2004), during the reign of Umar bn al-Khattab, Mu'adh bn Jabal who was in Yemen sent one-third of the *Zakah* he collected in a particular year to him in Madinah. Umar rejected it saying: 'I sent you to take from the rich and render it to the poor among them', but Mu'adh replied: 'I did not send a thing that I find anyone who would take it from me'. In the following year, Mu'adh sent one-half of the *Zakah* and the same exchange of talk took place between them. In the third year, he sent to Umar all the *Zakah* collected in Yemen and when queried, he said: 'This year I did not find a single person who needs from me anything of the *Zakah*'. In the second report, the governor of Egypt wrote to Umar bn Abdil Azeez asking him what to do with the proceeds of the *Zakah* he collected because he found no deserving poor and needy all over the country. Umar answered, 'Buy slaves and set them free, build rest areas on the highways and help young men and women get married.'

The significance of *Awqaf* in historical Muslim societies of the past is evident from information available on the size of this institution. In some countries, *Awqaf* reached one-third or more of total cultivable land and other properties. This large investment in the social sector, according to

Ahmed (2004) succeeded in transforming the society and empowering the poor segments of it. Education, offered almost only by *Awqaf* in those days, enabled the poor to move up the economic ladder and obtain high levels of economic and political power.

Establishing *Zakah* and *Waqf* Institutions in Muslim Minority Countries

The role of government with regard to the collection and distribution of *Zakah* is essential. The Qur'anic verse 9:103 is addressed to the Prophet (peace and blessing of Allah be upon him) as a head of the state and ordained him "take *sadaqah* (*Zakah*) out of their property". The verse 9:60, which stipulates the distribution, mentions the workers on its collection and disbursement as one of the categories of the recipients of its proceeds. Throughout Islamic history, *Zakah* collection and distribution have been among the functions of Muslim governments. This has been the case until the end of Ottoman Empire. Besides government, *Zakah* during all this period has been managed through other institutional arrangements as well, notably like *Awqaf* (Trust) organisations.

In contemporary societies, NGO organizational type set-up is considered more suitable for *Zakah* management. Some contemporary Muslim governments, however, are taking the responsibility of collecting and distributing *Zakah*. Yemen is one of those few countries where government continued to manage *Zakah* collection and distribution even after the fall of Ottoman Empire. Currently, Saudi Arabia, Malaysia, Libya, Pakistan and Sudan are the major Muslim countries having enacted laws for government bodies to formally collect and distribute *Zakah*. These countries make provisions, in the law, making it obligatory to pay *Zakah* on some specific items, defined in the law, to bodies created by the government while the *Zakah* on other items, not specified in the law, is left to be voluntarily paid either to government body or elsewhere.

On the other hand, there are countries where government has established institutions to collect and manage *Zakah* only voluntarily contributed by *Zakah* payers. These countries include Bahrain, Bangladesh, Egypt, Indonesia, Jordan, Kuwait, Oman and Qatar. Majority of the contemporary countries, however, leaves it entirely to the private (charity) organizations or NGOs to manage the collection and management of *Zakah* (Kahf, 1999). There is no country, where all *Zakah* obligations are made to pass through formal channels (whether government bodies, or NGOs or charity organizations). In all countries a substantial amount of *Zakah* passes through informal and unorganized or personal channels that hardly have the capacity to ensure that the *Zakah* contribution is effective in alleviating poverty in their societies (Khan, 2007).

The most important reason to organize formal management of this institution at community level, national level and global level in the contemporary socio economic set-up is the permanency of this institution to generate predictable and stable resources for meeting the needs of the poor. As an additional resource for poverty alleviation, this source is not vulnerable to short term fluctuations in the economy. This is, firstly, because the base is very wide. Even small households of small incomes like to contribute for religious reasons. Secondly, temporary setbacks in the economy and economic conditions of individuals may not immediately be reflected in the reduced *Zakah* contributions, again because of religious considerations and commitments. Small fluctuations in the economy and its performance though may reduce funds from public sector, private sector and foreign donors for poverty alleviation programs, the programs run on the basis of *Zakah* and *Sadaqah* money may not be affected to the same extent. People still like to stick to their regular commitment towards

the poor even if they have some short-term setbacks in their businesses or incomes (Khan, 2007).

In Nigeria, Shari'ah-complaint states and some Muslims dominated states have constituted commissions/boards or standing committees for *Zakah* administration, even though individual payers mostly prefer to handle their *Zakah* personally than to discharge their obligation through agencies or voluntary charitable organisation. In view of this, establishing voluntary *Zakah* trust fund and *Waqf* outfit in countries where the economic system is not Islamic and the political system does not officially recognise Islam as the dominant religion or where Muslims are in the minority will go along way in alleviating poverty and revitalising the institutions of *Zakah* and *Waqf*.

According to Siddiqi (1996), it is not far-fetched to assume that the role of *Waqf* (and by extension *Zakah* collection and disbursement boards) is likely to increase in countries with Muslim minorities than where the majority of the population is Muslim. The reason for a more active role for *Waqf* in the former lies in the realization that, with a state which is at best indifferent to their religion and to many of their special socio-economic needs, Muslims have to use *Waqf* for the fulfillment of these needs and for the protection and promotion of Islam.

This potential, however, can be harnessed only by providing appropriate legal protection and supportive environment. Here in lies the role of government and its agencies. It has been argued that direct involvement of state in organising and managing the institutions of *Zakah* and *Awqaf* may not lead to an optimal mobilization of resources from these institutions. There are serious apprehensions expressed in different national and international fora about the governance issues among the public and hence

a factor leading to reluctance of the public to hand their *Zakah* and charity funds to government institutions. The effective role that state can play in this respect is creating enabling environment, providing supporting legal framework and protecting property rights through effective enforcement of law.

It is believed that creating awareness among the affluent members of society as well as Muslims abroad about the need and usefulness of establishing *Awqaf* institutions in Muslim minority countries with extreme poverty and partnering with international Islamic organisation such as Islamic Development Bank (IDB) or financial institutions can mobilize a lot of funds for the establishment of *Awqaf* for fighting poverty. IDB for example, has always been conscious of the poverty incidence in its member countries and particularly in Sub-Saharan African member countries and of its obligations to play its role to help the countries in their fight against poverty. According to Khan (2007), IDB has launched during 2000-2001 a special program on strengthening *Zakah* and *Awqaf* institutions as a means for building capacity to alleviate poverty. It has also provided financing to help some member countries to revitalize some of their *Awqaf* property that were lying idle and unutilized. Further, it has established a Trust Fund known as World Waqf Foundation (WWF) to achieve the following objectives with respect to the development of *Awqaf* in IDB member countries and in Muslim communities in non-member countries:

- a) to support the establishment of a network of institutions that would perform Shari'ah compatible charity activities,
- b) to sponsor and support institutions, coordinate their activities and prove them with expertise through the technical assistance and training programmes of Islamic Research and Training Institute (IRTI), a specialised unit of the IDB,

- c) to extend assistance to students and provide scholarships in disciplines that can fulfill the needs of the Ummah,
- d) to establish and support educational, health and social institutions and programs,
- e) to contribute to the alleviation of poverty so as to enable people of the world to overcome hardship and build their capabilities,
- f) to provide relief aid in the form of goods and services,
- g) to help IDB member countries to enact uniform legislations.

It should be noted that today, Muslims, especially in non-Islamic countries are facing serious challenges vis-à-vis the institutions of *Zakah* and *Waqf*. Some of these challenges are:

- (i) How to make the institutions of *Zakah* and *Waqf* vibrantly working in consideration of the fact that our economic system is not Islamic, and thus, government or its agencies are neither responsible for the assessment, collection and disbursement of *Zakah* proceeds nor playing the role of enabler of conducive atmosphere and effective environment for the establishment and effective management of *Awqaf*. Even where Islamic voluntary organisations or NGOs volunteer to administer *Zakah*, individual payers are likely to prefer handling their *Zakah* personally than to pay through voluntary charitable organisations.
- (ii) How to resolve some unsettled issues in the *fiqh* of *Zakah* and *Waqf*. Some of these unsettled issues in *Zakah* include *Zakah* on salary, *Zakah* on debt, *Zakah* on stocks/shares, *Zakah* on investment in companies that pay *Zakah*, and *Zakah* on royalties. Unsettled issues relating to *Waqf* include the permissibility or otherwise of temporary *Awqaf* and the possibility of extending activities of *Waqf* to cover usufruct and financial rights. Although, these are contemporary and

burning issues among even international scholars, Muslim minorities in their own countries should look at the possibility of discussing and resolving them at conferences and seminars.

- (iii) Another challenge relates to enlightening programmes that will educate especially Muslim rich in our countries, who are mostly not well informed about this important pillar of Islam and the socio-economic role of *Zakah* and *Awqaf* in every Muslim society.

Summary and Conclusion

History has shown that when societies get too unequal bad things happen. They either become economically inefficient or they become subject to social unrest. In many cases both happen simultaneously. However, the societies as a whole have not prospered. They have been subject to continual poverty and revolution and much of the development that has taken place is in the hands of foreign investors. The wealth of the few has been maintained at a high cost to the majority.

Islam stands for complete eradication of absolute poverty and organisation of economic life in a manner that the basic needs of all human beings are met. To ensure fulfillment of the basic needs of all, Islam enunciates the principle of the poor having a 'right' in the income and wealth of the well-off members of the society through the systems of *Zakah* and *Awqaf*.

Zakah serves as a unique mechanism of compulsory transfers of income and wealth from the haves to the have-nots in the community. Through *Zakah*, every individual in the society is assured of minimum means of livelihood, which provides social security system in an Islamic society. Throughout history, whenever Muslims truthfully applied the system of *Zakah*, as ordained by the *Shari'ah*, the laudable and splendid objectives of *Zakah*

were fulfilled. *Waqf* on the other hand, has been used to provide the material infrastructure and create a source of revenue for use in, among others, social welfare enhancing activities both at family, community and state levels. This is not merely the matter of theoretical principles that are far removed from being able to reform reality. The Muslims applied these principles in their societies and achieved results, which are a source of historical pride and glory.

To activate and revitalise the *Zakah* and *Awqaf* systems in Muslim societies and communities, there is dire need for reform in their management formulars and to address the unsettled issues inherent in the institutions. It should be noted that to have an organised system of *Zakah* collection and disbursement requires high level of credibility and commitment from the side of voluntary organisations, and cooperation from the side of people while banking on legislative support from the government. In the case of *Waqf*, flexibility in its processes and procedures that will make its establishment much more easier and benefits more reapable are required; and motivational measures that will make its management efficient are needed.

Flexibility in the process and procedure of establishing *Waqf* may involve revision of the *Fiqh* of *Waqf* to accommodate two types of *Waqf*, namely perpetual and temporal so that while the condition of perpetuity of *Waqf* remain the general rule as it provides for capital accumulation in the third sector that, over time, builds necessary infrastructure for providing social service on a non-for-profit basis, temporary *Awqaf* for specific period that will be accompanied with an explicit expression in the founder's will, the nature of the property or the definition of the objective should be condoned as an exception in consideration of the needs and peculiarity of some societies, especially non-Islamic societies and/or the nature of some

assets that are used for *Waqf* purposes. In addition, *Waqf* of usufruct such as driving a car on the toll way, passing through bridge or using a parking lot for some hours during Friday or Eid prayers; and financial rights such as patent and other talent rights, newspaper, magazines, periodicals and other objects that have repetitive character, educational software and many other intangible properties that have become important business in the modern days should be included in the principle of *Waqf*.

Managerial efficiency and the vibrancy of *Waqf* on the other hand, can be achieved by the following:

- i. Creating boards of supervision that consists of representatives of the beneficiaries, the working staff in *Awqaf* projects and properties, and community and NGOs.
- ii. Establishing criteria and measures of managerial efficiency in non-profit corporations that are applicable to the variety of properties and objectives of *Awqaf*.
- iii. Auctioning the management of *Awqaf* on competitive ground for a definite period of time, say 3 - 5 years.
- iv. Creating a government supportive body that may provide technical assistance, facilitate financing, and establish necessary regulators.

Muslims should therefore endeavour to establish vibrant *Zakah* and *Awqaf* institutions in their communities to augment the effort of their respective governments in the fight against poverty and other social menace. It has happened in the past and can happen now.

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