

## ***Leveraging Waqf and Zakat as Sustainable Development Financing Mechanisms in Algeria: Insights from the Indonesian Model***

توظيف الوقف والزكاة كآليات لتمويل التنمية المستدامة في الجزائر: رؤى من النموذج الإندونيسي

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### ***Abstract:***

*This study examines the potential of waqf and zakat as alternative financing mechanisms for sustainable development in Algeria, given the limited progress of traditional financing approaches and decreasing global financial support. It evaluates the current status of waqf and zakat in Algeria and draws insights from Indonesia's effective application of these mechanisms to advance sustainable development. The study concludes that although Algeria's waqf and zakat systems face considerable challenges and have not yet significantly closed the financing gap, adopting structural and legislative reforms inspired by successful models could foster a transformative shift toward achieving sustainable development goals in alignment with Islamic principles.*

**Keywords:** Sustainable Development; Zakat; Waqf; Financing

**Jel Classification Codes :** : G00 ; O30 ; Q56

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## **Introduction:**

In pursuit of stability and socio-economic and environmental development, many countries have adopted different visions, programs and policies that call for large and continuous investments, and they often face major financing obstacles. Under this context, attention is directed towards exploring new horizons to achieve financial sustainability by reframing and activating Islamic financial instruments that have a rich history in supporting humanitarian and development projects. Special emphasis is placed on zakat and waqf, as they are strong mechanisms that can play an important role in advancing sustainable development in light of the remarkable deficit that surrounds traditional methods.

Algeria is also unable to make clear progress on the Sustainable Development Goals, and all indicators are due to the lack of funding, which increases the need to activate Islamic social financing mechanisms, especially zakat and waqf as innovative solutions, and urges to dive into the depth of successful experiences and the Indonesian experience is a pioneering example, and to draw the most important lessons and adapt them to the Algerian environment. Against the backdrop of this, the following problems crystallize:

### **How can the Waqf and Zakat mechanisms contribute to the achievement of the SDGs in Algeria?**

## **The Significance Of The Research:**

This research is significant because it explores innovative financial mechanisms for sustainable development, particularly amidst the growing challenges faced by traditional financing methods. The study focuses on zakat and waqf as Islamic social financial tools that can effectively contribute to economic initiatives and community development, making the topic timely and highly relevant to current global transformations.

## **Research Objectives:**

The research aims to highlight the substantial potential of Islamic financial instruments, such as zakat and waqf, in facilitating transformative changes in financing sustainable development in Algeria. Additionally, it seeks to draw on Indonesia's successful experience as a practical example of how these mechanisms can be activated effectively.

## **Study Approach:**

To answer the problem of research, the descriptive analytical and deductive approach was followed, in order to describe the status of waqf and zakat funding in Algeria, analyze it, and develop solutions from the Indonesian experience to adapt it and the Algerian environment. The research was divided into two main axes, the first dealt with the most prominent concepts related to variables, while the second axis focused on reviewing the status of waqf and zakat in Algeria and presenting the Indonesian experience.

### **First: The theoretical framework of waqf and zakat as alternatives to financing sustainable development**

Contemporary societies, particularly in developing nations, face significant challenges in financing sustainable development initiatives. Among the various alternative financing mechanisms, zakat and waqf emerge as particularly promising instruments for supporting sustainable development projects. Understanding their foundational concepts is crucial for leveraging their potential.

## The Concept of Islamic Social Finance

Islamic social finance represents an evolution of Islamic financial principles, encompassing the provision of funds for social purposes in accordance with Shariah guidelines. This framework aims to foster social and environmental economic development (2021 أشرف), through poverty alleviation, infrastructure development (including schools and hospitals), and the preservation of human dignity and life.

While Islamic social finance encompasses multiple mechanisms, including charitable giving and solidarity-based instruments, waqf and zakat have gained particular prominence due to their demonstrated effectiveness in advancing sustainable development objectives. These two mechanisms warrant detailed examination.

### 1-1- Zakat

Zakat's position as the third pillar of Islam reflects its comprehensive developmental significance. Its conceptual framework can be understood through both linguistic and technical definitions:

- **Linguistic Definition:** The term "zakat" etymologically holds multiple meanings, including blessing, growth, purification, righteousness, and excellence (2004 محمد، و حامد، احمد، ابراهيم، 396 صفحة) (Ibrahim, Ahmed, Hamid, & Mohammed, 2004, p. 396). This is exemplified in the Quranic verse: (خُذْ مِنْ أَمْوَالِهِمْ صَدَقَةً تُطَهِّرُهُمْ وَتُزَكِّيهِمْ بِهَا وَصَلِّ عَلَيْهِمْ إِنَّ صَلَاتَكَ سَكَنٌ لَهُمْ وَاللَّهُ سَمِيعٌ عَلِيمٌ) (Surah At-Tawbah, 108). The root of the word "zakat" signifies both increase and growth (بن علي، 119 صفحة، 1985 محمد).
- **Definition in Islamic Jurisprudence:** In Islamic jurisprudence, zakat refers to a specified portion of wealth that must be distributed to eligible recipients under specific conditions (2004 محمد، و حامد، احمد، ابراهيم، 396-397 الصفحات)، Al- Jarjarani defines it as the transfer of ownership of specific assets to designated recipients (بن علي، 119 صفحة، 1985 محمد).
- A comprehensive modern definition is provided by Dr. Ibn Wahf al-Qahtani, who characterizes zakat as an act of worship involving the distribution of a legally specified portion of wealth, at prescribed times, to designated recipients, subject to specific conditions (8-9 الصفحات، 2010 علي، بن سعيد).

### 1-2- Waqf

While various schools of Islamic jurisprudence offer different interpretations of waqf, they converge on its essential meaning:

- **Linguistic Definition:** The term "waqf" literally denotes retention or dedication (بن علي، 274 صفحة، 1985 محمد).
- **Definition in Islamic Jurisprudence:** In Islamic legal terminology, waqf refers to the process of restricting an asset's ownership while dedicating its benefits for charitable purpose (بن علي، 274 صفحة، 1985 محمد).
- Dr. Munther Qahf provides a contemporary definition that encompasses both permanent and temporary endowments, describing waqf as the dedication of assets for recurring beneficial use, whether for public or private charitable purposes (62 صفحة، 2000 منذر).

## 2- Sustainable Development Concept and Objectives

Before discussing the positive concept of sustainable development, it is essential to acknowledge that Islamic economics integrates this notion within its principles. The Stockholm Conference marked a milestone, bringing the term "sustainable development" into common usage by highlighting the rising environmental challenges. This led to the establishment of the World Commission on Environment and Development, which in 1987, provided the initial definition of sustainable

development in the Brundtland Report titled *Our Common Future*. Following this, significant events raised awareness of environmental issues, including the 1992 Rio de Janeiro Conference in Brazil, which resulted in the creation of Agenda 21, and the 2002 Johannesburg Summit, aimed at assessing progress on this agenda. Over the years, the United Nations has further developed this vision by introducing a comprehensive framework of objectives known as the Sustainable Development Goals (SDGs).

- 2-1- **Definition of sustainable development:** The *Our Common Future* report defines sustainable development as “meeting the needs of the present without compromising the ability of future generations to meet their own needs.” This concept emerged from examining the effects of technological progress and social structures on environmental resources, and the biosphere's capacity to absorb the impacts of human activities. The primary objective is to manage and enhance these factors to usher in a new era of economic growth (World Commission on Environment and Development, 1987, p. 16).
- 2-2- **Sustainable Development Goals (SDGs):** The SDGs represent the cumulative outcome of decades of collaborative efforts among various nations and official bodies, with a historical agenda guiding these sustained efforts:

**Table n°1: History of the formation of the Sustainable Development Goals**

|       |                                                                                                                                      |
|-------|--------------------------------------------------------------------------------------------------------------------------------------|
| 1992. | Adoption of Agenda 21 to build a global partnership for sustainable development                                                      |
| 2000  | Formulate eight Millennium Development Goals to reduce extreme poverty by 2015.                                                      |
| 2002  | Adoption of the Johannesburg Declaration on Eradicating Poverty and Building a Better Environment through Multilateral Partnerships. |
| 2012  | Proposing the development of a set of sustainable development goals based on the Millennium Development Goals.                       |
| 2015  | Adoption of the 2030 Agenda for Sustainable Development, which includes 17goals at its core.                                         |

Source: (M. Kabir, Mehmet, & Ashraf, 2021)

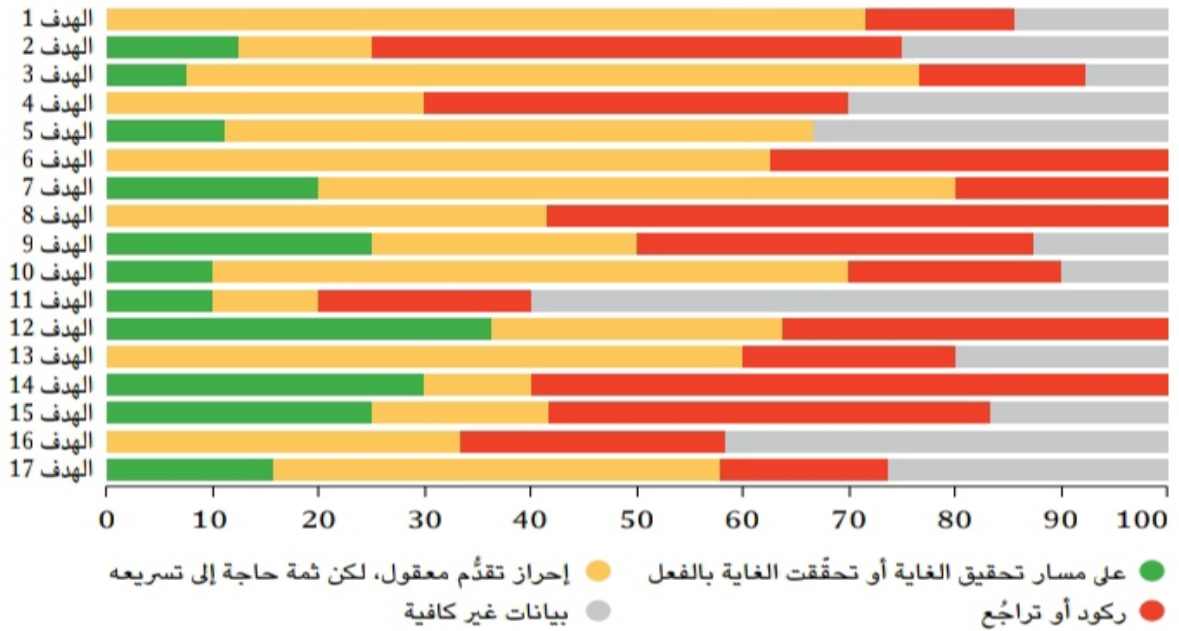
### **3- Why Islamic Social Finance as an Alternative to Achieving the SDGs**

While the concept and goals of sustainable development are well-established, the 2030 Agenda's ambitious targets remain distant, and the funding gap persists despite the substantial rise in initiatives since the Agenda's adoption in 2015.

#### **3-1- Progress on Sustainable Development Goals.**

The SDGs provide a strategic roadmap to foster a sustainable, equitable future for all, addressing global challenges such as poverty, inequality, climate change, environmental degradation, justice, and peace. These 17 interconnected goals are slated for completion by 2030, yet progress has been slow from the start. The COVID-19 pandemic has further impeded advancements, as documented in the United Nations' Sustainable Development Goals Report.

Figure n°1: Assessment of the progress of the 17 goals based on the latest data (%)



Source: (المتحدة الأمم، 2023، صفحة 08)

Midway through the journey to 2030, the progress toward the SDGs has faced multiple setbacks. Current global data and evaluations by official entities paint a concerning picture, with significant deviations from the intended path on many targets. Of the approximately 140 targets, over 30% show no progress, and some have regressed below their 2015 baselines, underscoring the urgent need for intensified efforts (المتحدة الأمم، 2023، صفحة 08).

According to the same report, while global consensus exists on these goals, funding levels have stagnated, with declines even noted in specific areas before the COVID-19 crisis. For example, climate finance commitments by developed nations have fallen short, with the \$100 million per year promised since 2020 remaining unmet, presenting a fundamental obstacle to achieving the SDGs.

### 3-2- Alignment of Islamic Social Finance and SDGs

In light of these challenges, numerous local and international organizations supporting the SDGs have sought alternative financing sources, among which Islamic finance has emerged as a viable solution. Islamic social finance, particularly mechanisms such as waqf and zakat, is highly effective in addressing poverty, unemployment, and other pressing issues, thereby facilitating progress toward the SDGs.

Islamic social finance mechanisms, like waqf and zakat, align well with each of the SDGs. A significant example of their effectiveness was during the COVID-19 pandemic, where in countries like Indonesia, the Zakat Fund played a key role in addressing crisis needs. This alignment between SDG principles and core Islamic values highlights Islamic social finance's potential to fill the financing gap hindering SDG achievements.

## Second: The reality of zakat and waqf as mechanisms for financing sustainable development in Algeria

### 1- Waqf and Zakat as financing alternatives to achieve the Sustainable Development Goals in Algeria

Like many other countries, Algeria is committed to achieving the Sustainable Development Goals and aligning with sustainability initiatives. The country has been working toward these objectives since their adoption by the United Nations in 2015, and its efforts to accelerate progress have multiplied. What is Algeria's current stance on sustainable development, and what obstacles are it facing?

### 1-1- Progress on Sustainable Development Goals.

To monitor progress on the SDGs, Algeria established three primary bodies, led by the Ministry of Foreign Affairs as the strategic coordinator, which in turn created six specialized committees to oversee related goals. Additionally, a national expert was appointed to draft progress reports on the SDGs (04 صفحة، 2018 حميد)، However, only one report from 2019 by the Ministry of Foreign Affairs details progress rates, with most data on advancements coming from international organizations. According to recent reports, Algeria ranks 67th in terms of performance and commitment to the SDGs.

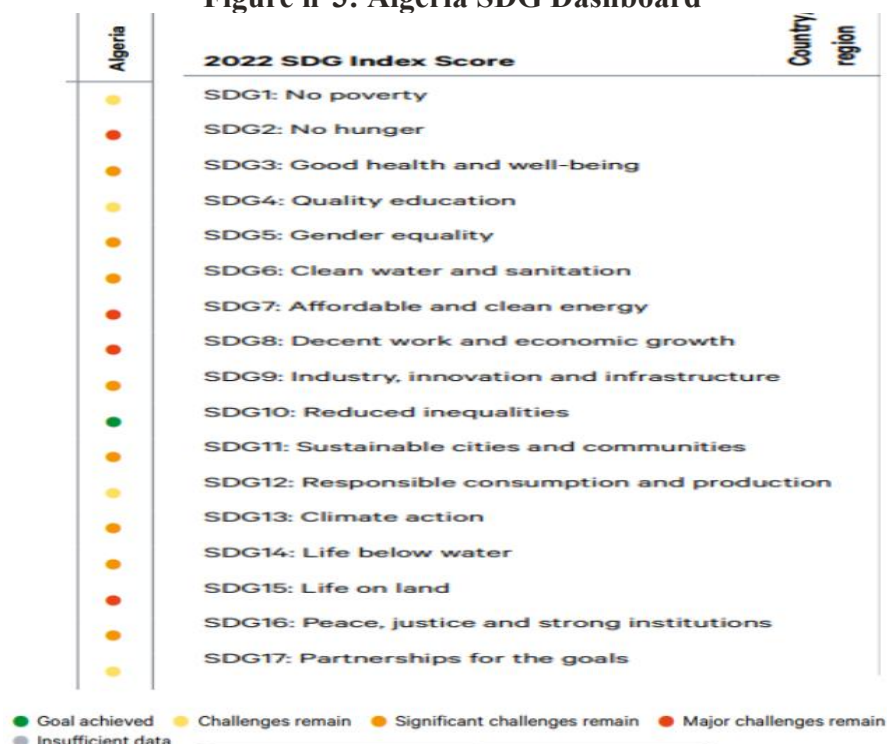
**Figure n°2: Measuring government efforts and commitments in the SDGs.**



Source: (Jeffrey D., Guillaume, Grayson, & Eamon, 2023, p. 72)

While several national actors claim that Algeria has made notable achievements in implementing the SDGs, recent statistics show weak progress overall, indicating substantial challenges in the sustainability path. The figure below highlights the status of each SDG goal.:

**Figure n°3: Algeria SDG Dashboard**



Source: (Merouani, Messekher, Hamaizia, & Ait Belkacem, 2023, p. 37)

Out of the seventeen SDGs, only one—Goal 10 on reducing inequality—has been fully achieved, whereas other goals remain challenging, such as those on poverty and education, or are distant, such as the hunger eradication and clean energy goals. Algeria's progress has thus lagged, even as the global SDG timeline has passed its midpoint. This situation necessitates identifying the underlying causes of this lag and providing comprehensive solutions.

Among the challenges Algeria faces in achieving the SDGs is the limited focus on renewable energy resources due to its abundant fossil fuel reserves, coupled with the high costs of renewable energy projects and a prevalent financing gap. As previously mentioned, many countries have leveraged Islamic financing mechanisms, especially social finance, as they effectively address funding shortfalls. What is Algeria's current position on Islamic social finance, particularly zakat and waqf?

### 1-1-1- Status of Zakat and Waqf funding in Algeria

In Algeria, official bodies oversee zakat and waqf, similar to other Islamic countries. These mechanisms are managed by the Ministry of Religious Affairs and Endowments under the supervision of the Minister of Religious Affairs.

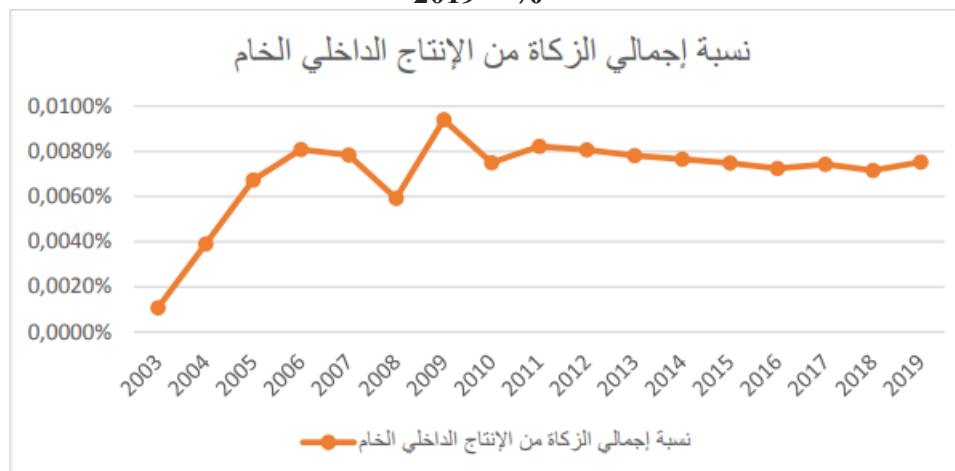
#### ❖ Zakat Fund

The Zakat Fund, governed by the Ministry of Religious Affairs, is a religious and social institution operating under the legal framework established by the Mosque Foundation Law. The fund is organized on three levels: local, provincial, and national. (وزارة الشؤون الدينية والأوقاف)

The Zakat Fund operates in two stages (Islamic Research and Training Institute, Islamic Development Bank, 2020)

- **Zakat collection phase:** Funds are gathered through postal accounts open in each state. The imam may serve as an intermediary between zakat contributors and the postal account, issuing receipts or signing a report with the mosque committee detailing the collected amounts. Zakat is either placed in designated mosque boxes or handed to mosque committees, with funds transferred to the Zakat Fund's main account. The figure below illustrates zakat contributions as a percentage of Gross Domestic Product:

Figure n°4: Percentage of total Zakat from crude internal production during the period 2003-2019 - % -



Source: (209، صفحة 2022 بوحجلة و عبدلي، )

The figure shows fluctuating zakat contributions, starting at a mere 0.002%, with a gradual rise to 0.008% in 2006, peaking at 0.01% between 2009 and 2010, and stabilizing at around 0.008% until 2019. This indicates that Algeria's zakat contributions remain minimal and insufficient to finance the SDGs.

- **Zakat distribution stage:** The distribution varies according to the total amount as:
  - If the collected Zakat funds are greater than DZD 5 million:
    - 50% for the poor and needy
    - 12.5% for officials' salaries and operational expenses of the Zakat Fund.
    - 37.5% for investment and good loan.
  - If the collected Zakat funds are less than DZD 5 million:
    - 87.5% for the poor and needy.
    - 12.5% of the budget is allocated for the salaries of personnel and the operational costs of the Zakat Fund. This allocation may be further distributed as follows: 6% for the functioning of the local committees within the directorates, 4.5% for the operations of state committees, and 2% for the National Zakat Committee.

Within the broad categories mentioned above, allocations are determined by the Mosque Committees. For widows with their children, and divorced women with children. The share of each family is determined by the percentage of funds raised in the region.

Aligned with this approach, the Zakat Fund adopted the slogan: "We do not give it to stay poor, but to eliminate poverty." (وزارة الشؤون الدينية والأوقاف، بلا تاريخ) As previously noted, 37.5% of the collected zakat is designated for investments. To this end, the Ministry of Religious Affairs and Endowments has formalized an agreement with Al Baraka Bank, appointing it as a technical partner for managing Zakat investments. Funded projects are subject to specific criteria, given the fund's focus on social and economic benefits, such as craft, construction, service, nursery, and agricultural projects. The fund uses a benevolent loan model to ensure continuity in these modest investments, thereby supporting ongoing employment opportunities within these projects.

Regarding national zakat collection data and its distribution in recent years, the Ministry of Religious Affairs and Endowments has not published this information on its official website, despite its stated commitment to transparency. According to the Ministry, all citizens and organizations have the right to access comprehensive reports on zakat collection and allocation, which should be made available through media publications, lists accessible to associations, and regularly updated on the Ministry's website, with the Zakat Fund newsletter serving as a public information source. (وزارة الشؤون الدينية والأوقاف).

From the information above, it is clear that several obstacles hinder the Zakat mechanism's role in financing the Sustainable Development Goals in Algeria. The primary issue is insufficient public awareness of the zakat obligation and related accountability, partly due to limited media coverage, which is generally confined to Ramadan and Muharram. Another critical issue is the lack of transparency concerning zakat revenues and distribution, leading to decreased public trust and, consequently, lower contributions. Additionally, current collection methods are voluntary rather than mandatory, which allows some eligible zakat contributors to evade payment. Furthermore, a considerable portion of zakat is distributed individually through unofficial channels, hindering accurate tracking of contributions.

## ❖ Waqf Fund

The origin of endowments in Algeria dates back to the seventh century, which corresponds to the period of Islamic conquests in the Maghreb, and the Ottoman period was one of the most prominent periods in which the endowment witnessed great prosperity, as it included real estate and agricultural

land and included many shops, hotels, farms, orchards, etc., while its revenues contributed to the study expenses of those in charge of worship affairs in mosques and corners. During the colonial period, all endowments were attached to the property of France as one of the obstacles to the total seizure of its colony. After independence, efforts were intensified, multiple and successive legal foundations that sought to address the fragile situation of endowments and remove them from the state of random management. However (وزارة الشؤون الدينية والأوقاف), all this did not lead to the establishment of an independent department of endowments, as evidenced by Executive Decree No. 2000/146, which confirms that it is a branch of a larger department bearing the name of the Endowments Committee. Its powers include the management, investment and protection of endowment property. The Central Endowment Fund was established in order to reduce centralization, in which the resources and revenues collected after deducting the authorized (Islamic Research and Training Institute, Islamic Development Bank, 2020, pp. 82-83) expenses are deposited. The efforts made by the Ministry to promote Waqfs in several stages, the most important of which are (وزارة الشؤون الدينية والأوقاف):

- Enhancing financial and administrative management systems.
- Aligning rent values with market rates for waqf properties.
- Conducting property inventories.
- Recovering lost waqf properties.
- Addressing legal disputes over waqf assets.
- Promoting waqf investment initiatives.

Noteworthy projects include a commercial and cultural center in Oran funded by a private investor on waqf land, a project involving 42 shops in Tiaret, and the Taxi Waqf Company, initially launched with 30 vehicles, creating jobs for 40 individuals with potential expansion plans to other states.

According to the latest data for 2022, the total endowment properties amounted to 14696 distributed over 48 wilayas as follows:

**Table n°2: The number of endowments in Algeria in 2021**

|    |     |    |      |    |     |    |     |    |     |    |     |
|----|-----|----|------|----|-----|----|-----|----|-----|----|-----|
| 01 | 147 | 09 | 233  | 17 | 181 | 25 | 356 | 33 | 44  | 41 | 171 |
| 02 | 251 | 10 | 308  | 18 | 172 | 26 | 264 | 34 | 117 | 42 | 95  |
| 03 | 223 | 11 | 13   | 19 | 850 | 27 | 351 | 35 | 183 | 43 | 248 |
| 04 | 180 | 12 | 151  | 20 | 110 | 28 | 263 | 36 | 171 | 44 | 179 |
| 05 | 578 | 13 | 1088 | 21 | 224 | 29 | 410 | 37 | 17  | 45 | 203 |
| 06 | 732 | 14 | 290  | 22 | 231 | 30 | 145 | 38 | 59  | 46 | 296 |
| 07 | 384 | 15 | 560  | 23 | 181 | 31 | 512 | 39 | 317 | 47 | 196 |
| 08 | 166 | 16 | 2269 | 24 | 154 | 32 | 205 | 40 | 114 | 48 | 140 |

Source: (وزارة الشؤون الدينية والأوقاف)

What seems clear from the above is the disparity in the number of endowments between the various cities. It is precisely noted that the number of endowments in some southern cities such as Tamanrasset and Tindouf is very small, estimated at 13 and 17 endowments. On the other hand, the number of endowments in Algiers was 2296 endowments, followed by their counterparts from the major cities, Tlemcen and Setif, by 1088 and 850 endowments, respectively. This may be attributed to the population percentage of each governorate. However, this is not a large number nor considered in the State of Algeria in its area and density, with the possibility that many endowments are not registered with the official authorities due to lack of trust between the parties and the absence of

transparency principles. There is also a large part of endowments that have been nationalized within the framework of the agricultural revolution and despite the retreatment of the nationalization process, but it has not been recovered due to the difficulty and length of this. In addition to all this, a large number of current endowment properties are difficult to exploit because they are the subject of dispute between the endowment administration and other parties.

There are several challenges that disrupt the investment and development of endowments in Algeria in order to serve the goals of sustainable development, the most important of which is the lack of sufficient manpower and material resources to help carry out the tasks of the Department of Endowments and Serious Follow-up, and the weakness of the legal foundations governing endowments, which creates many gaps, followed by the absence of accounting and financial control over endowments activities, in addition to the fact that the Directorate of Endowments is integrated with Hajj, which constitutes neglect of the administrative aspects of endowments, especially during the periods of preparation for Hajj, and also as a very important point the absence of a culture of endowments and the lack of sufficient awareness of the inviolability of endowments in some parties.

From what was previously presented, it turns out that the hoped-for role of the waqf and zakat mechanisms in catching up with Algeria and financing the sustainable development goals is still far from being achieved, because of the many challenges that affect them in most respects. In terms of awareness, there is a great lack of awareness in Algerian society of the obligation of zakat or the sanctity of waqf. In terms of legislation, most of them are unclear and opaque, especially with regard to the revenues and distributions of zakat funds, as well as the lack of oversight and the absence of strong regulatory bodies that oversee the efficient management of zakat and waqf funds. However, these challenges can be overcome by increasing community awareness of the developmental importance of zakat and waqf and restructuring and organizing its funding mechanisms, enacting their own laws that enable them to be collected and invested in a way that serves sustainable development goals, taking successful experiences in this field and benefiting from them, and trying to select and implement programs and legislation that suit the Algerian environment.

## **2- Indonesian Experience in Achieving the Sustainable Development Goals with Waqf and Zakat Funds**

Several Islamic nations have prioritized Islamic social finance as a means to support sustainable development, with Indonesia emerging as a leading model. Indonesia's government has committed to promoting Islamic social finance, recognizing its sustainability and effectiveness, especially through robust legal, regulatory, and awareness frameworks focused on zakat and waqf. This commitment has yielded positive results across economic, social, and environmental dimensions, advancing Indonesia's progress on the SDGs.

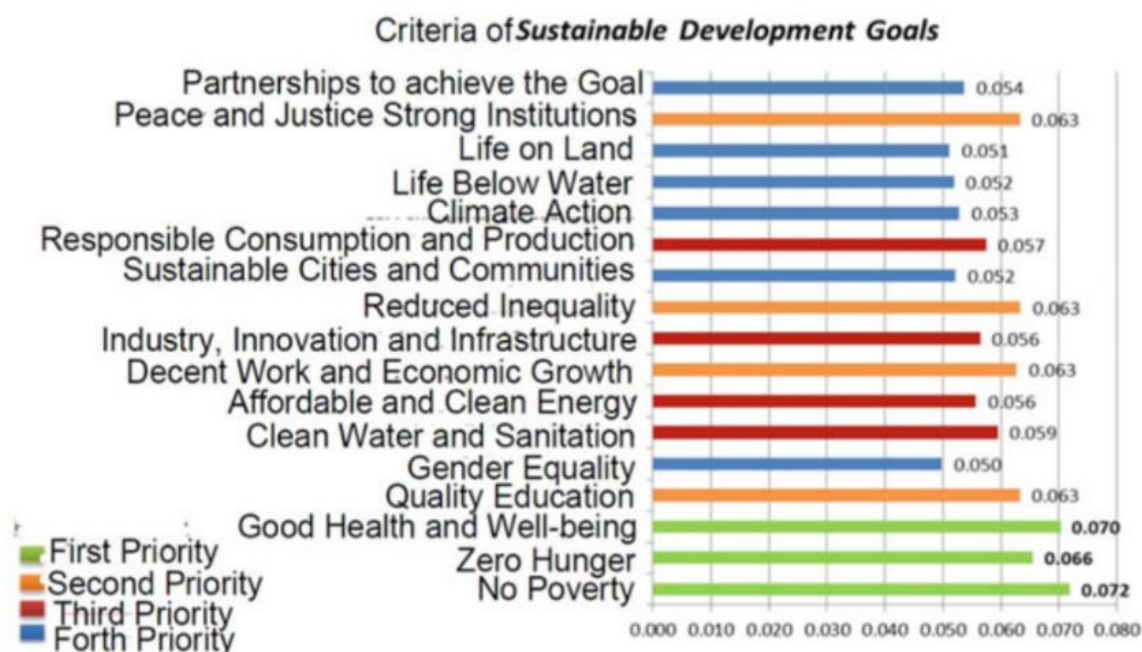
In practice, Indonesia's zakat management system differs from other countries, with two main entities: the government-owned National Zakat Agency (BAZNAS) and privately managed Zakat Worker Foundations (L.A.Z). These institutions oversee zakat collection and distribution based on principles of Islamic law, integrity, and accountability (Aditya Hadid, Abdukadir Abdullahi Sheik, Bandar Mohammed, Hawa Ahmed, & Ashurov, 2021, p. 24), The Indonesian Waqf Board (BWI) manages waqf, working closely with entities like the Central Bank of Indonesia, Financial Services Authority, and the Ulama Council, which provides essential fatwas and collective jurisprudence, including guidance on Islamic financial technology (United Nations Development Programme and Islamic Development Bank, 2023, p. 56).

The 2021 BAZNAS report detailed zakat results for 2019, revealing an effective distribution rate of 84.95% of the total collected funds. Additionally, zakat potential for 2021 was estimated at approximately \$14.6 million (217 trillion Indonesian rupiah), with waqf potential valued at around \$12.1 million (180 trillion Indonesian rupiah) (BAZNAS, 2021, p. 56).

The potential of waqf in Indonesia demonstrates significant scale, encompassing approximately 58,259 hectares under Ministry of Religious Affairs management and an additional 21,000 hectares administered by Muhammadiyah Islamic organization. The collective value of these assets is estimated at USD 12.1 million (180 trillion Indonesian rupiah) (United Nations Development Programme and Islamic Development Bank, 2023, p. 56). Additionally, cash waqf contributions are estimated at approximately \$12 billion (What Is Waqf and How Can It Help Finance Indonesia's Clean Energy Transition?).

Indonesia has strategically leveraged waqf and zakat funds to address the sustainable development financing gap through comprehensive programming. The zakat implementation framework encompasses two primary categories: consumer programs targeting immediate needs and production programs focused on long-term empowerment, with potential for integration between both approaches. BAZNAS, Indonesia's National Zakat Authority, has aligned these programs with SDG priorities as illustrated in Figure n°5:

**Figure n°5: The Zakat Program in Accordance with the Priorities of the Sustainable Development Goals**



Source: (Mohd Ma'Sum, 2021, p. 60)

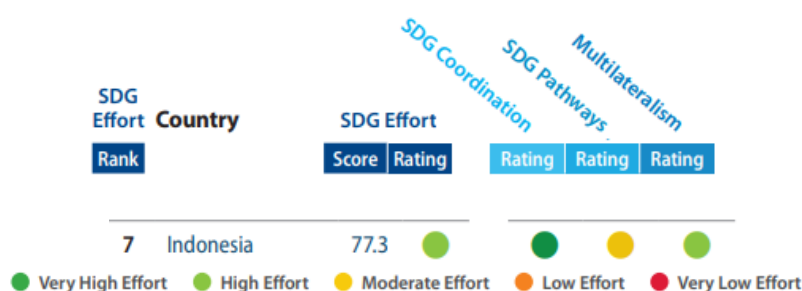
BAZNAS has established priority funding allocations, with particular emphasis on fundamental human needs. The health sector initiative has expanded beyond basic medical provision to include

comprehensive healthcare services, resulting in the establishment of six hospitals across Jakarta, Sedwarjo Yogyakarta, Makassar, Barigi Motong, and Pangkal Penang. Educational initiatives operate along dual tracks: establishing boarding schools for underprivileged students and providing comprehensive scholarship programs across all educational levels. The Bogor preparatory boarding school exemplifies this commitment to quality education access (Mohd Ma'Sum, 2021, pp. 61-62).

Indonesia's waqf implementation demonstrates remarkable innovation, extending beyond traditional real estate endowments. Waqf instruments have increasingly funded social investment projects, particularly in healthcare, as exemplified by the Rumah Sihat Terbadu – Dumbet Dova Hospital in the Barong region. The Pondok Modern Darussalam Gontor model showcases productive waqf utilization through three agricultural systems: land leasing, direct cultivation, and profit-sharing arrangements with farmers. This approach has proven strategically viable for developing education, health, and economic sectors. Cash waqf has further expanded development financing opportunities, particularly in environmental initiatives (Setiawan, Syamsuri, Imam, & Yunita, 2021).

Indonesia's comprehensive approach to Islamic social finance has generated substantial developmental impact, evidenced by its seventh-place ranking in SDG implementation and achievement. The coordinated implementation of these goals is illustrated in Figure n°6:

**Figure n°6:** Efforts and Commitments of the Indonesian Government in the SDGs.



Source: (Jeffrey D., Guillaume, Grayson, & Eamon, 2023, p. 72)

The Indonesian model for utilizing waqf and zakat to finance sustainable development offers valuable lessons for Algeria. Indonesia has successfully established a comprehensive institutional framework, such as the National Zakat Agency (BAZNAS), to efficiently manage zakat and waqf funds. Algeria can benefit by creating similar specialized institutions to ensure transparency, effective fund collection, and targeted allocation toward sustainable development goals like poverty reduction, education improvement, and healthcare enhancement.

Additionally, Indonesia's use of financial technology (Fintech) to streamline zakat and waqf collection and distribution provides a model for Algeria to enhance accessibility, transparency, and efficiency. Digital platforms facilitate wider participation and ensure resources are directed effectively to priority areas.

Furthermore, Algeria can adopt Indonesia's approach of linking waqf and zakat to concrete development projects, such as supporting small businesses, rural development, and infrastructure projects. Encouraging partnerships between government, private sector, and civil society, alongside offering incentives like tax benefits, can further strengthen this framework. By adapting these strategies to its local context, Algeria can unlock the potential of zakat and waqf as powerful tools for sustainable economic and social development.

### **Conclusion**

The examination of Indonesia's implementation of Islamic social finance mechanisms, particularly zakat and waqf, provides compelling evidence of their transformative potential in advancing sustainable development objectives. This case study demonstrates how traditional Islamic financial instruments can be effectively modernized and integrated into contemporary development frameworks, creating a bridge between religious obligations and sustainable development goals.

The Indonesian model's success stems from its comprehensive approach, combining institutional innovation, technological advancement, and community engagement. Their experience offers valuable insights for countries like Algeria, which possess similar cultural foundations but have yet to fully actualize the potential of these Islamic financial instruments. The following strategic recommendations emerge from this analysis:

1. **Central Zakat Administration:** Establish an independent central authority similar to Indonesia's BAZNAS to enhance collection and distribution efficiency.
2. **Technological Integration:** Implement digital solutions for zakat collection and waqf donations through electronic payment systems and mobile applications.
3. **Enhanced Accountability:** Adopt rigorous transparency standards in Islamic financial institutions to build trust and encourage participation.
4. **Waqf Diversification:** Expand waqf projects across multiple sectors, following Indonesia's comprehensive development model.
5. **Public Engagement:** Develop comprehensive awareness programs highlighting the developmental impact of zakat and waqf.
6. **Cross-sector Collaboration:** Foster partnerships between public, private, and civil society sectors for effective fund utilization in development initiatives.

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