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# **From solidarity to prosperity: Exploring the impact of Islamic Waqf on economic development: Insights from the Kuwaiti experience**

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**Abstract**--The main objective of the study is to highlight the importance of utilizing the *Islamic Waqf* (Endowment) system by states in achieving the desired economic development goals. The study begins with the literature on waqf in Islam, in terms of its concept and some of its jurisprudential rulings, such as the four pillars of waqf. In the second part of the research, the fundamental concepts related to economic development were pointed out, in particular economic development's objectives and its five dimensions. In the next section, we tried to link the variables of the study "Waqf and Economic development." On the one hand, we showcased the effects of Waqf in achieving social welfare such as solidarity and social justice; and on the other hand, the effects on economic dynamics such as stimulating demand and promoting investment were brought to attention. Finally, the case of *Awqaf* (endowments) in the State of Kuwait was diagnosed, starting with a historical overview of awqafin Kuwait and the state's endeavours to manage them. Afterwards, the contribution of awqaf in reaching the economic development's goals was analysed. The research findings provide evidence that Kuwait has a successful experience in waqf system management as well as in making Islamic Waqf supporting the economic development. The market value of waqf assets in Kuwait amounted to \$4.81 billion, and revenues from waqf investments amounted to \$157.44 million in 2022. Kuwaiti awqaf support the economic activity of various sectors by allocating 11 diverse endowment funds, and the total market value of these contributions in 2022 was estimated at \$1.93 billion.

**Keywords**--Waqf (Endowment), Economic development, Awqaf investment, Social welfare, Kuwait.

## Introduction

Allah Almighty has described the Islamic religion as perfect in His words: "This day, I have perfected your religion for you, completed My favor upon you, and have chosen for you Islam as your religion. Al-Maida,03". Islamic legislation was not limited to the pure act of worship, but was comprehensive in all aspects of spiritual, material, social, and even economic life, whether directly through the jurisprudence of transactions or indirectly through the enrichment of souls through atonement and almsgiving.

The Islamic Waqf system is one of the civilizational contributions of Islam, although waqf (Endowment) is a human practice rooted in the history of human civilisations, but the Islamic Waqf is distinctive in its legal rules, religious and worldly goals. Since the time of the Prophet (PUH), when endowment legislation was approved, and despite the succession of Islamic states such as the Umayyad and Abbasid, till the contemporary states established after the collapse of the Ottoman Empire, Muslim society has maintained the waqf system. On top of that, they did so even during the colonial era of western powers. Some studies have even indicated that Awqaf (endowments) were one of the reasons for the cohesion of the Muslim community and its survival in times of weakness and decadence, as waqf has always served mosques, Qur'anic schools and ensured the necessities of the needy.

Economic concepts evolve according to the development of economic conditions and the progress of human endeavours to theorise and explain them. In the past, countries focused on achieving economic growth, then shifted to economic development with the aim of creating a kind of balance between improvement in both economic and social indicators, so that the state can generalise the economic benefits to all society members. In order to achieve the economic development goals, countries rely on a range of tools and policies; In some countries, the Islamic Waqf has become one of the most important of these tools. Although it is restricted by conditions, including the intention of El-wakif (the Donor), the areas in which the waqf can be exploited are many and wide, unlike Zakat (special kind of Islamic charity), which is reserved to the eight categories of expenditure. Moreover, unlike other forms of donation which are straightforwardly consumed, the origin asset of the waqf is preserved, which makes the benefit of the waqf more lasting.

The State of Kuwait has a long history in the field of waqf. Even before the establishment of the modern State of Kuwait, Kuwaiti society was characterised by the practice of waqf, and documented legal arguments are evidence of this. The Kuwaiti state developed in several stages its management policies of waqf, until it established the Kuwaiti Awqaf General Authority, which took upon itself everything related to the management of endowments, from advocacy and sensitisation on the importance of awqaf to the development of waqf investment. Through this authority, the State of Kuwait has endeavoured to make endowments one of the tributaries of economic development.

The research question of the study is: **How can Awqaf contribute to achieving the goals of economic development? And at what extent is the experience of Kuwait successful?**

To answer this question, we will try to break it down into four sub-questions as follows:

- What are the basics of Islamic Waqf jurisprudence?
- How is economic development defined in terms of its objectives and dimensions?
- In what ways can waqf participation promote economic development?
- What are the outcomes of measuring the effectiveness of Kuwaiti awqaf in fostering economic development in Kuwaiti society?

### **I. Islamic Waqf: Core Concept**

- 1) **The concept of waqf and its jurisprudential rulings:** First of all, waqf is an Islamic term for Endowment. The Islamic literature has provided several definitions of waqf, but although they differ in wording, they are almost the same in content, also the linguistic and terminological definitions of waqf are quite similar. (Ben Mimoun & Abdous, 2020) states that Waqf, Tahbis or Tasbil have the same meaning, which is confinement from disposal, prohibition in perpetuity, making it confined neither sold nor inherited; So it is said that a person made an animal or a land waqf, that is, they confined it or donated it for the sake of Allah forever; and the plural of waqf is Awqaf (Endowments); In the Islamic sharia, Waqf is the act of locking up an asset that can be utilised while its origin remains, and distributing its benefits to the rightful recipient (eg. persons or village) in a rightful cause as a way to get closer to Allah (SWT).

For their view (Ouzaid & Bouslem, 2021) points out that the linguistic and sharia meaning of waqf agree on the confinement of the endowment asset which leads to preventing its ownership, sale, gift, inheritance and other actions by the donor; Noting that, although the term waqf dominates in the various schools of jurisprudence, the jurisprudence literature in the Maghreb (Arabic North African countries) uses the term “Habs (v), Habousse (n.s), Ahbasse (n.p)”.

The evidence of the legitimacy of the waqf in Islam is supported by The Holy Qur'an “Never will you attain righteousness until you spend from what you love. Al-Imran, 92”, and the Sunnah “When a son of Adam dies, his deeds cease except for three things: Sadaqah Jariyah (continuous charity), a beneficial, or a virtuous descendant who prays for him. Narrated by Muslim”; in addition to the Prophet's ruling to Umar bin al-Khattab when he got a land in Khaybar and he came to the Prophet and asked him: “O Messenger of Allah, I got an asset in Khaybar that I never got a such valuable to me than it, so what do you order me to do?” the Prophet replied: “If you wish, you may confine the asset and give away its fruits, bear in mind that the asset shall not be sold, donated or inherited”, So Umar endow it for the poor, relatives, slaves, guests, and travelers, there is no blame on the one who administers it to eat from it in a reasonable manner and to feed those who are not beggars. Thus, the scholars agreed on the permissibility of the waqf, as indicated by (Khalidi & Moussaoui, 2006).

From an economic perspective, Waqf is the transfer of funds from consumption to investment in capital assets that produce benefits and revenues to be consumed in the future for the benefit of a group or an individual. Economically, waqf is a developmental process that combines savings and investment, as it leads to the accumulation of capital by sacrificing current consumption in exchange for increasing benefits for future generations, as mentioned by (Dahmani & Nawi, 2022). Additionally, waqf is a process of converting part of private wealth into permanent solidarity resources, whose benefits—whether goods or services—are allocated to meet the needs of specific entities. Thus, it contributes to raising productive capacities and creates economic dynamics that lead to better justice and balance in the distribution of wealth between individuals in society today, and between successive generations; (Lemzari, 2019). From this, we conclude that waqf, is a driver of both development and sustainability.

- 2) **Pillars of Waqf:** From the above, we notice that waqf is a form of material good deed through donation or charity. However, for it to be considered a valid waqf, four essential pillars must be respected. These can be briefly explained according to what was mentioned by both (Salahhi & Ben Amara, 2014) as well as (Lemzari, 2019), as follows:
  - A. The *waqif* (donor): is the original owner of the endowed asset. It is required that the waqif be sane, of legal age, not coerced, and not under any legal incapacity. Therefore, it is not valid for a person who is insane, a child, someone lacking legal capacity, or a person who is coerced into the act.
  - B. *Al-Mawquf* (the endowed asset): is the asset that is being held in trust. It is required that it be: fully owned, meaning it is not valid for a person to endow something they do not own or something that is in dispute and has not been fully acquired. It must be *Halal* (lawful), meaning it is not permissible to endow something that is *Haram* (unlawful), such as usurped land or a winery. It must be known and specified at the time of the endowment, for instance: area of land, its location, or the exact amount of money. It must be an asset form that can have its principal held and the benefits derived from it, such as real estate, trees, or shares in a company.
  - C. *Al-Mawqouf 'Alayh* (the beneficiary of the endowment): It is the entity to which the waqf is allocated or dedicated, it can be physical or moral person. First, it is required that this entity be either individuals in need, or charitable organization that benefits the public such as charitable associations and educational institutions. Secondly, an entity that is not associated with wrongdoings (haram) in regards of sharia, like night clubs. It must also be capable of owning the waqf and managing it properly without any kind of impediment.
  - D. *As-Siigha* (The formula): It is any formula (vocal or written) that indicates the intention of the waqif (the donor) to dedicate the endowment to the beneficiary. It is required for its validity that it be clear without ambiguity, decisive without being conditional on something that contradicts the practice of the waqf, and that it conveys permanence.

- 3) **Types of Waqf:** Scholars and legislators have classified Al-Awqaf (endowments) into several categories based on various criteria. We summarize the most important of these as follows:
- A. Based on *Al-Mawqouf 'Alayh* (the beneficiary): According to what was mentioned by (Bourzaq, 2021), the endowment is classified here into two types:
- *Al-Waqf Al-Aam or Al-Khayri* (General or Charitable Endowment): It is a waqf dedicated to charitable purposes, whether for the benefit of the general public, such as the poor, the sick, or travelers, or for a specific entity, such as an association or a mosque. The waqf is used for public benefit from the outset, and its benefits may extend to the endower and their family if eligible.
  - *Al-Waqf Al-Thurri or Al-Ahli* (Private, Family, or Lineage Endowment): It is a waqf dedicated by the endower to their descendants, family, or tribe, initially. It may eventually convert into a general endowment if the family of the beneficiaries becomes extinct. Therefore, this classification takes into account the first party that benefits from the waqf, knowing that both types ultimately result in Al-Waqf Al-Aam.
- B. Based on the nature of the waqf assets: Here, (Ghanem & Hadbawi, 2013) refer to five categories of waqf, which are:
- *Fixed assets:* Such as agricultural and non-agricultural lands.
  - *Real estate:* These are buildings directly used for waqf purposes, such as mosques, hospitals, schools, and houses.
- A. *Movable assets:* the ones that can last considerably Such as carpets & Qur'ans for mosques, manuscripts & equipment for libraries, livestock, buses, etc.
- B. *Monetary waqf:* Endowing coins and money by lending them to those in need, and then re-lending them after collecting them for another person in need, or endowing capital for investment and distributing its proceeds to the beneficiary entity.
- C. *Waqf of intellectual property rights:* Such as copyright, patents, and trademarks, where the intellectual property rights are endowed by the rights holder, and the income generated from these intellectual property is used to benefit the beneficiary.
- 4) **Management and investment of Awqaf:**It is common, the waqif(endower) is the one who oversees the waqf to ensure the achievement of its intention. However, after completing the endowment procedures, the endower may prefer to delegate its management directly to the beneficiary entity, such as a mosque or an association, which then manages the waqf and takes care of its preservation and maintenance. The significant growth in the size of al-awqaf in the Islamic community, coupled with the endower's death or the dissolution and cessation of activity of the beneficiary entity, has led ultimately to many of these awqaf facing neglect and loss. This is what prompted the intervention of the state to take care of awqaf assets.

For example, in contemporary Algeria, according to a study by (Tazir, 2017), which showed that the waqf system in Algeria has undergone

several developments, starting with the enactment of Law No. 10-91, dated 27/04/1991; This law established a comprehensive legal framework for the administrative regulation of waqfassets through mechanisms that allow for the exploitation and investment of awqaf in a way that moves awqaf management from a limited traditional practice into an economic model within the framework of Sharia-compliant, while respecting the conditions set by Al-Waqifin(endowers)and considering the interests of the beneficiaries.

Waqf investment is part of its management process, and it is the optimal approach for utilizing the proceeds of the endowment for the beneficiary entity, as well as protecting the endowment itself. Several definitions have been provided for waqf investment, including the following: It is the growth of waqf assets, whether they are capitals or proceeds, through methods that ensure its sustainability in accordance with what is permissible by Sharia law (Brah, 2017). Waqf investment is also defined as the increase in the endowment's capital and its productive capacity for future contributions; it also refers to the efforts made by the endowment administrator, both intellectual and financial, to preserve and develop the waqfassets in lawful ways, in accordance with Sharia rulings and the endower's objectives (Mujouj, 2017).This definition mention the entity authorized to manage and invest the endowment, with an emphasis\_like the previous one\_ on the condition that the investment method does not conflict with Sharia rulings, while also highlighting the necessity for alignment with the endower's desires, who may set limits on the extent of the authority to manage the waqf.

Another study pointed out that waqf investment involves seeking the best lawful methods to achieve the highest return for the endowment, ensuring the highestvalue possible of income generated from the endowed asset, with the condition that these returns are used for the beneficiary entity, while allocating part of it for the maintenance, development, and growth of the endowment to guarantee its preservation and continuous benefit. The legitimacy of waqf investment is supported by analogy with the legitimacy of investing theorphan's wealth in sharia, as the guardian must trade it (orphan's wealth) to prevent it from depleting due to Zakat. Similarly, the waqf needs to be developed and invested so that the beneficiaries can enjoy its benefits continuously (Al-Azhar et al., 2024).

## **II. Economic Development: An Overview**

- 1) **Economic development concept:** Development, in linguistic terms, comes from the root "to grow", which means to increase and multiply. So, growth and development refer to actions that increase and multiply something, such as increasing production by raising its rate. In technical terms, development refers to transforming unused natural resources into productive resources, such as reclaiming desert or barren land, or establishing new industries (Mohamed Mega, 2024).

Before addressing the definition of 'economic development,' it is important to refer to the concept of "Economic Growth" as there is often confusion between the two terms, using them incorrectly interchangeably. Economic growth refers to the steady increase in Gross Domestic Product (GDP) over a long period of time, without significant or noticeable changes in the economic, social, political, or cultural aspects. In other words, it is a quantitative variable that reflects the increase in both the (GDP) and the average per capita income over an extended period. The increase in gross and individual income must be real, not just monetary, by excluding the effect of inflation, and this increase should be continuous, not transient or temporary (Baddach, 2010).

We understand from this that an increase in GDP and per capita income is not automatically evidence of economic growth; rather, there are several conditions that must be met for the increase in GDP to be considered valid. These conditions are: the increase must be sustained over a significant period of time as a result of deliberate efforts, not due to temporary or seasonal events. Additionally, the increase must be real, not nominal, and should not be tied to inflation or currency depreciation.

As for Economic Development, several definitions have been provided for it, including what was stated by (Boudiaf, 2016) as follows: Economic development is a process through which real national income increases over a period of time. It is also defined as the advancement of society through the development of new and better productive methods, raising production levels by enhancing human skills and capabilities, creating better organizational structures, as well as increasing the accumulated capital in society. We notice that these two definitions reflect stages of intellectual development in the concept of economic development, where the first resembled the concept of economic growth, which was limited to achieving a continuous increase in the value of (GDP) over a long period. Whereas in the later, the concept of economic development became broader, focusing on improving productive methods, especially human competencies, as well as stressing on the development and renewal of economic systems.

For their part, (Mustafa & Saniya, 2014) define economic development as a set of radical changes that occur in a society in order to acquire the ability for continuous self-development, followed by an improvement in the standard of living. This means an increase in the satisfaction of individuals' basic needs through the optimal use of economic resources while ensuring their fair distribution. Thus economic development requires structural changes in the way economic growth is achieved, such that this growth results from a genuine development of national productive capacities, enabling the national economy to optimally and efficiently mobilize its resources without waste or depletion. Furthermore, an increase in national income must have a positive impact on the standard of living for every individual in the society, ensuring social justice. Consequently, economic development involves the achievement of both economic growth and social welfare.

Additionally, (Baddach, 2010) adds that economic development is the process through which a comprehensive and continuous change occurs, accompanied by an increase in real income levels, an improvement in income distribution in favor of the poor, an enhancement in the quality of life, and a structural change in production. The added value in this definition is the emphasis on the necessity for comprehensiveness and balance in economic reforms by developing various economic sectors, so that economic growth is not the result of just one sector's activity while other sectors remain dormant and unproductive. On the other hand, the importance of focusing on vulnerable categories in society is highlighted, with their access to a decent living being a measure of the real success in achieving economic development.

- 2) **Economic development's goals:** Economic development has many objectives, but they all revolve around two main axes: economic growth and social welfare. The aim of any country in designing and implementing development policies is to improve the living conditions of its citizens in various aspects, starting from combating poverty to health, education, and a decent life. The main goals of economic development can be summarized in the following points:
  - A. *Increase in National Income:* This refers to real national income, not just monetary income, meaning an actual increase in the goods and services produced by the economy over a period of time, with capital accumulation achieved through the utilization of physical and human resources, and by improving skills and developing production methods (Bakri, 1988).
  - B. *Raising the Standard of Living:* An increase in national income is not sufficient to consider economic development achieved unless it is reflected in the improvement of citizens' living conditions, including food, shelter, health, and education. Therefore, an increase in national income is a means, not an end in itself. Economic development may not be achieved, for example, if population growth exceeds the increase in national income, preventing an actual increase in per capita income, which leads to a decline in the standard of living (Khater, 2016).
  - C. *Reducing Income and Wealth Inequality:* This goal is fundamentally one of the social objectives of economic development. It is observed in most underdeveloped economies that, despite the low levels of both national income and per capita income, there are significant disparities in the distribution of income and wealth. A very small segment of society controls a large portion of the nation's wealth and national income, while the majority of the population lives in poverty with low income levels (Mohamed Abdullah, 2022).
  - D. *Adjusting Structural Imbalances in Economic Sectors:* According to (Khater, 2016) economic development plays an important role in restoring balance to the proportions and relationships between different economic sectors by reducing the dominance of the agricultural sector over the national economy and allowing the industrial sector to play its leading role. In the same context, and more broadly, (Boudiaf, 2016) argues that economic development aims to achieve a balance in growth among sectors to avoid the country's reliance on a single sector as a sole source of national income. Because This single reliance exposes the country to the risk of severe economic fluctuations in case of production and price variations in

that sole sector, threatening the country's economic, political, and security stability. As seen in Algeria in 1986 shock near-total dependence on oil revenues. Therefore, it is essential to focus on developing various sectors to achieve comprehensive economic development.

- 3) **Dimensions of economic development:** One of the characteristics of economic development is that it is multidimensional, stemming from its concept, which is not limited to the economic field alone but extends to the social aspect and their interconnected effects. The research by (Zouich, 2015) refers to five dimensions, which we summarize in the following points:
- A. *The Material Dimension:* This relates to overcoming the manifestations of economic underdevelopment through capital accumulation, balanced growth between economic sectors, efficiency in resource utilization, and the effective division of labour and production.
  - B. *The Social Dimension:* This pertains to the shift toward new forms of social, economic, and political systems that affect the values and attitudes of individuals and institutions, ensuring social justice in wealth distribution and improving the standard of living.
  - C. *The Political Dimension:* This lies in liberation from the economic and political dependency on colonial powers or any foreign force that limits the freedom of national choices. It also includes the active participation of society members in governance and decision-making, which serves the economic movement.
  - D. *The International Dimension:* This refers to international cooperation through bilateral economic relations between countries, such as foreign direct investments, and global cooperation in the form of efforts coordinated by international organizations like the World Bank.
  - E. *The Civilizational Dimension:* This is related to the idea of comprehensive economic development across all aspects of life, aiming to achieve a decent life to every citizen. In this way, economic development becomes a civilizational project that serves society nationally and humanity globally.
- 4) **Tools of economic development:** There are many practices and policies that can contribute to advancing economic development. The key ones can be summarized, as mentioned by (Mohamed Abdullah, 2022), in the following points:
- Providing adequate material and human capital necessary for development.
  - Creating a suitable economic and administrative climate for businesses.
  - Developing educational systems that prepare the workforce, producing skilled labour for various sectors.
  - Improving labour force planning mechanisms as well as recruitment methods.
  - Establishing an innovative and effective system of incentives and rewards.
  - Providing a suitable environment for scientific research that contributes to solving economic development problems.

### III. Wakf Contributions In Economic Development

The endowment, being practiced in various cultures, has significantly contributed to the development of human societies and the dynamic economic activity of states and kingdoms throughout history. The Islamic waqf, in turn, has been and continues to be a major driving force behind the establishment and continuation of Islamic civilization in the various communities and countries that have adopted it. Being linked to religious legislation, which encourages Muslims, according to the Quran and Sunnah, to donate generously, has infused the waqf system with a spirit that thrives through Muslims' efforts in all times and places to dedicate part of their wealth to various charitable projects for the sake of Allah and for the public good. The Islamic waqf has a considerable impact in achieving economic development objectives. This can be illustrated in two main parts, as outlined below:

- 1) **The role of Waqf in economic dynamics:**
  - A. **Capital Accumulation Achievement:** Waqf, in itself and regardless of its external effects, constitutes a developmental process in the economy. This is what (Gharbi, 2019) addressed, emphasizing the importance of the continuous accumulation of waqf wealth, which is realized through three key factors: The first is that waqf, in its origin and form, is a productive wealth, an investment asset that is protected and perpetual, preventing its sale, consumption, or any interference that may diminish or violate it. The second factor is the increase in both the quantity and types of waqf over time, as Waqf continues to grow in the Islamic community even during eras of decline, people still to date engage in the ongoing process of endowing wealth. On top of that, the growth in the capital value of waqf is driven by time and urbanization, since most waqfs are inherited from past generations, they often consist of the most fertile agricultural lands. When these waqfs were originally established in rural areas, over time they became located in the heart of cities and commercial zones. Moreover, the value of waqf properties has risen due to advancements in construction techniques, allowing for vertical expansion, thus increasing the exchange value of the waqf land.
  - B. **Job Creation:** Waqf can contribute both directly and indirectly to job creation, which in turn has a direct impact on reducing unemployment rates and increasing the productive efficiency of labour resource. This is what (Ben Soumaya & Boudiaf, 2018) discussed, emphasizing that waqf themselves require several operations such as protection and management, in addition to production and distribution of its benefits. Hence, waqf creates a significant demand for labour, and as the number of waqf institutions increases, so does the job offers, helping to alleviate the burden of unemployment on the state. Furthermore, waqf, by providing free education opportunities and skills training, enhance the professional competence of individuals and the productive capabilities of the workforce. This also helps reduce frictional, voluntary, disguised, and compulsory unemployment, thereby raising the optimal level of employment.

- C. Stimulate the Capital Mobilization: Islamic legislation encourages the movement of capital through permissible means and forbids its stagnation, as stated in the Holy Quran: "And those who hoard gold and silver and do not spend them in the way of Allah, give them tidings of a painful punishment" (Surah At-Tawbah, 9:34). This serves the economy on one hand,

and on the other, Waqf, as a tool of Islamic finance, fulfills this purpose. This is confirmed by (Ayman Mohamed, 2005), who pointed out that the widespread phenomenon of waqf in the Muslim community and the great diversity of endowments and recipients of waqfs has generated a comprehensive investment movement. This includes the establishment of many industries that serve waqf purposes, as well as the complementary industries that arise from them, all of which contribute to the continued growth of the economy's productive capacity. Additionally, the utilization of waqf revenues by the beneficiaries to meet their consumption needs stimulates demand, which in turn boosts the production process. This is one of the ways in which waqf helps provide liquidity in the economy and stimulate money circulation.

- D. Balanced Development of Economic Sectors: The wide diversity of awqaf in terms of their form and purpose enables them to contribute to the principle of inclusivity and balance in the development of various economic sectors. According to (Ben Daas & Chabane, 2013), waqf contributes, for example, to the agricultural sector by utilizing uncultivated land and farms where the asset is endowed and its revenue is spent on charitable purposes, while a portion is allocated to preserve, restore, and develop the land with new crops and additional areas. Waqf also serves the industrial, commercial, and service sectors, either through direct investment in them via cash waqf, real estate waqf such as shops, or infrastructure development; Or indirectly through education, workforce training, and stimulating demand and production of goods and services, as previously explained.
- E. Reducing Public Spending: It is known that the state is responsible for meeting the needs of its citizens, which requires the construction of infrastructure and the establishment of developmental projects nationwide. However, civilizational progress, urban expansion, and the rapid population growth put significant pressure on governments in terms of finding resources and managing the public budget to establish and operate all public services: education, healthcare, and culture...etc. As well as allocating resources for direct transfers to vulnerable groups in society to guarantee their basic needs. Therefore, waqf plays an important role in alleviating the pressure on public spending by encouraging wealthy individuals to endow part of their wealth for the establishment of projects that serve the public good, such as mosques, schools, and orphanages, moreovertaking in charge those managing these institutions. This was spotlighted by (Ben Soumaya & Boudiaf, 2018).

- F. Promoting Investments: Waqf, in itself, is an investment as it preserves the asset and allocates its revenue and yield for charitable purposes. Furthermore, Islamic legislation encourages investment in waqf as a means of fulfilling its objectives, thereby opening up vast opportunities for investment. The forms and areas of investment in waqf are so diverse, which provides a strong boost to economic development. The main forms of waqf investment, as outlined by (Btahr, 2021), are as follows:

*Ijarah* (leasing): which involves leasing waqf properties.

*Muzara'ah* (sharecropping): where the waqf administrator grants agricultural land to another party to cultivate it, with the revenue shared according to the agreed terms. *Mudarabah* (profit-sharing): An Islamic finance technique in which a lender or investor \_waqf in this case\_ and investment manager establish a risk 'profit/loss' sharing partnership to undertake a business or investment activity, with profits divided according to a predetermined ratio, and the waqf profits part allocated for the benefit of the waqf's designated beneficiaries.

*Investment bonds and stock trading*: which are modern forms of 'Mudarabah', provided they comply with Islamic law in terms of permissible sectors and methods.

*Waqf funds*: which involve pooling waqf funds and investing them in either a single project or shares in several beneficial projects, with the returns distributed to support the waqf's beneficiaries.

## 2) **The Waqf impact on social welfare:**

- A. Enhancing Social Solidarity: Due to population growth and their widespread residency across the country, the state may struggle to reach and provide care for everyone. In this case, waqf serves as a means to embody the principle of solidarity among members of society. As detailed by (Ayman Mohamed, 2005), family endowment "*Al-Waqf Al-Thurri or Al-Ahli*" is considered one of the aspects of Islamic social security, as the endower ensures a decent living for their descendants, such as the disabled or minors, by utilizing the waqf to generate stable income through leasing the properties. Additionally, public endowment "*Al-Waqf Al-Aam or Al-Khayri*" serves the same purpose for the broader community, such as establishing waqf for elderly homes, hospitals, or providing direct monetary assistance to the needy from the proceeds of invested waqf shares.
- B. Building Social Justice: Since waqf involves transferring assets from private ownership to public ownership for the benefit of designated beneficiaries, it becomes an important tool for establishing social justice. Waqf as an Islamic financial tool serves effectively the purpose of "The fair distribution of wealth" which is clearly stated in the Holy Quran: "So that it \_wealth\_ does not become a means of circulation only among the rich among you" (Surah Al-Hashr, 59:7); Waqf does so by transferring wealth from the hands of the rich to those in need, providing them the opportunity to achieve their right to meet their needs.

From their side (Ben Daas & Chabane, 2013) clarify that this occurs in two ways: on one hand, by redistributing wealth in society, as waqf

provides a share of wealth to those who for a reason may not own land, money, or labour capacity. On the other hand, waqf also contributes to reducing social disparities by allocating waqf resources to specific groups like unemployed persons helping them transition into productive capacities in agriculture, industry, or crafts. Gradually, these individuals move out of the needy category, thus reducing societal gaps.

- C. **Spreading Knowledge and Virtue:** A core aspect of social development is combating ignorance, illiteracy, and addressing social issues that, if neglected, can erode the fabric of society. Meanwhile, education and awareness contribute to building Human Capital by preparing individuals to be virtuous and productive in their social and economic duties. In this regard, (Farfa & Al-Sanousi, 2023) bring to the forefront that waqf has played, and continues to do, a significant role in building and funding mosques, Quranic schools, and other religious establishments; These institutions have served as centres for teaching the Quran and Islamic sciences. Moreover, they are also places for refining morals, guiding behaviour, and promoting virtues through educational sessions and sermons. Not to overlook that these places of worship act as central hubs for the community, bringing together people from various walks of life five times a day, thereby fostering strong social bonds based on selflessness and collaboration for the common good. Historical evidences show that many schools were built thanks to waqf, such as the land and buildings that Salah al-Din Ayyubi endowed for schools, a practice followed by the Mamluks, leading to a scientific renaissance. Some schools reached the level of universities, attracting students from around the world, as seen with Al-Zaytuna and Al-Azhar Universities. Additionally, waqf libraries were established, with the Almohad period being particularly notable for the creation of public endowment libraries, such as those endowed by Sheikh Abu al-Hasan al-Shari (649 AH).

#### **IV. Case Study of Kuwaiti Awqaf**

##### **1) Kuwait historical overview:**

Kuwait is an Arab country, and its name is derived from the word "kout," which means fort or castle. It is located in the Middle East, at the northwestern corner of the Arabian Gulf, which borders it to the east. Iraq lies to the north and west, while Saudi Arabia is to the south. Its area is approximately 17.8 thousand square kilometers, with a population of 4.67 million, 85% of whom are Muslims, and Islam is the state's religion (Wikipedia, 2024). Historically, Kuwait was founded when the Al-Atbah tribe arrived in Kuwait to escape the severe drought that nearly destroyed the Arabian Peninsula. They chose Sabah bin Jaber to rule them in 1756. This small town at the head of the Arabian Gulf grew through trade, fishing, and pearl diving, to become one of the most prosperous countries in the region. Since 1756, fourteen rulers from the Al-Sabah family have governed Kuwait (Official Government Portal, 2023).

In 1899, Kuwait signed a protection agreement with Britain due to a conflict with the Ottoman Empire, which provided protection from the ambitions of surrounding foreign powers. The treaty helped establishing

the state's institutions: The *Shura* (advisory) council in 1921, the legislative council in 1938, alongside with the development of the economy, including an oil exploration agreement with British and American companies in 1934.

The protection treaty continued until 1961, when it was cancelled, and Kuwait declared its independence as a sovereign state without British trusteeship, while maintaining close cooperative relations with Britain. The new era brought a series of legal, constitutional, and diplomatic measures, such as joining the Arab League (1961), ratifying the first constitution (1962), holding the first parliamentary elections (1963), and becoming a member of the United Nations (1963) ...etc. In 1990, Kuwait was invaded by Iraq, but the invasion was ended with American-led intervention in accordance with a UN Security Council resolution. Kuwait regained its freedom in 1991 and focused on reconstruction and achieving stability. Efforts to develop the country and improve the welfare of its society continue to date (Amiri Diwan, 2024).

## **2) Diagnosing waqf status and regulation**

The history of waqf in the State of Kuwait dates back to the early days of its establishment in the 17th century, and it is considered one of the manifestations of the Islamic identity of Kuwaiti society. Evidence of this is provided by "Khalifa bin Hamad Al-Nabhani" in his book "Al-Tuhfa Al-Nabhaniyah," where he mentions a document confirming that the Ibn "Bahr Mosque", located in the Bahita area, was originally built in 1670, noting that Its construction was renewed in 1745 by "Abdullah bin Ali bin Said bin Bahr" after he obtained permission from the judge of Kuwait to sell a house that had been endowed to the "Ibn Bahr Mosque", with the proceeds used to rebuild, restore, and renovate it (General Secretariat for Awqaf, 2013).

Due to the deep-rooted practices of waqf in Kuwaiti society, the State of Kuwait has long sought to regulate the waqf sector. A Royal Decree was issued in 1951 during the reign of "Sheikh Abdullah Al-Salem Al-Sabah" to apply specific religious rulings regarding endowments, making it one of the oldest waqf laws in the modern history of the Arab world. It was the fifth such law to be issued, following those of Egypt (1946), Jordan (1946), Lebanon (1947), and Syria (1949). This law serves as the legal reference for the waqf sector in Kuwait, (General Secretariat for Awqaf, n.d.). According to the research by (Ahmed Ali Al-Kandari, 2016), the organization and management of waqf in Kuwait has gone through four stages, we can summarize it as follows:

Table (01): Stages of Waqf Sector Regulation in Kuwait

Stage	Title	Features
1	<i>Community Administration Stage (Before 1921)</i>	<ul style="list-style-type: none"> <li>* Direct management of waqf by the endowers or their appointed <i>Nazirs</i> (custodians).</li> <li>* Awqaf were diverse yet simple, such as: lands, shops, palm trees, etc.</li> </ul>
2	<i>Government Administration Stage "Waqf Department" (1921-1961)</i>	<ul style="list-style-type: none"> <li>* The state's intention to supervise the awqaf for optimal use. It was difficult to exert state control over privately held awqaf.</li> <li>* Establishment of the "Awqaf Council," to be in charge of awqaf: without custodians, neglected, those with expired beneficiaries, as well as caring for dilapidated ones.</li> <li>* A ten-article draft law was prepared and approved, known as the Royal Decree on Waqf Regulations.</li> </ul>
3	<i>Ministry of Awqaf and Islamic Affairs Stage (1962-1993)</i>	<ul style="list-style-type: none"> <li>* Following the country's independence, a Ministry for Awqaf and Islamic Affairs was established among the first government. This stage saw a decline in community participation in waqf management.</li> <li>* Reforms within the ministry led to the creation of two administrative divisions: Waqf Resource Development and Waqf Affairs Management.</li> </ul>
4	<i>General Secretariat of Awqaf Stage (Since 1993)</i>	<ul style="list-style-type: none"> <li>* To ensure efficiency and effectiveness, the General Secretariat of Awqaf was established as an independent body responsible for all waqf-related affairs, under the supervision of the Minister of Awqaf.</li> <li>* Contributed to the development of the waqf sector: creation of waqf funds, provision of public services and supporting developmental projects.</li> </ul>

**Source:** Author design

Kuwait's efforts in Awqaf management have been successful, and it has started to reap the benefits of its reforms. The evidence of this can be seen in the numbers presented by (Mahmoud Abdel-Baki, 2006), which reveal the continuous growth in the value of the endowments overseen by the General Secretariat of Awqaf.

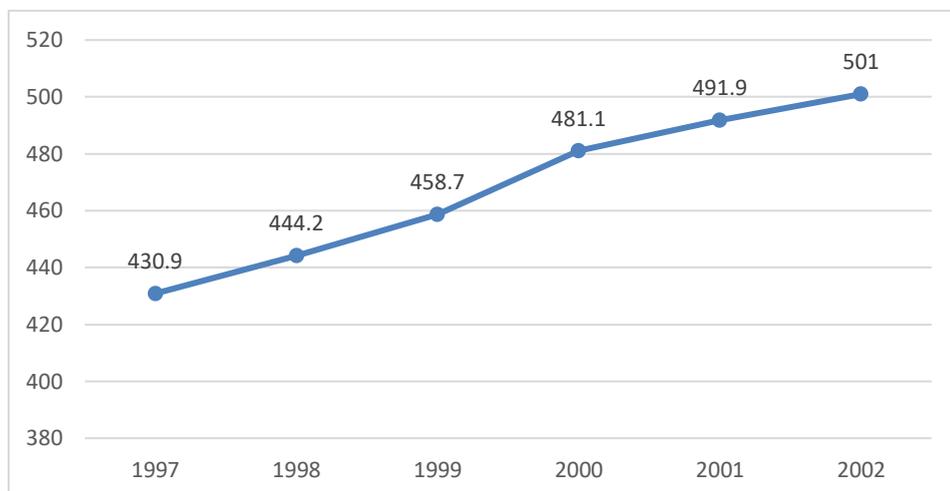


Figure (01): Assets of the Kuwaiti General Secretariat of Awqaf (in million dollars)

Source: Author design

This growth is attributed to three main factors: Gaining the trust of the endowers, which increased the volume of endowments entrusted to the authority; Ensuring the preservation of existing endowments, recovering lost ones, and restoring damaged ones for re-utilization; Lastly developing endowment investment mechanisms in line with modern investment tools such as endowment funds and bonds.

### 3) Analysing Awqaf role in Economic and Social Development

In order to provide a better assessment and offer the most up-to-date diagnosis of the issue under study, we sought to obtain the annual reports of the Kuwaiti General Secretariat of Awqaf (KGSA), unfortunately they were unavailable. However, we were able to obtain scientific studies (Ahmad Ali Al-Kandari, 2016), (Mahmoud Abdul-Baqi, 2006) and (General Endowments Authority, 2013), which were published by (KGSA) under the "*Medadwaqf* project"; in addition to the newspaper article published by (Hani, 2023). Through examining these sources, we concluded that the way of contribution of awqaf to Kuwaitidevelopment was as follows:

#### A. Achieving financial efficiency in the capital accumulation of waqf funds by improving the investment performance of endowments and reducing their operational costs. For instance, in 1997:

On the one hand, The capital value of awqaf increased by 3.6%, estimated at approximately \$374.5 million; The value of assets grew by 4.3%, estimated at about \$430.9 million; The total revenue from waqf investments rose by 29.1%, amounting to approximately \$10.23 million.

On the other hand, awqaf cost burdens were rationalized down to 6.7%; Waqf auto-financing from the revenues of endowment projects covering 3.3% of the costs, and a 141.1% increase in the reserve to

counter the decline in the value of non-real estate endowment investments, totaling about \$445.5 thousand.

It is worth noting that the latest figures (2022) indicate that the market value of Kuwaiti awqaf assets is approximately \$4.81 billion, and the total revenue from waqf investments amounted to about \$157.44 million.

- B. Stimulating consumption, and encouraging production to meet the growing demand, through direct transfers from the waqf revenue of to the eligible beneficiaries, with an estimated value of approximately \$2.47 million in 2002.
- C. Directly contributing to reducing the burden of public expenditures on infrastructure and public facilities by financing the construction and equipping of establishments in various fields such as schools, mosques, hospitals, as well as contributing to funding religious and charitable associations.
- D. Strong investment in the real estate sector, whereas there were 220 properties in 2013, 78.18% of it located in the "Hawalli" province, as shown in Figure 02 below, the properties include 51 commercials, residential, and investment properties. in 2022, The total market value of Real Estate Waqf is estimated at \$2.37 billion.

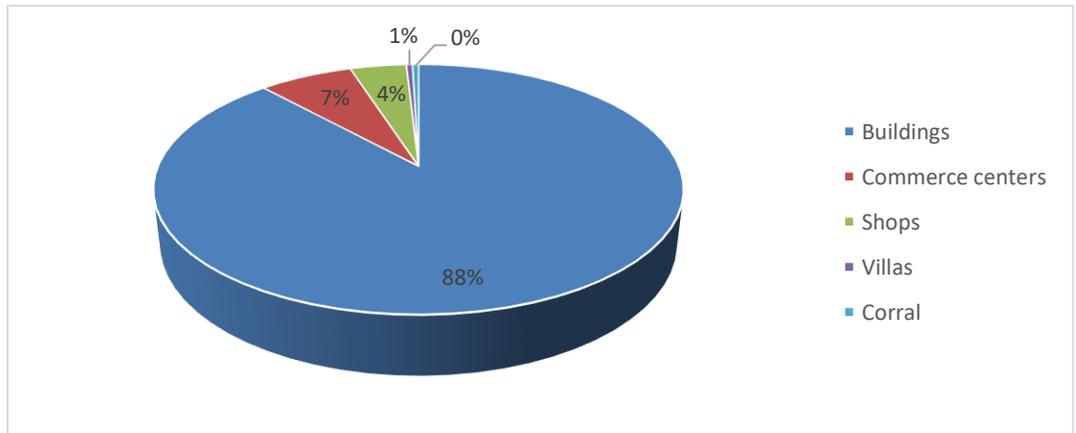


Figure (02): Distribution of Endowment Properties by Type

Source: Author design

- E. The Kuwaiti awqaf support the economic activity of various sectors, with the total market value of these contributions estimated at \$1.93 billion in 2022.
- F. Wakf in Kuwait directly and practically exercise the principle of “balance and inclusivity” in economic development, meaning it meets the three dimensions of sustainable development. Evidence of this is seen in the 11 type of waqf funds established which are for: Quran and its Sciences, Mosques, Scientific development, Culture and thought, Family care, Disabled and special categories, Community development, Health

development, Environmental preservation, The general secretariat of waqf, and the Kuwait waqf Fund for Islamic Cooperation.

- G. Support for spreading Islamic principles and ethics. Of the total support directed to institutions and associations, the share of this aspect reached 14.91% in 1995 and increased to 30% in 1997. Examples of expenses include: Building and renovating mosques, establishing Quranic centres, the "Training courses project" for imams and preachers, which resulted in 17,000 people embracing Islam in Kuwait in 2000.
- H. Serving the Waqf sector by raising society awareness about endowments and their impacts, as well as create a sphere of experience exchanging to gain competence and effectiveness in waqf management and investment. Some of these projects include: postgraduate studies on endowments, Kuwait waqf for Development Studies, Islamic Waqf Information Bank, Translation for charitable works, Endowment Literature Index, Waqf conferences and competitions, etc.
- I. Spreading knowledge and culture in society, this benefited from support amounting to 44.24% in 1995 and 50.4% in 1996 of total expenditure. Projects in this area include: the Sinbad Cultural Center for Children, a funding partnership with the Educational Services Company and the Distinguished Education Company, sponsorship of the Dialogue Forum for High School Students, providing scholarships for outstanding students at Kuwait University, supporting the preparation of the College of Business Studies, supporting the National Committee for Innovative Activities, supporting public libraries, financing training courses for youth centers and scouts, and financing Halal artistic activities such as poetry, calligraphy, and Islamic ornamentation, ... to name few.
- J. Awqaf have a remarkable effect on improving and generalizing healthcare in society, through raising awareness and health culture, as well as financing healthcare services. In this context, several activities were carried out, including: Organizing first aid courses; Cooperation agreements with medical associations such as the Kuwaiti Medical Association; Funding health research such as supporting the Research Department at the Ministry of Health, and organizing scientific forums like the Fourth International Conference on Dermatology and Venereology; Sponsoring the disabled, such as establishing a Nursery Centre for people with special needs and supporting the Disabled Home with cars and wheelchairs, establishing the Kuwait Autism Centre, The Mobile Centre for Elderly Care, the Addiction Rehabilitation Project, and Providing medical equipment or financial grants to active entities in the healthcare sector.
- K. Waqf Efforts to protect the environment and promote its development through raising environmental awareness and implementing environmental projects. Some of these projects are: Supporting the household waste treatment project; The Environmental Conservation Award; Supporting scientific seminars such as the "Cooperation in

Environmental Issues Among GCC Countries" forum; Establishing botanical gardens, Greening school and mosque yards; and The dangerous waste recycling project. It is worth noting that the support provided by the K.G.S of Awqaf to Health and Environmental sector amounted to 17.92% in 1995.

- L. The waqf intervenes strongly to combat poverty and social inequality in Kuwaiti society. Thus, enhancing bonds of love and brotherhood, and spreading the principle of Islamic solidarity. It does through cooperation with official, civil, and charitable organizations. In this regard, several projects have been implemented: clothing distribution, providing food, sacrificial offerings during *Eid Al-Adha*, supporting orphans, and providing alms to preserve dignity. In addition, regardless to social classes, there are projects that serve the general public of Kuwaiti society, such as the "*Maa' al-Sabeel*" water project and the "Reconciliation" project.
- M. It is also very important to note that Kuwaiti awqaf not only contribute to economic and social development on national scale but also to an international scale. This is done through public endowments that benefit foreigners residing in or visiting Kuwait, as well as through endowment projects outside Kuwait. Examples of such initiatives include: supporting the construction of mosques in the Kingdom of Bahrain, the "Muslims of Africa" project, a cooperation agreement with Al-Azhar University to sponsor outstanding Egyptian students, an agreement with Oxford University to establish a Kuwaiti endowment institution in the UK, the international daa'wa and relief project, signing cooperation agreements with international institutions such as the "Islamic Educational, Scientific, and Cultural Organization" and the "Islamic Development Bank", and assisting endowment institutions in improving their performance by sharing Kuwaiti expertise, such as receiving a delegation from the Embassy of Japan by the Kuwaiti General Secretariat of Awqaf.

## Conclusion

Islamic Waqf (endowment) has a rich history of civilizational contributions. Waqf refers to the act of holding the principal asset and dedicating its benefits to charitable causes. Its ruling is permissible and recommended in Sharia. Islamic countries have sought to regulate waqf transactions by issuing decrees and laws that govern waqf system and protect the waqf from loss or violation. Islamic waqf is classified into several types, the most prominent include: *Al-Waqf Al-Aam* (General Endowment) and *Al-Waqf Al-Thurri* (Lineage Endowment), as well as Real estate waqf and Movable assets waqf.

The waqf has four pillars: *Al-Waqif* (Endower), *Al-Mawquf* (the endowed asset), *Al-Mawqouf 'Alayh* (the beneficiary of the endowment), and *As-Siigha* (The formula including intention). Pillar have conditions that must be met for the waqf to be valid according to Islamic sharia.

Initially, the waqf was simple, typically in the form of land for mosques, water for public use, ...etc. Over time, it expanded and evolved, resulting in various forms

such as waqf for libraries, medical equipment, or waqf funds. Islamic law, as well as state regulations, have allowed flexibility in managing waqf. Consequently, the waqf can be managed by the waqif themselves, or an appointed *Nazir* (custodian). Afterwards, the state, through specialized bodies such as the "Ministry of Religious Affairs and Awqaf," may intervene to manage the waqf entrusted to it, or in such case of those neglected waqf, to repair those in disrepair. In addition to managing waqf assets, waqf can be invested to increase its revenue and prolong their benefits. Some of the investment methods for waqf includes but not limited to leasing, property development, agricultural partnerships, and waqf shares and funds.

Economic development primarily aims to increase national income, address structural imbalances in economic sectors to ensure optimal resource utilization, improve the living standards of society, and reduce class disparities to ensure social justice in the distribution of wealth. The study has shown that waqf is an effective tool for achieving development goals, both directly and indirectly, in various aspects. For example: reducing the burden of public spending, accumulating capital for waqf wealth, creating jobs and training the workforce, stimulating movement of capital; Furthermore, waqf plays a vital role in creating balance between economic sectors by supporting various economic activities. On the other hand, waqf actively contributes to achieving social justice by redistributing wealth between social classes. It also contributes to the improvement of public healthcare and education. Additionally, waqf strengthens social cohesion through solidarity, leading to state stability.

This research paper has proven that Kuwait made significant progress in organizing the field of waqf, especially after establishing the "General Secretariat of Kuwait Awqaf". Kuwait has indeed succeeded in adopting the Islamic waqf system as a policy to achieve its economic development goals. Some indicators of this successful experience include:

- ✓ Succeeded in motivating the Kuwaiti community to engage in waqf operations, and has efficiently managed the awqaf. Resulting in 2022 with the market value of awqaf assets reaching \$4.81 billion, additionally to the waqf investments revenue amounting to \$157.44 million.
- ✓ Kuwaiti awqaf support various economic sectors, with the total market value of these contributions estimated at \$1.93 billion in 2022.
- ✓ It has stimulated consumption and production through direct transfers to the beneficiaries, with their value estimated at around \$2.47 million in 2002.
- ✓ Significant investment in the real estate sector, with 220 waqf properties till 2013. Currently, the General Secretariat of Awqaf is the second-largest property owner in Kuwait, with the total market value of its waqf properties estimated at \$2.37 billion in 2022.
- ✓ The waqf intervened to combat poverty and social inequality in Kuwaiti society through several projects, such as: clothing (Kiswa), food distribution (Itaam), orphan sponsorship, and charity to preserve dignity.
- ✓ Awqaf support Islamic teaching as this last is the heart of waqf process. The value of support for this aspect (mosques, schools, and preaching centers) reaching 30% in 1997.

- ✓ It has contributed to the development of health and environmental sectors, with the value of its contributions to active organizations in these areas reaching 17.92% in 1995.
- ✓ It has supported the spread of knowledge and sound culture across all segments of society, with the sector receiving support amounting to 50.4% in 1996.
- ✓ Kuwaiti awqaf have also contributed to global economic development through waqf projects outside Kuwait, for instance: in Bahrain, the UK, and African countries.

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