



## **What is the required role of the state in Egypt concerning Zakat?**

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This research paper aims to highlight the importance of Zakat as a distinctive tool to alleviate poverty, I would like to present "Zakat" for anyone don't Know it, also to present some crucial point of views about how to apply it effectively in Egypt.

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## **List of Acronyms**

CAPMAS:	Central Agency for Public Mobilization and statistics.
DZIT :	Department of Zakat and Income Tax in Saudi Arabia.
E.I.FB:	Egyptian Islamic Faisal Bank.
ILO:	International Labor Organization.
IMF:	International Monetary Fund.
INP:	Institute of National planning (Egypt).
L.E. or EGP :	The Egyptian currency.
MED:	Ministry of Economic Development (Egypt).
MMI:	Ministry of Manpower and Immigration.
NGO:	Non-government organization.
OIC:	Organization of the Islamic Conference.
UNDP:	United Nations Development Programme.
UNFPA:	United Nations Fund Population Agency.
WB:	World Bank.
ZSO:	Zakat Sudan Organization.

## **Abstract**

In this paper I discuss "Zakat", which is considered a form of charity that must be paid from a person's wealth ( when his /her wealth exceeds or reaches a "specific amount" of money (or other types of wealth like gold )

So when the wealth reaches this level or (the specific amount ) the person who owns this wealth should pay a specific amount for the poor and this amount goes to the poor named Zakat" (Al-Qaradawi,1999). At the end, I conclude that "Zakat" is an effective and practical approach to reduce poverty and it could be applied in Egypt with a significant role from the state in three main directions: institution ,law and media , that I will explain that the theoretical framework of neoliberalism and the successful practices in Zakat highlight the importance of the role of the state in any policy aiming for poverty reduction.

## **Relevance to Development Studies**

Poverty has a lot of implications on the progress of development process at any country. Finding a solution for poverty is still not found The poor threaten the peaceful inside their societies, so by showing real and fast interests from the states to the poor, this will avoid a lot of problems in the political and social life in the development countries. One of the major results of neglecting the poor in the development states agendas is the eruption of the "blood revolutions" recently appeared in the Arab countries, which make these countries are losing a lot of its incomes at the time they are in deep need to develop their incomes, so by neglecting and ignoring the issue of poverty, this will make it too big and hard to solve in the future or by insisting of applying" traditional or partial" programmes that the poor don't feel its implications for a long time or don't feel a sustain and great improving for their poverty situations , while in case of applying Zakat the improving in the poor standards of living will be easily recognized and the poor will be satisfied , because the main mechanism of Zakat to take money (and any other kind of property existed in the society) to transfer it immediately to the poor each year and forever.

## **Keywords**

Poverty, Development, Zakat ( Zakah or AlZakah), State, Institution, Media, Society, Law, and Neoliberalism.

# Chapter 1

## Introduction

### 1.1 Introduction

The problem of underdevelopment is considered one of the most important issues facing our world today. Despite the application of many political and economic theories, millions of people all over the world are still suffering from it.

I am presenting in this research paper a unique approach by which the comprehensive fair development can be achieved, which is "Zakat"<sup>1</sup>: "Zakat", which is considered a form of charity that must be paid from a person's wealth (when his /her wealth exceeds or reaches a "specific amount" of money (or other types of wealth like gold )

So when the wealth reaches this level or (the specific amount ) the person who owns this wealth should pay a specific amount for the poor and this amount goes to the poor named Zakat" (Al-Qaradawi,1999).

This mechanism has lots of good features that make it distinct and different from any other systems in poverty reduction, it is a tool by which the fair comprehensive development can be achieved on the basis of giving both rich and poor people their rights of suitable standards of living in the society.

### 1.2 Indication of problem / area

The problem of poverty is the main problem in the heart of development literatures, without solving this problem the developing countries will suffer a lot. Poverty as a global issue, takes more of concentration day after day, it is really a serious issue -with a lot of implications -that should be focused on the academic and practical arenas.

Zakat is already existed in the Egyptian community, but there are a lot shortages that make Zakat doesn't work effectively in reducing poverty, mainly because of lack of interventions from the state to use its tools -that only the state can use it -like imposing law for Zakat and establishing an institution to achieve the cooperation that is absent between all parties working in that field in Egypt, so I will present the current situation of Zakat now in Egypt (of course after introducing this mechanism first) then I will focus on the role of the state in Egypt in that concern.

I argue that (in this research paper) the suitable tool or policy to reduce or overcome the poverty issue in Egypt, is to apply Zakat (by the state). and the reasons for seeing that, because Zakat is the much suitable policy for that goal (this explained in chapter two and three, where "Zakat" is introduced as a system or mechanism and how it works), in chapter four I will present the the-

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<sup>1</sup> It is an Arabic word written in English letters.

oretical and the conceptual framework of this research paper by introducing the role of the state in the political economy literature with much focus on the neoliberalism theory and in chapter five I am explaining why it is needed to apply Zakat by the state and how.

### **1.3 Why I have chosen Egypt as a part of this research?**

However that the official declarations from the government in Egypt in the last 40 years reflect very optimistic indicators about the progress in the economic field , but the regular citizen in the street or any passer-by still doesn't see except few aspects of this "fake declarations" about the progress in economic situation .

The problem of poverty is becoming much more complicated than the last 30 years ago, because the total people who are living under the poverty line become about the half of the population and the poverty issue in Egypt has serious bad implications, like the arising of the crime rate and eruption of violence.

The whole country "Egypt" is considered "poor and developing country (UNDP, 2010).

The two tables (table 1 and table 2, see appendix 3and 4) show the importance of dealing with these debts which means how it is important dealing with the problem of "poverty", in Zakat mechanism no burdens will the state bear any more , so from these two tables we can see how it is difficult for the state in Egypt to pay subsidies or establish projects for the poor , while in Zakat, it is taken from the rich direct to the poor without any burdens over the budget of the state which already has a deficit and huge external and internal debts.

By paying Zakat to its eight poor categories in Egypt, this will aggregate the demand of the products and services, with the other economic tools, this will help the economy to achieve much more production and recover the economic recession.

### **1.4 Relevance and Justification**

One of the major problems that the developing countries face is the lack of state revenues to cover all required expenses. Zakat is completely different than taxes, because it is a direct solution for poor people because it goes with the same type of property from the rich to the poor (not like the most of the poverty reduction programmes which go in shape of projects for the poor), also Zakat has its own fixed resources and fixed legal channels of spending.

To illustrate the relation between applying Zakat and achieving the comprehensive and justice development, this one example of that, Zakat will not affect negatively on investors because it is considered a very small rate of payments, (2.5%) from the total amount which deserves to pay Zakat from it. Zakat also achieves the solidarity among all classes in the society and spreads out the feeling of secure, because of Zakat has eight items it goes to, one of this to be paid to debtors, which enable investors to practice their investments safely,

without any threatens of being bankrupt. It should be noted that these relevancies between Zakat and its reflections on the whole development process they will be explicitly discussed in the coming chapters or they will be embedded when the rules of Zakat and its distinctive characteristics be introduced.

I would attempt to search of the area why Zakat is not applied more effectively in Egypt, what the state should do and should focus more on, to aggregate or maximize the proceeds of Zakat, so in this regard I will emphasize on establishing an official association of Zakkat in Egypt, I will present an overview of a proposed of law for applying Zakat and finally in this concern I will discuss the role of Media.

### **1.3 Research objectives (the main research question and main sub questions)**

-The main research question is: What is the required role of the state in Egypt concerning Zakat?

-The main sub questions as follow:

-What is Zakat and what are its revenues? (Covered in chapter 2, 3).

-Who are the beneficiaries of Zakat revenues (the eight channels of distributing Zakat)? (Covered in chapter 2, 3).

-Is Zakat distinct in reducing poverty? (Covered in chapter 2, 3).

-Is there a necessity for the “state intervention” in all countries, especially the developing ones in order to have a better, balanced economic growth and to lead the development process in all fields ( generally and particularly in Egypt for reducing poverty)? (Covered in chapter 4, 5).

-Is it necessary to have a law for applying Zakat in Egypt and if so what are the main crucial topics that this law should focus on? (Covered in chapter 5).

-Is it necessary to establish an association (institution) for organizing the whole procedures of Zakat in Egypt and if so what are the main vital points that should be highlighted in this regard? (Covered in chapter 5).

-How it could be benefitted from “the role of Media in influencing upon the Egyptian society” in order to promote for Zakat and to encourage of “the positive community participation” in Zakat concern? (Covered in chapter 5).

### **1.4 Research Methodology and data collection**

In this research paper mainly I have relied on “secondary data” because of the nature of the topic and I have found valuable recourses as a secondary data which satisfied my research needs sufficiently.

Zakat as a topic in the literature is not a new topic but it still attracts a lot of researchers and authors to write about , and I found some of recent books and articles that discusses Zakat as an economic tool , but this is considered a way of my scope of focus on Zakat as a tool of “poverty alleviation” , so I

found it much clearer and useful for my research to go back to the original and main Islamic resources in this domain , which still the much famous , usable and trustful by any researcher presenting this topic, because these resources have explanations for each rule of Zakat and they explain every point of view about any role of Zakat and why these rules in, also those scholars did their own filed work early after the prophet dead, beside that all the professors and teachers of Zakat topic in the universities and institutions around the world are teaching Zakat from these main resources .

Dealing with these “huge original resources” was not easy at all, especially if it is known that they were written in “Arabic language” , so I have to translate theme in to the “English language” , which costs me great efforts and time , this process cost a lot of efforts for two reasons , first to abstract the main important ideas and thoughts related to the topic and to make sure that it is understandable .

Thus I used secondary data mainly in all chapters except the fifth one, where it is required in that chapter, to conduct semi –structured interviews , because there is no recent data about the current situation of Zakat in Egypt , so I have conducted about sex interviews in order to obtain the required data for this part of the research , these interviews were conducted with some professional officials and direct managers in Masheiakheit Al Azhar and the Egyptian Islamic Fasial Bank.

Because I am also presenting the problem of poverty in Egypt ,so it was quite important to illustrate the recent statistics of this issue and its relation with the economic situation in Egypt , in this regard I was searching for recent data which I have found in trusted local and global reports and conferences provided by formal ministries or agencies inside Egypt or by global organizations.

## **Chapter 2**

### **What is Zakat? : The Revenues of Zakat and For Whom Zakat is Paid (its eight channels)?**

#### **2.1 Introduction**

In this chapter I will illustrate and discuss the definition of Zakat in Arabic language and religion, how is Zakat calculated ?and the conditions that required for money subject to Zakat, the revenues of Zakat in some details, and finally I will explain for Whom Zakat is paid? ( the eight channels of paying Zakat). The main purpose of this chapter to present for the reader Zakat with its main rules, to explain what it is and how it works to reduce poverty.

#### **2.2 The definition of Zakat in Arabic language and religion**

“Zakat is considered a form of charity that must be paid from a person’s wealth ( when his /her wealth exceeds or reaches a “specific amount” of money (or other types of wealth like gold ) So when the wealth reaches this level or (the specific amount ) the person who owns this wealth should pay a specific amount for the poor and this amount goes to the poor named Zakat” (Al-Qaradawi,1999).

The origin of the word means the increase and growth, in Arabic language Zakat means the increase and growth, it also means purification (Alsharbasy, 1981).It was also mentioned in the dictionary of “ AlWaseet” as blessing, purity, prosperity and righteousness (The middle dictionary ,1972).

From the perspective of the Islamic religion, Zakat was mentioned clearly in many verses of the “Holy Quran” which indicate the obligation of Zakat and the necessity of paying it. The word Zakat was mentioned ( 32 ) times in the Holy Quran (Mashhour, 2005).

The religion of the Muslim is completed by paying Zakat , as it is the middle pillar of " the Islamic Pillars", which means that the Muslim must believe in Zakat and perform it if its conditions are applicable to him (Alqaradawy ,1981).

The pillars of Islam are five, witnessing that there is no God but Allah, and Mohamed (Peace be upon him) is his prophet, set up the prayer, performing Zakat , fasting the holy month of Ramadan and performing the Pilgrimage (pilgrimage is to visit the sacred house of Allah in Makah, Saudi Arabia) (Sabeque ,1977).Zakat along with the “prayer” had been the basis on which the old humane communities were built, it is also the core message of the prophets and messengers before Islam as the Holy Quran mentioned about the prophets ,Ibrahim, Isaac, Jacob, Ismail and Jesus Christ ( Mashhour, 2005).

According to the Islamic religion it is not optional for Muslims to perform Zakat , it is obligatory , as it is taken from the rich for the benefit of the poor ,thus the targeted social solidarity will be achieved . Zakat is representing the financial pillar in the “Islamic pillars” (Algazary ,1970).

## **2.3 Zakat in the time of prophet Mohamed and Caliphs**

At the time of prophet Mohamed, he was sending the officials to collect money of Zakat, as it was mentioned for example , when he sent Moaaz IBn gabal to govern Yemen, he ordered him to collect money of Zakat (Abdalkader,2012).Also in the time of the second gonernant in Islam (Caliph) Abu-baker, Zakat was collected and monitored by himself (Abdalkader,2012).

At the time of the third Caliph Omar , where the state was expanded , Omar still interested in collecting Zakat but with a new way in terms of two perspectives , first collecting it from both outward and inward money , second by establishing “a Zakat organization” to be the ideal solution in dealing with Zakat .At the time of Omar the revenues of Zakat became a huge amount, until Omar decided to give a salary for each person in the Muslim state (Abdalkader,2012).

The periods after that the governors were not interested so much to collect Zakat by themselves and from the outward and inward money, because total toll became very huge so they decided to leave this matter up to the eligible Muslims to pay their Zakat , but in the later on periods of time the Muslims became less aware by the religious practises so the total toll of Zakat became less than periods of the prophet and Caliphs and not sufficient to satisfy the basic needs of the poor in the Muslim countries (Abdalkader,2012).

To conclude from that, the best total yield of Zakat was happened when it was collected and distributed through an organization with a great attention from the leader of the state , so later on when this research will discuss the applying of Zakat in Egypt, it will be a great focus given to the importance of having a law and an organization in collecting and distributing Zakat .

## **2.4 How is Zakat calculated? and the conditions that required for money subject to Zakat**

Zakat is not only calculated on cash, but also on other forms of funds such as:

-Gold and silver.

-Crops and fruits.

-Trade profits.

Minerals and fortunes extracted from earth (sabeque ,1977).

Money that is subject of Zakat must have the following conditions:

1-It has to be totally possessed by its owner and free of any debts.

2-The possibility for the wealth to increase and growth.

3- Money must reach a fixed portion ( a specific amount) or a minimum amount (what equals approximately 88 grams of pure gold).

Money must pass a full (Hijri year)<sup>2</sup> in the possessing ( in the hand of the owner) of the owner.

4-The amount must be paid - according to ( Islamic Sharia)<sup>3</sup> - of liquid money and the like, is one quarter of ten. (sabeque ,1977).

This means that Zakat is calculated as follows:

The sum of money that has reached or exceeded what equals 88 grams of pure gold  $\times$  (2.5%) = the amount of Zakat that must be paid to the eight categories of beneficiaries (Sabeque, 1977).

## 2.5 The main revenues of Zakat

The main revenues of Zakat are specific with all its “terms and conditions” in all main resources that discussing Zakat, it is very clear for everyone to know these conditions then he will know if he is required to pay Zakat or not.These terms and conditions of Zakat were not changed since they were applied for the first time, so this make the mechanism of Zakat stable and granteed as a sustained resource for the poor .

What makes Zakat a distinct approach for poverty issue , it is directly goes to the poor and it is easily to be calculated from any wealth existed in the society ( like Zakat on livestock which depends on the number of the livestock in the hand of the owner at the end of each year ) ,and the owner will pay Zakat from the same type of property he has.It is easy to transfer Zakat money for the beneficiaries ( if they are known before by the state ) without any need for complicated bureaucratic procedures (For the details of Zakat revenues ,please see appendix 1).

## 2.6 The channels of paying Zakat

There are eight channels that Zakat goes to, first two channels are often combined together in the Zakat literatures , which named “poor and needy” channels , there are clear definitions for both of them and all their terms and conditions are presented in Zakat literatures, and all these detailed terms and conditions of this channel and the other channels aiming to avoid any leak of Zakat revenues to go to people who don’t eligible to receive it ( some of these characteristics or terms are presented in the upcoming chapter) .

The second channel is going to the “administrators”, who are working in the field of collecting and spending the money and other types of Zakat revenues.The fourth channel is the “reconciled hearts” channel, the fifth is “slaves and captives liberation” , this channel can used these days in captives of wars as will.

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<sup>2</sup> The “Islamic year” which is related of bigining and ending with “Moon”.

<sup>3</sup> It means the “law of Islam” that arranges all the believes and practices in Islam, this “law” mainly abstracted from “Quran” and “Sunna” (Sunna means the sayings (*hadith*) and prctices of “the Prophet Mohamed”

The sixth is “those in debt” channel, that used to pay the debts for the people who are in debt and they can’t payback their debts, this channel might be used to pay back the debts of any state as will. The seventh one is the channel of “in God’s way”, which means that the state can use the money collected from the rich -as Zakat- to be used in invasion in god’s way or at any use for publics, that the state decides that is needed, the last one is the channel of “wayfarers” (see appendix 2).

## 2.7 Conclusion

I conclude from this chapter that Zakat is designed to be a distinct solution for poverty, It is an approach that presume taking a “small amount” ( which named Zakat ) from each type of property at any society (for example only 2.5% from money) to be paid for poor. Zakat is taken from all types of properties (from the owner him or herself) that might exist at any society and the owner should pay his (Zakat) From the same type of property ( so the owner of an agricultural lands , will give for the poor a specific amount from his crops/ fruits) which make the poor feel he is sharing with the rich all kinds of properties at the society. Zakat is based on annual basis, so it should be paid annually for the poor , so it will grantee the sustainability of poverty reduction strategies which is not exited in other types of poverty reduction strategies . Zakat is deferent than the normal poverty reduction programmes from two main perspectives , first it is not only provide the poor with kinds of training or projects ( like infrastructure projects ) for only one time in a specific district, but Zakat goes with money directly to the poor, so they can benefit from it directly without any long bureaucratic ways that often open the door for the corruption ,and at the end the poor benefit only for short time and small benefits or small amounts of money (as a lot of reports gives these feedback data after applying a lot of poverty programmes especially in Africa) . ( With note that Zakat provides both types of strategies ( direct money transfer and “public projects” that apply through the channel of the “In God’s way” but the main one ( which has the priority ) to pay direct money to the poor).

The second perspective that Zakat is not related to the “state budget”, it is connected with the “individual wealth”, so it will not be influenced at all by the “fluctuations” or the “financial crisis” which often happened in the “state’s budget”, because Zakat is taken from rich direct to poor, and this finally will lead to a kind of “automatic social balance”, and the degree of rich of any society will be in a long with the amount of redistributed income from rich to poor. Zakat will achieve the social peace and the political economic stability, through a justice approach of income redistribution.

What also make Zakat , a distinct mechanism of income redistribution between rich and poor , that its revenues ( the persons who the state should collect Zakat from their properties) and its channels that goes to the poor, are very determined in the literatures and this took a very large spaces in the literature that discuss the topic of Zakat , so I have to summarize that and present only the main features , so any one needs more data and regulations should go to these main recourses and this what the state should do when it manage Zakat by itself.

## Chapter 3

# Some distinctive characteristics and regulations concerning Zakat and how Zakat is different with taxes?

### 3.1 Introduction

In this chapter I am going to illustrate some regulations and distinctive characteristics of Zakat, and at the end of this chapter it would be presented some main differents between Zakat and taxes.

### 3.2 Some regulations and distinctive characteristics concerning Zakat

#### 3.2.1 *Zakat is obligatory of the wealth not of the owner of the wealth*

Al Ahnaaf, Malik, and one narration of Ash-Shafi'i, and Ahmed see that Zakah is mandatory on the wealth, not the owner of it; whereas, in another narration of Ash-Shafi'i, and Ahmed, Zakah is obligatory on the owner of the money. So according to the first opinion, Zakah is to be paid on the capital money even after the death of its owner, which will grantee Zakat go to its beneficiaries (Sabeque, 1977p104-105). It should be noted here that some regulations or conditions of Zakat might be found similar as ones in tax, but not all of them. Therefore, delaying the payment of Zakah does not nullify its obligation of paying it to the poor. (Sabeque, 1977p109).

#### 3.2.2 *Payment of Zakah should be from the same type of property*

It is not permissible to pay the value of Zakah in any other forms of payments, except when the property is not available. This is because Zakah is an act of worship; and all acts of worship should be performed according to their original commands; and also to allow the poor to share with the rich the same kind of property (Sabeque, 1977p110).

*Al-Shawkany*<sup>4</sup> said: "Zakah is to be paid from the same property; its value does not be given as a replacement unless there is a valid reason (Sabeque, 1977p110).

This is to make it easy for the owner of the property, as a person is not asked to give out something except from the property that he owns.

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<sup>4</sup> One of the famous Islamic jurists.

### **3.2.3 The share of Zakah that should be given to the poor**

Among the objectives of giving Zakah is to meet the needs of the poor. So a poor man/woman is to be given the amount of money help him afford his living ( the amount that make him going out of poverty to rich and he become as a rich forever), this changes according to the condition of the needy person (Sabeque, 1977p116).

*Omar Ibn Alkhatab*, may Allah be pleased with him, said: "If you give Zakat ,make the poor become rich " (Sabeque, 1977p116).

### **3.2.4 Is it permissible to give Zakah to a strong person who can earn money?**

The strong person who can work should not be given from Zakah, like the rich. `Ubayedel-Allah ibn `Adey Al-Kheyar<sup>5</sup> related that two men came to the prophet, peace and blessings of Allah be upon him, during the farewell Hajj while he was dividing up Zakat ; they asked the prophet to give them a share from it. "The prophet, peace and blessings of Allah be upon him, looked at them up and down and realized that they were strong and said : "If you wish, I would give you a portion of Zakat, yet, it should be given neither to a rich nor to a strong person who can earn his livelihood." (Collected by *Abu Dawood* and *Al-Nasaa`i*)<sup>6</sup> (Sabeque, 1977p117-118).

*Al-Khattabi* said: "This *hadith* is a proof that whoever does not have property, should be considered as poor." (Sabeque, 1977p118).

The prophet, peace and blessings of Allah be upon him, said: " Zakat is not eligible to a rich nor a strong healthy person." (Collected by *Abu Dawood*; and *At-Tirmizi*<sup>7</sup> (Sabeque, 1977p118).According to this hadith, a strong person should not be deprived from taking Zakah if he is not working and asked for it because he might not find a suitable work or job; however, Zakah does not support unemployment.Among the virtues of the Zakah is that the share of *Al-Mu`alafa Qloobuhum* (those whose hearts are inclined towards Islam) could be given to the wrongdoers and transgressors to stop them oppressing and misleading people, especially when they have supporters and followers; and have great impact on laymen.

### **3.2.5 Among the virtues of Zakah is that it could be paid to those who are indebted**

They are of two types:

- 1.A person who borrows money from another and cannot pay it back.

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<sup>5</sup> One of the narrators of "Hadiths" in Islam.

<sup>6</sup> They are authors of two books, out of sex books that considered the much trusted and famous references in *Hadith* ( sayings of prophet Mohamed).

<sup>7</sup> One of the famous Islamic jurists.

<sup>8</sup> He is the author of one book, out of sex books that considered the much trusted and famous references in *Hadith* ( sayings of prophet Mohamed).

2.A person who is indebted due to a sin that he used to commit but he is not doing it any longer. Such people are entitled to a share of Zakah with which they can settle their debts (Sabeque, 1977p131-132).

*Ahmed, Abu Darood, ibn Majah, and At-Termizi* <sup>9</sup>narrated that Anas Ibn Malik, related that the prophet, peace and blessings of Allah be upon him, said, "begging money is not lawful, except in three cases: 1. a person who is under abject poverty, 2. an indebted and bankrupted person, and 3. a person who is sought to be killed if he does not pay blood-money." (Sabeque, 1977p132).

According to this "hadith", many problems and disputes can be settled in Upper Egypt, wherein killings and retaliations spread. This is because, in many cases, the killers cannot pay the blood-money to the family of the killed person. In such cases, Zakah ( if it will be activated), will solve lots of social problems in the community over there. Moreover, Zakah, in this context, will solve many problems for bankrupted businessmen who are suffering and are forced to borrow money from banks due to the harsh circumstances which might be happened suddenly like , revolutions, terrorist attacks, etc.

### ***3.2.6 Zakah is to be divided up equitably amongst the eight categories, without bias or favoritism***

Ash-shafi`i and his disciples said: "If the owner of property gives Zakah by himself, or his deputy, the share of *Al a'meelin Alaiha* (Those who are working in distributing it) should be distributed over the rest of the eight categories if they are existed and it is not allowed to leave any category without giving Zakat ,so All categories should be considered and giving Zakat if they are presented in the community (Sabeque, 1977p137-138).

If there is a huge amount of Zakah money, it should be divided up among the eight categories, but if it is few, then it is permissible to be paid to one category (Sabeque, 1977p138).

Malik said: "The Zakat-giver should investigate and find who is in more need and who in less need , and give it to " people" who are in more need of money, so if he sees that the poor much deserve than others in a year , so he should give the whole amount of Zakat to them , or for the wayfarer or others." (Sabeque, 1977p138).

### ***3.2.7 Rule of not giving Zakah to parents and children***

Scholars agreed on that it is not permissible to give Zakah to fathers, grandfathers, mothers, grandmothers, sons, grandsons, daughters and granddaughters because it is mandatory on a person to spend on his children and their descendants, and his parents and his ascendants, if they all are poor (Sabeque, 1977p147).

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<sup>9</sup> A group of famous Islamic jurists.

### ***3.2.8 Rule of not giving Zakah to one's wife***

Scholars agreed that it is not permissible to give Zakah to one's wife. This is because spending on the wife is the responsibility of the husband which make her not for need to take Zakat the same like parents. If she has debts, then she can take from the share of those who are indebted only to pay her debts (Sabeque, 1977p148).

If Zakah is collected by the state, so the total toll of Zakat will be collected from the Zakat –payers , where the husband of the debt wife is included to them or not ( it depends if he eligible to Zakat or not ) ,this shows the virtue of Zakah in caring of debt women who are neither income, nor have business.

### ***3.2.9 Who should distribute the money of Zakah?***

Jurisprudents<sup>10</sup> agreed that the owners of the property should distribute their Zakah by themselves if the subject of Zakat is unknown to the state , on the other hand and according to Malik and Abu Hanifah, if the subject of Zakat is known to the state or the ruler, so the Muslim ruler or his deputy should collect and distribute it (Sabeque, 1977p150).If the owner pays Zakah by himself, he should have enough “social responsibility” to his society that make him qualified for this task, because in this case the payer of Zakat is the only self-witnessing of his action.

## **3.3 Some critical differences between Zakat and Tax**

1- The legal status of Zakah is passed upon the obedience and following God's command after believing. These commands does not contain any contradictory or injustice as it's based upon commissioning by God, while the current tax which supposed from the taxpayers to obey the orders of the governor by law orders. Objections and compliance may arise when the financers doubted about the justice of the tax system (Al Seraity,2002p5).

2-Zakah is a known right; The prior knowledge is one feature of Al-Zakah as it has a defined and clear rules which do not accepted any interpretation or changing. It is fixed in regarding to collect and payment for its deserved people since its first appeared and applied. No one, of those who applied it, breaks

<sup>10</sup> The Islamic scholars.

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these rules at any country around the world. It is very clear and this facilities to any financer, the payer, to know and calculate its amount.

Whereas the current tax system is lacking to this clarity because of the deficiency of its rules and the changes and amendments made to close its shortages. (Al Seraity,2002p6).

3-Zakah channels are determined by definitions by the Islamic law: Zakah is distinguished by a comprehensive and preventive Islamic command. God, Glory is to my Lord, the Most High, has determined the channels for the Zakah and did not leave it to the governor as he likes. the channels for the Zakah aims to improve the domestic income by redistributing it for the benefits of the poor who are entitled to receive it on the cost of the rich class who are paying the Zakah. The channels of the current taxes are determined by the state balance sheet which changed from state to another and in the same state from time to time according to polices of that state (Al Seraity,2002p6).

4- There is no “duplication” in the Zakah, as its legislation is avoiding the duplication in the payment of Al-Zakah. It is not allowed to take Al-Zakah twice in a year. Also, it is not permitted to impose Zakah on the same money at the same year. In most of current tax systems there are various forms of tax duplication, where it is imposed more than one tax on the same money and upon the same taxpayer during the same period of time. The legislator has extracted “the unified principle” in tax payment from Al-Zakah system (Al Seraity,2002p6).

5-Taxes do not distinguish between the poor and the rich ,while Al-Zakah is taken -by right- from rich people and be given to the poor people but the taxes does not distinguish between the poor and the rich people, both of them are bearing its burden especially in the case of indirect taxes such as “sales tax” (Al Seraity,2002p5-6), which is applied in a manner that has exhausted the poor in Egypt, (10% from the value of all goods, 12% from the value of all services), and sometimes both of them together if it is introduced as a tangible commodity with service, in this case “sales tax” will be 22%, so this kind of tax`s burden is upon poor more than rich. Mostly The “tax yield” is spending upon the public utility which benefits the rich more than poor.

6- Zakah from “cash money” (like the other subjects of Zakah) is relatively small 2.5% of the capital, so it does not form any burden upon its payer/financer. As for the current taxes upon the revenues of the projects are progressive and could reach to 50% at the high level of incomes/ revenues and this discourages the capitalists to invest their money, thus the economic development rate will decline (Al Seraity, 2002p8).

7- Defining the channels of Al Zakah and the way of calculating it, is a fixed method followed and applied long time ago (1400 years ago), and until this moment it hasn't changed in terms of its conditions and rules, as well as Zakat is not being dependent on the state's estimations of its own needs in order to spend on the public projects and services as in taxes. This is the reason why “tax system” is always subject to change and amendments. This explains the existence of a usual debate between the public from one side and the law-makers from the other side in order to understand the articles of most of new tax laws in Egypt.

### 3.4 Conclusion

The purpose of presenting these rules to grantees that no money will leak in both the revenues and the poor channels which make Zakat a very coherent or solid approach, and these rules deal with the most of the “special cases” of both the people who pay or deserve Zakat funds, which are very important (to be taken into account) in putting a law and “internal administrative system” in case of applying Zakat by the state, which I will discuss in the next two chapters.

From this chapter it is concluded that, Zakat as an approach of reducing poverty has a lot of details and regulations and I have chosen some of them to illustrate, Zakat deals with a lot of details that make it go deep in solving the problem of poverty and give very good considerations for the social and economic relations in the society, like the rule of not giving one's wife from Zakat if she is poor, because he is obliged to satisfy her all basic needs and this rule (as an example) has regulated for the purpose of saving a lot of “Zakat money” that should go for poor people who are in much need for it and they don't have any one can reliable them financially while in the case of this wife she has a husband should reliable her. It should be noted that these are some of a lot of details, not all of them, and I tried to summarize each regulation in a coherent way in order to, first to set it and second to illustrate its implication in the society in the frame of overcoming poverty.

Taxes doesn't go in details like Zakat and mainly it is not determined to specific channels like Zakat, so any state can use the revenues of taxes as it likes and this using could be changed from a state to another and in the same state from time to time, but in case of Zakat it is impossible to be changed from time to time or from a state to another because it would be another approach not Zakat if it is changed. This gives Zakat an attribute that it is stable, clear, and fair for all involved parties.

## **Chapter 4**

### **The conceptual and theoretical framework**

#### **4.1 Introduction**

In this chapter I will discuss the arguments about state intervention in neoliberalism theory, explaining the role of the state in overcoming the spontaneous outcomes of a market economy. I will also present the theoretical focus on the importance of having laws, regulations, strong institutions, community participation from all members of society, and good policies. This is because all of these are tools to achieve the required intervention by the state; one of the main tasks of these types of interventions by the state is to achieve social justice and the fair redistribution of wealth within society (which is the focus of this research paper).

#### **4.2 The political economic order in Egypt**

Egypt has been applying neo-liberalism since the 1990s, and the state has opened up the market and applied free trade in order to attract more capital flows. These policies have been intended to decrease the 'governmental involvement' in the process of making economic decisions. However, all the reforms carried out in Egypt whilst applying neo-liberalism and capitalism and the dominance of capitalists over the community and policy makers have made the 'survival situation' worse for the powerless groups or the poor due to 'the increased prices of the necessity goods, price of electricity, and the elimination of food subsidies, etc.' (Bakhit, 1999).

In this chapter I will present the debates about state intervention with its policies and institutions in the new 'liberalism' thinkers after the rise of the 'Post Washington consensus' to highlight the importance of these interventions to achieve the goal of redistribution of the wealth in a much more equitable form.

#### **4.3 The state's organization for poverty alleviation and 'neoliberalism'**

My point, which is to argue the importance of having a Zakat institution or organization in Egypt, has been stated and presented by many scholars such as David (1995, 154), who argued that, because the poor are in a weak and powerless position, they find that the effective way of deciding and formulating their own future is to group together in 'community organizations' in order to satisfy their needs. So when I suggest that there should be a Zakat organization I mean an organization for the poor; as David said, it should be an organization for the poor, in which they are working and for them to satisfy their needs of getting money from those wealthier to achieve a human standard of living. Therefore the idea presented in this paper and also by David (1995) is the im-

portance of having an ‘organization’ for the poor to solve their problems of poverty.

Also, Berner (1997, 127) argued that, as a result of this, the poor are always excluded from participating in decision making, so they tend to organize themselves in order to create a more powerful position to bargain for their human needs and demands. This argument also concerns the importance of having an organization for the poor in the governmental structure of the state.

Another writer, Chang, argued that state interventions or ‘institutional forms’ should be ‘legitimized in the eyes of the market participants, either through formal legislation by the state or through informal support from the state’ (Chang, 2000).

Leftwich (2008) argued that ‘all human societies require institutions to govern and promote their collective affairs.’ He also argued that the state has a critical role within a lot of developing countries when formulating and shaping particular policies that are associated with their needs and their cultures, but that these policies do not necessarily match the global needs and cultures that can be imposed by the global order.

Williamson (2000) argued the importance of these institutions in implementing good policies in developing countries to achieve a just and equitable income redistribution by depending on local strategies. He explained three phases of economic development theories: the first took place between the 1940s and the beginning of the 1960s when economists argued that the accumulation of physical capital is the phase of development ‘as reflected in the Harrod-Domar model, the Lewis model, and the two-gap model’ (Williamson, 2000).

The second phase focused on the importance of human capital on development, and this explanation clearly illustrates why Europe and Japan recovered very fast after the Second World War, while in developing countries the development process was very gradual, despite a lot of development policies and international aid. In this regard Williamson refers to the importance of having urgent local strategies to build the human capital of the poor in developing countries through poverty reduction programs which should be adopted by the state because market mechanisms will not be able to provide and sufficiently apply these programs or strategies. The last phase started in 1970 with the contributions made by Little, Scitovsky, and Scott (1970), Balassa (1970) and Williamson (2000).

Williamson (2000), along with others, referring to the ‘great development’ that occurred during the 1990s, acknowledges that the change from communism to a market economy was based on

“building the institutional infrastructure for the market economy. Then this perceiving was completed by a kind of consensus that the bad institutions might spoil the good politics” (Williamson, 2000).

I can conclude from the arguments above that having a state institution for poverty reduction is very important and without good organizations or institutions the state would not be able to achieve its goals effectively, one of which is to fairly redistribute income between all the people in the community.

#### **4.4 The proper role of the state, laws, public institutions and neo-liberalism in reducing poverty in developing countries**

This question has occupied economists for the last three centuries; the early post-war period witnessed the rejection of the ‘laissez faire’ doctrine by international consensus and this was followed by a world dominated by the doctrine of state activism. The 1960s saw the end of ‘laissez faire’ capitalism in many parts of the world, followed by a sort of consensus that was a mixed economy ‘alternatively, modern capitalism or organized capitalism’ (Chang, 2000).

In the 1970s this consensus was overturned, because of the emergence of neo-liberal economy thoughts which ended the mixed economy and introduced market principles (Chang, 2000).

The emergence of neo-liberalism over the last two decades has changed debates on the role of the state: the state has become a vehicle for the political power groups (which includes the bureaucrats and politicians) to only satisfy their ‘sectional interests’ (Chang, 1994). The state has also become less interested in satisfying any other actors in society and it has neglected the role of politics in legitimizing approaches that should correct the market outcomes (Chang, 2000).

In his book on institutions and the role of the state, Chang tried to build ‘blocks of what may be called an institutionalist political economy’ (Chang, 2000).

In this regard Chang criticizes the old neo-liberalism thoughts. He argues that the contradiction in this theory comes from the great gap between two doctrines, the neoclassical economics and the Austrian-libertarian tradition, and also neoclassical economics have a very strong interventionist line which is the best way to create a welfare economy (Chang, 2000).

Chang argues that most goods have “bad externalities” over a wide range of the population and these externalities influence the income and the welfare of the population, unless the state intervenes to compensate them in a proper way. From these debates the clear role of the state in the case of Egypt is to make “a proper compensation” after a large number of malformations have been made to the economy as a result of first applying capitalism and then neo-liberalism.

Chang also argues that we should have an exact definition of “state intervention”. He argues that this process is relatively different from one country to another and from time to time in the same country and he gives three examples to explain his thoughts on this. He concludes that state intervention in regulating and organizing free markets in neo-liberal states might be different from one state to another. This should be associated with the cultural framework (with other elements) of this state, even in some states like Japan or the Asian Tigers, where they claim that there are no interventions by the state in the economic, social, and political life, while in fact they do perform interventions much more than they acknowledge, like Korea, which owns most banks in the country. Chang concludes that:

“market cannot be defined except with reference to the specific rights or obligations structure that underpins it”. Chang also argues that we need a more “broad, balanced and sophisticated view of politics than what is offered by neo-liberalism” (Chang, 2000).

Also, (Leftwich, 2008) argues that public institutions and their laws must have the authority (sovereignty and hegemony) over their total geographical area, and “apply in theory to everyone within its territory” (Leftwich, 2008).

In promoting economic growth and development, modern states have had to provide defence and ensure law and order, respond to demands for a wider set of civic and democratic rights and manage some redistribution of resources (through tax) and welfare arrangements’ (Leftwich, 2008: 216).

In her book (Rachels Turner, 2008: Neo-liberal Ideology: History, Concepts and Policies) Turner presents liberal traditions and the rebirth of liberalism. She also discusses all the arguments related to market vs. the state, the legitimacy of state provision and government and the rule of law. The book is searching for events that led to the rise of “collectivist ideologies” in the twentieth century as neo-liberal thinkers perceived them. In this regard, Turner argues that the structure of any ideology should be flexible in order to interact effectively with the changes happening in the society (Turner 2008).

W.H. Greenleaf (1983, 13) argues that “ideology must reckon on and accept multiformity, overlap, divergence, inconsistency, obliquity and change as features intrinsic to their subject matter”.

Filho (2007) refers to the role of the state in drawing an effective policy for poverty fighting by stating that the effective policy and the executive activities in this concern depend on the state and its role, because the state is considered the main tool and the main engine for any collective work in the society.

Turner examines three types of “state intervention” in her book, in Germany, Great Britain and the United States, and argued that these three states practiced different types of state intervention during the second half of the twentieth century. So it can be concluded from the arguments of Chang (2000), Turner (2008), and others that countries such as Egypt should identify the type of state intervention which will achieve their goals.

Reflecting on the role of the state in Germany, Turner (2008) says the state is an “essential tool” to achieve its liberal ideologies. As is mentioned later on in the RP, Egypt should construct a ‘model of poverty reduction that goes in parallel with its traditions and circumstances’, according to Turner (2008) who argues that ‘liberalism in the United States has a rich political heritage that has drawn on ideas which were not the same ones of Britain and Germany’.

After a lot of social problems which occurred at the turn of the century, the liberals turned to the state for a new direction.

“This period marked a fundamental break with the liberal traditions of the past and signalled the rise of collectivism” (Turner, 2008).

## 4.5 Washington consensus, post-Washington consensus, the role of the state, institutions and laws

Washington consensus is about various political and economic instruments suggested by Washington (which here more or less means Congress, technocrats, the international financial institutions, the economic agencies in the US, the preservation federal association and the intellectuals) in order to have a sort of consensus about them, to use them to solve the economic, political and social problems in developing countries (Williamson, 1990).

This attempt started in the U.S. in reaction to the financial crisis of Latin America in the 1980s. The main instruments of this consensus were the free market, the concentration on tax reforms as an alternative to reducing public expenditure as a solution for the budget deficit, free trade through free imports with no protection for the internal industries, privatization (as they found that private companies manage themselves in a more effective way), and property rights.

Williamson (1990) attempts to encourage states to search for local solutions to their problems by understanding which policies could work for them and applying them.

Public institutions in the modern state (which were initiated in European states) “are all public institutions and these institutions include the government, its legislature, the civilians and the policies” (Leftwich, 2008).

Stiglitz (1998) in his speech on 8 January 1998 argued “the role of the state” in the development process as a kind of critique or draw some new ideas of the neo-liberalism theory for the era of “post-Washington consensus”. He argued that to allow the markets to work in a correct manner, the state should intervene to achieve other goals that the markets cannot achieve, such as justice, and democratic and sustainable development.

Stiglitz also argued that the problem of the Tiger Asian States was not that they did a lot in the all sectors of development, but they did few actions in some sectors of the development areas. The type of “state interventions” drew and formulated the problem or mitigated it or even hampered it, as happened in Thailand, where the state ‘forced’ most investments towards the real state or because the state failed to put laws or regulations into place that could limit or control the follows of investments to this particular sector (Stiglitz, 1998).

In addition Stiglitz (1998) argued that the solutions for the development problems will not be found within the Washington consensus, but they exist in another area or place – although the Washington consensus might have been the solution for the Latin American countries in the 1980s, recently these solutions cannot work effectively in all the countries in the world. Therefore it can be concluded that this advice would not work effectively in the case of Egypt, especially in solving the problem of poverty as Filho (2007) illustrated.

“the proper role of the state and how the state can be more effective? It is a part of the strategy that aims to have an economy with high productivity, to assert on the proper role of the state”. (Stiglitz, 1998)

In other words, the state must play an effective complementary role in the markets, and in order to have this role Stiglitz argued that the state can improve its capacities only through reactivating its institutions and not only by building its technical capacity or management capacity, but also by using construction laws, regulations, principles, to ultimately enable the officials (the top management in the state) to achieve the public's interests and decrease the inequality between classes. The state will be much more effective in its roles when it satisfies the needs of its citizens and lets them participate in public policies by both drawing up and implementing them (Stiglitz,1998).

By using data from 94 countries over three decades the World Development Report in 1997 asserted on the “competent state”, which is considered one of the crucial actors in the development process. The report also illustrated that it is not only economic politics and human capital that determine economic outcomes, but also “the quality of public institutions” (World Bank, 1997).

“Pro-poor economic strategies are based on three principles. First, mass poverty is the most important problem facing the developing countries, and its elimination should be their governments’ main priority” (Filho, 2007).

Filho 2007 refers to a very important issue on this subject, which is the necessity of finding views and strategies that support the poor from a perspective that does not exist in real life. I agree with Filho on this, so I suggest that the state in Egypt should look at ‘Zakat’ as an economic policy to distribute the wealth and income. Filho (2007) argues that it seems that the programs for supporting the poor have become an interested discourse all over the world.

“Policy activism and state-led coordination of activity are necessary because the state is a fundamental tool for collective action. The state is the only social institution that is at least potentially democratically accountable and that can influence the pattern of employment, the production and distribution of goods and services and the distribution of income and assets at the level of society as a whole. Only the state can limit the power of unaccountable private interests, raise sufficient funds for democratic economic reforms, and ensure that economic activity is guided by the demands of the majority. This does not imply that the state should ‘take over’ the economy, however this may be defined. Pro-poor economic strategies are distinctive not because the state manages individual firms or enjoys unlimited property rights, but because of the way in which the state coordinates economic activity in pursuit of distributive ends. State ownership of specific assets is a secondary issue; what really matters are the objectives of government policy, and how state institutions interact with one another and with private concerns” (Filho,2007).

## 4.6 Conclusion

From all the arguments above, I can conclude that the new agenda of neoliberalism theory and the works of Stiglitz (1999), Nime (1995) and the world development reports for the years 1997, 1998 and a lot of others scholars (under the political economy discipline) have argued the importance of having a very active and effective role of the state in all activities of development and particularly in the problem of poverty, in order to reduce or eliminate it, particu-

larly in developing countries. These kinds of interventions have three main dimensions; legislative, institutional and community participation (which means the participation by all the involved actors in the society) to rebuild the human capital of the poor through local and sustainable strategies and politics that regulate and discipline the outcomes of the market economy, which at the same time can guarantee the just redistribution of the income and wealth amongst the members of society. State intervention is very important, and I am arguing that the use of Zakat by the state in Egypt is an effective way to reduce poverty; without state intervention in the poverty reduction process in general no real progress will occur (as is concluded in this chapter). Therefore the most effective tool or policy for reducing poverty might be different from one state to another. I argue (in this research paper) that the suitable tool or policy to reduce or overcome the poverty issue in Egypt is for the state to apply Zakat.

I can also conclude that the role of the state has been very important in a lot of developed countries, such as Germany, the U.S. and Korea, in order to regulate the spontaneous outcomes of the free market economy, and although even countries such as the U.S. have announced the encouragement of free market policies and free trade, in reality they are practicing the opposite policies (Chang, 2000). Therefore state intervention is required, after a long period of applying free market economy policies especially by the developing states who applied the old agenda of neoliberalism, of which Egypt is one. Because in this research paper I am discussing the role of the state within Egypt (as one of the states that has applied neoliberalism economy since 1970s), this conclusion highlights the views of the importance of state intervention in Egypt to regulate the spontaneous outcomes of the market economy and redistribute the income between its citizens through adopted policies for that reason and good institutions working for the poor and through law. Using Zakat in this framework as a policy could be effective in the case of Egypt in terms of its cultural and economic convenience.

# Chapter 5

## The current situation of poverty, Zakat in Egypt, and the required role of the state

### 5.1 Introduction

This chapter presents some indicators of poverty in Egypt in order to reveal the main dimensions and aspects of this issue in Egypt. It then describes the current situation of Zakat in Egypt and concludes with an introduction of the role of the state: the main three directions the state should work in, in order to implement Zakat effectively and to overcome the problems of the current implementation.

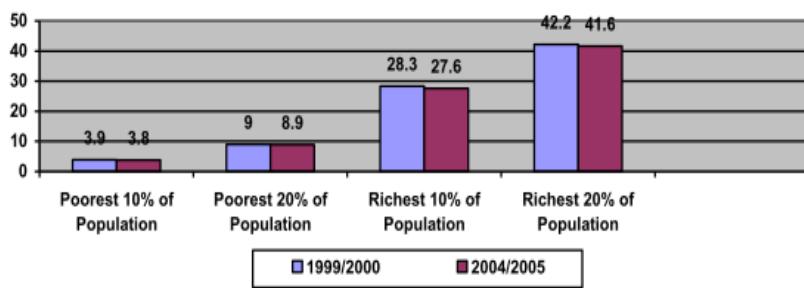
### 5.2 The poverty issue in Egypt

In this section I will present some aspects of the poverty issue in Egypt in order to illustrate the importance of dealing with this issue.

#### 5.2.1 *Wages, subsidies and unemployment, and their relation to poverty in Egypt*

Wages and subsidies make up the largest part of public spending in the Egyptian state's general budget. The value of subsidies and social benefits rose from 29.7 billion pounds in the year 2004/2005 to 68.9 billion pounds in the year 2005/2006. Accordingly, new means must be found, such as Zakat which takes from the rich and gives to the poor, without adding new burdens on the state budget that is already suffering from the volume of foreign and local debt as indicated before in (tables 1and 2) (INP, 2008, p. 38).

**Figure 1: Some income distribution indexes**



Source: calculated indexes from the World Bank and the Egyptian Economic Development Ministry, updating the indicators of poverty in Egypt, June 2007

Wages constitute the most significant source of income for many categories of the population. In addition, subsidies raise the average share of individuals' real consumption by about 2.5%. In the context of analyzing income distribution and the standard of living, indexes show a rise in the rate of inflation to 11.2% in the year 2006/2007 compared to a rate of 3.7% in the year 2005/2006, but also that the lowest spending categories suffer from inflation more than the highest spending categories as a result of the increase in the rate of food prices (INP, 2008, p. 36).

There are several reasons that explain the increasing number of those joining the informal sector in the Egyptian case, especially during economic crises. First is the absence of an effective system for unemployment subsidies. Second is the limited resources and role of the emergency fund founded pursuant to Labor Law No. 12/2003, because of lack of commitment by business owners to pay their financial obligations. Third is the reliance of the greatest majority of the population upon their work as their main and sole source of income (INP, 2010, p. 65).

The rise in the flagrant rate of inflation from 8.4% by the end of the fourth quarter of the year 2007/2008 to 9.4% by the end of the corresponding quarter of the year 2008/2009, which is the year of the global financial crisis. The informal sector makes up about 40% of the total employment according to the latest estimates of the World Bank (Territorial Study: Egypt and Global Economic Crisis 2009) (INP, 2010, p. 64).

The employment opportunities that were provided in the year 2008/2009 dropped to approximately 600,000, a drop of 13% from the previous financial year, which decreases the target of the current five-year plan (not less than 750 employment opportunities per year) (INP, 2010, p. 63). The global crisis exploded at a time in which most countries were still suffering from the impact of the rise in the prices of food and fuel. It has been estimated that the rise in the prices of these two groups of commodities increased the number of those who suffer from extreme poverty in the world by no less than 100 million individuals (INP, 2010, p. 72).

There is no doubt that the global crisis has led to an increase in suffering of the poor in Egypt as is the case in the whole world, but if one takes the rise in the degree of fragility of the economic, social and political conditions in Egypt into consideration, it is possible to imagine how the poor will live after the crisis. The crisis has also led to the deterioration of the standard of living and the quality of life in general for many of the economic and social categories (INP, 2010, p. 72).

### ***5.2.2 The poverty rate and poverty gap in Egypt***

The estimated rate of the poor based on the highest line of poverty are estimates for the total poverty in the community and consequently includes the rate of the poor pursuant to the lowest line of poverty which in turn includes the estimates of the poor pursuant to the poverty line of food (INP, 2010, p. 73).

The recent estimates (using income, spending and consumption survey data) indicate a drop in the total rate of poverty (i.e. using the highest line of poverty) for the whole country from 42.63% in the year 1999/2000 down to

40.55% in the year 2004/2005, but it rose again to 41.69% in the year 2008/2009. On the other hand, in these years the values of the highest line of poverty for the whole country were estimated respectively at EGP 1,403, 1855 and 2,801.00 per individual per year (see Table 2) (INP, 2010, p. 74).

It is also important to note that the rate of population under the lowest line of poverty has recorded a continued increase throughout these three years (it rose by approximately 29.3% during the period in question). In addition, the rate of population under the poverty line of food (extreme poverty) increased by approximately 110.8% during the same period (INP, 2010, p. 74).

**Table 3: The estimates of the poverty line and rates of the poor in Egypt**

Description/Year	1999/2000	2004/2005	2008/2009
Highest poverty line (EGP*/individual/year)	1403	1855	2801
Rate of poor pursuant to highest poverty line (%)	42.63%	40.55%	41.69%
Lowest poverty line (EGP/individual/year)	998	1423	2224
Rate of poor pursuant to lowest poverty line( %)	16.74%	19.56%	21.56%
Line of food poverty (EGP/individual/year)	693	985	1648
Rate of poor pursuant to the line of food poverty( %)	2.87%	3.59%	6.05%

Source : Ministry of Economic Development and World Bank : Report (pending issuance) on Status of Poverty in Egypt -2010 Using Income, Spending & Consumption Survey 2008/2009 conducted by Central Agency for Public Mobilization and Statistics .

### **5.2.3 Poverty and minimum wages in Egypt**

When establishing the line of food poverty, it is necessary to take into consideration the proportionate quantities of food that the poor eat and the prices of this food that they have to pay. Those whose spending is less than the line of food poverty are considered 'extreme poor people' (INP, 2010, p. 75).

To be more accurate, the line of minimum poverty, that reached 2,224 Egyptian pounds/individual/year in the year 2008/2009, is used as an average for the whole country. However, the average number of family members in Egypt is 4.2; hence, achieving a standard of living for the Egyptian family at the line of minimum poverty requires an annual income of 9,340.8 L.E., at a monthly average of 778.4 L.E. which is an alternative that could be endorsed as a very moderate minimum wage for the year 2008/2009. This minimum wage is not only for an individual who has just started in the employment market who does not support a family, because in many cases this individual is the breadwinner for his own family, whether it is small or large. However, even if this individual is not the family breadwinner, he should obtain a wage that enables him to build his life and create his own family within a few years of starting work (INP, 2010, p.76).

It is more realistic to use the line of the highest poverty which is 2,801 EGP (individual/year), in which case the family income should be 11,764.20 EGP per year; at an average of 980.40 EGP per month as a minimum wage,

that guarantees the family a standard of living at the line of the highest poverty (INP, 2010, p. 77).

### **5.3 The current situation of Zakat in Egypt and the problem of applying Zakat in Egypt**

This section presents the current situation of Zakat in Egypt and why it has not been applied in an effective manner, as a result of interviews carried out with a number of experts and officials in both the governmental and the private sector.

There are ten big primary associations working in Zakat in Egypt, besides a number of small associations of which the number is unknown. Based on the interviews which were carried out, it seems that there is no communication between all these organizations. This part of the thesis will illustrate how this conclusion was reached. There are two different types of Zakat organizations working in Egypt:

#### **Mashyakiet Alazhar case**

The first type is called 'Mashyakiet Alazhar', which is related to the government and is considered the most famous and oldest organization working on Zakat in Egypt. There Mr. Mohamed Al Abad, who is head of the Zakat department and has been in this function for three years, was interviewed for about one hour. Firstly he was asked about his overall overview of Zakat in Egypt now, and he replied that it is a random market (which means that the market needs to be organized and have a top central management). He also said that there are a lot of organizations that are working in this field but there is no communication or co-ordination between them, so therefore there are some beneficiaries of Zakat who can get money from more than one organization. He also said that the Ministry of Social Solidarity in Egypt should play a significant role in this matter to provide co-operation and co-ordination between all involved parties. Then he was asked about the order of his organization in the Zakat market these days and he replied that it was in the top for ten years, but now he was not sure, but it probably came after the six top organizations and this was due to the budget deficit of his organization that they cannot deal with. Thus they cannot spend more on promotion for their organization while the newcomer organizations are spending much more and they have

huge budgets for the promotion. However, Mashyiaikheit Alazhar organized some promotion campaigns in some social clubs in Egypt and the organization is going to plan new ones, but he sees that these efforts still remain insignificant in comparison with others. Secondly, he was asked to what extent he thought that promoting Zakat was important in the Egyptian case. He replied that it is very important, and the state should focus on it and create a media campaign, because as Mr. Alabed said in answering the first question, the organization is suffering from the budget deficit as they cannot promote their work sufficiently. Regarding this latter point, if the state created a wide-spread media campaign, all the organizations in the field would benefit from it with little burden on their budgets. This kind of campaign would be sufficient in Mr. Alabed's opinion because the national media in Egypt are professional experts and have not only a good reputation but also successful experience in past campaigns such as, for example, the "eradication of polio". He was asked whether he thought that the state should play a role in the Zakat concern, and he replied:

"Exactly the state in Egypt must play a role in applying Zakat in Egypt for different reasons. The first being that private organizations working in this field do not have the data for the real beneficiaries of Zakat and this could be easily provided by the Social Solidarity Ministry in Egypt. This will help us overcome the problem of the double paying of Zakat (which occurs if one of the beneficiaries of Zakat, through corruption, receives Zakat from two different organizations, of course without either of the two organizations having any idea. Secondly, we suffer from a real problem which is that we do not have any data about the progress of each case that receives Zakat from us. I mean did Zakat help with their poverty or not and if not, why was there no change? This happens because a lack of investigations that are required, because these demand a lot of money, training and employees that we do not have. If the state did these activities it would be easier and it would happen in a more professional way"

Mr. Alabed was asked to confirm that he was suggesting that in Egypt there should be a kind of a central governmental organization or institute that can do the activities regarding Zakat, and he agreed that there should, because these activities are huge and no one could carry them out like a governmental body. He agreed that a law should be written and explained that this was because if it remained optional, the proceeds would be very low. For example, if there was no law and tax was optional, no one would pay it. He said:

"No one would pay the taxes or at least very few customers would. Zakat is related to religion, but also it could be very effective in reducing poverty without focusing on this religious background. Zakat as a system is very suitable for reducing poverty, so introducing a law of Zakat that takes into consideration all aspects of Egyptian society guarantees a relatively stable yield of Zakat, that will help make long term plans of fighting poverty in Egypt. Also a law is required for organizing all the processes related to Zakat like collecting Zakat from people who are eligible for Zakat and mobilizing them and then the process of paying Zakat to people who deserve it."

beside meeting Mr Alabed, I have met other officials at Mashyakiet Alazhar and I have collected valuable data and figures about their work. The department of Zakat is subordinated to a sector called 'The financial sector' and they have two accounts (according to Mr. Ahmed Kheir who works as a senior employer in that department), the first for Zakat and the second for the optional charity. Under the department of Zakat there are four categories that pay for: poor Muslims, orphans, divorced women, and patients, which includes two types; patients with 'temporary diseases' and patients with 'chronic diseases' and the total number of cases of all four categories is 95,000.

The first three types get a Zakat payment three times a year, but every payment is only worth 100 L.E. (which is approximately €12, so everyone gets a total of €36 per year). In the last category, the patients with the temporary diseases get 200 L.E. for each payment, in total 600 L.E. per year, which is equal to €75 per year. The patients with chronic diseases get 300 L.E. per payment, which totals 900 L.E. per year and this is equal to €112.5. Mr. Ahmed said that these payments were not sufficient for the people to cover their living allowances or for patients to pay for their treatments. then I asked him how we can aggregate the total toll of Zakat in the whole country, and by which way:

"He stated that the total yield of Zakat in the country could be aggregated, by encouraging people to participate in Zakat concerns by paying their shares. This would happen mainly through the media, because it has a great influence on Egyptian society, and by organizing all the efforts in this concern through a governmental body"

The officials replied to my question about "How they know the beneficiaries", by saying that:

"we established a database system two years ago, which is almost full now and we have now stopped accepting more people because the total yield of Zakat will not be able to cover all these payments"

When they were building the database system, they did some fieldwork to make sure that these cases deserve Zakat money. Through this fieldwork they discovered people who did not need the help of Zakat anymore, but the total number of the beneficiaries remained the same. The organization argued that the total expenditure of Zakat decreases every year, because of the competition from newcomers in the Egyptian charity market. These newcomers entered the market a few years ago, with powerful marketing campaigns that Mashyakhat Al Azhar could not compete with, because of the budget. Then I have asked Mr. Ahmed, what is the difference between paying Zakat and paying any other kind of charity, in other words what should we encourage people in Egypt to pay first Zakat or other kind of charities? Mr. Ahmed said that:

"charity is optional in religion, but Zakat is obligatory if he/she is a Muslim, so the charity amounts can be paid or not or the person can pay it for a year and then stop forever even if he has the Nisab of Zakat. On the other hand, in the case of Zakat every year he (who owns the Nisab of Zakat) must pay a fixed amount which will guarantee the reduction of poverty or even eliminate it forever from society, so if Zakat is applied by a law it will be effective because we can punish the owners of the activities that generate money that are subject to Zakat but who have not paid it for

the poor, i.e. the businessmen who earn the most of the wealth in this society.”

According to figures the total revenue of Zakat collected by Mashyakiet Alazhar was 26 million Egyptian pounds in 2010, and it was the same in 2009, while the payments were 40 million in 2010, and the deficit was covered by the accumulated revenues. Mr. Mohamed Alabed mentioned that this mainly occurred because a political decision was taken for unknown reasons to stop advertisements on the Egyptian TV promoting the collection of Zakat, so it can be seen that the state intervention always has an effect, and whether this is a negative or positive effect depends on the type of the intervention.

#### **Egyptian Islamic Faisal Bank case**

The second case is the ‘Egyptian Islamic Faisal Bank’ (EIFB) which has been working in Egypt for about 20 years. This bank has a good reputation among other banks and it is considered one of the major banks in Egypt; according to the last budget of this bank in 2010, the total assets of the bank are 31.7 billion Egyptian pounds.

**Table 4: The expenditures of Zakat from the Egyptian Islamic Fiasal Bank in 2010**

Expenditures	Amounts in thousands of L.E.
Individuals	11657
Students	237
Mosques	82
Medical & social organizations	2559
Quran competitions	157
The transferred to the account of the charity investment	100
Administrative expenses	1323
Education Classes	11
<b>Total</b>	<b>16126</b>

Source: the Egyptian Islamic Faisal Bank, 2011.

Interviews were carried out by appointments at the headquarter of this bank on 1 and 2 November 2011. On 1 November the director of the Zakat department, Mr. Mohamed Sayed, a middle aged gentleman, was interviewed for one and a half hours in his own office, it was a quiet and a nice office. first I introduced myself to him with brief explanations why I am doing these interviews and collecting this type of data, no one was interrupting us during the whole interview and I wrote every piece of information that he gave me , and it was a very valuable interview , then I summarized these data as it will be come as following. The next day (2 November 2011) I went to the biggest branch of this bank in Egypt which is located in a district named Al dokki in Cairo after a request from myself to Mr Mohamed to get hard copies with data provided by

the bank about Zakat. So at this branch I got the final financial report of the bank in 2010 which includes the expenditures of Zakat of the Egyptian Islamic Faisal Bank in 2010. To summarize the information that was obtained, this bank agrees to pay Zakat on behalf of the customers of the bank. In addition, it accepts any Zakat from Zakat payers to pay it to the beneficiaries. Table 4 illustrates the expenditures of Zakat from the Egyptian Islamic Faisal Bank in 2010.

Beside that there are a number of customers that opened accounts at the bank and asked the bank to pay the profits to the beneficiaries of Zakat and these accounts total 80 million L.E. (Egyptian pounds). The bank itself pays Zakat as well, because it makes a profit which was 42.9 L.E. in 2010. In 2010 the revenues of Zakat were 17.8 million L.E. plus the balance of the beginning of the period which was 1.5 million L.E., compared with 387,000 L.E. in 1982.

The first main conclusion of the interviews in this regard is that there is no co-ordination or co-operation between the parties or agencies working on Zakat in Egypt. Achieving this type of co-ordination will prevent double or more of payments to the beneficiaries, and this role could be played by the Egyptian Ministry of Social Solidarity.

The second crucial element in this regard is that there are a lot of social organizations that are paying subsidies to poor people, but it is impossible to give statistics or find out if these subsidies were collected and paid according to Zakat rules or as a kind of social subsidy.

#### **5.4 Why is it important to have a Zakat law in Egypt?**

Because of the reasons mentioned above during the interviews that were conducted with professional experts who have worked in the field of Zakat for a long period of time in Egypt, it can be concluded that there is a very strong consensus to have a Zakat law. The articles of this proposed law that are presented below, which was introduced by an expert in this in both the real and the academic life, also concur with this opinion. There are other important reasons for a law for Zakat related to applying it in Egypt: for example, corruption can only be overcome by a law which can punish corrupt people from Zakat. In this regard it should also be mentioned again, what was introduced at the beginning of this research, that the most successful era in the history of collecting Zakat was the era of the prophet and the Caliphs who collected and paid Zakat themselves as they constituted the leaders of the state at that time.

Because of the importance of this law, the state of Saudi Arabia issued a royal decree concerning Zakat early on in 1956:

“To be collected in full in accordance with the provisions of Islamic law (Sharia) from all Saudi persons, shareholders of Saudi companies whose all shareholders are Saudi, and Saudi shareholders of joint companies whose shareholders are Saudi and non-Saudi” (Article -1 of a royal decree no.17/2/28/577) (DZIT, 2012).

In this regard it should be mentioned that Saudi Arabia has a type of hegemonic royal decree which have the same power as laws in republic states. There is also a governmental system in this country called the Department of

Zakat and Income Tax (DZIT) and it follows the Ministry of Finance in Saudi Arabia which reflects the great interest in Zakat by the state itself, represented by the man who is at the top of the state (the King of Saudi Arabia). Saudi Arabia has a law for Zakat which is called the Zakat By-Law, which was issued on 13/5/1950 and consists of 20 articles which cover all the regulations of Zakat and at the same time cover the same topics that are presented below when presenting the proposed law for Zakat in Egypt. These arrangements from the state regarding Zakat made the total yield increased by 23% compared to the year 2010 to 20 billion Saudi Reyal in 2011. The department credits this increase to the efforts made by the department to follow up on people who are subject to Zakat and also to the new electronic system that the department recently applied (DZIT, 2012).

So if the state takes responsibility for Zakat, as shown in the case of Saudi Arabia, the total yield will increase in Egypt. Other countries have done this successfully; for example, Sudan also has had a law for Zakat and taxes since 1984 (ZSO, 2012). Also, since 31 August 1957 when Malaysia became independent, Zakat has become one of the main responsibilities for the governments who govern the states of Malaysia. At that moment the state's management of Zakat started in Malaysia, and in 1960 a Zakat law was issued to arrange all the matters of Zakat. Through this law "the organization of Zakat in Malaysia" gained an official authorization for collecting and paying Zakat in the whole of Malaysia. In 1990 this organization developed very quickly and it became an independent organization (Abd elAziz & Abd Alrahman, 2012).

## 5.5 The proposed articles of the Zakat law

From the above, it can be concluded that there should be a Zakat law in Egypt because in most Muslim countries there is one and these states have discovered that the best way of applying Zakat is by imposing laws. This increased the total yield of Zakat in Saudi Arabia, although this was not only due to the law but also to other effective elements like a governmental organization. However having a law was a crucial element in that regard and it should be recognized by the states that they should take responsibility for dealing with Zakat. So here the articles of this proposed law are briefly presented. They cover the same subjects and points covered in most of the Zakat laws from Sudan, Saudi Arabia and Malaysia. This is because the main source of these laws articles are taken from the Sharia, but in the case of Egypt these articles should also focus on the "controversial elements" which distinguish the Egyptian society, which should be taken into account in dealing with Zakat within that society.

The first section of the Law of Zakat should include the following. First, the legal articles should clearly define what Zakat is and how it is obligatory for each Muslim has the Nisab, and what conditions have to be fulfilled before paying it to the eight categories who are eligible to receive it. They should show the conditions stipulated for paying Zakat on the wealth and on which types of wealth Zakat is obligatory. It should refer to all kinds of wealth on which Zakat is obligatory including those kinds which are already included in the Egyptian economic system at the time of preparing the law.

The second section should deal with Zakat organizational concerns and this organization should follow the Ministry of Finance; this section should

illustrate a comprehensive definition of the Zakat organization. For the accounting system and the documentary cycle, the proposed law by Saleh Kamel Center suggests, in this regard, that Zakat should have an independent accounting system away from the states accounts (Omar, 2007p19-20).

In the second chapter of the second section, it is important to refer to the procedures for determining of Zakat upon people who are subject to Zakat. It is also important in this regard to calculate Zakat according to the (lunar) year, so at the end of every Hijri (lunar) year, every Zakat payer must submit his financial disclosure or declaration form.

If the Zakat payer does not submit his financial disclosure form at the due date or if he does not agree with the modifications on his financial Zakat disclosure that can be done by the officials in the organization, so the concerned department at the Zakat organization should estimate and calculate his or her Zakat and officially inform him (Omar, 2007, p. 24).

The third chapter of the second section should illustrate the necessary legal determinants of collecting Zakat. In this regard, Dr Mohammad (Omar, 2007, p. 25) suggested that Zakat could also be paid in installments but in my point of view there are no justified reasons for this and this might leave room for administrative corruption. Dr Mohammad (Omar, 2007, p. 26) also suggests that:

“It is permissible for the Zakat payer to pay a percentage of approximately 25% of his Zakat by himself ...” However this will lead to evasion of paying Zakat or making double payments to the poor.

For the third section of this proposed law, it would be better to demonstrate the eight channels of paying Zakat by giving detailed and inclusive definitions for each channel.

The fourth and the last section of this law should illustrate “penalties and general provisions”. Penalties, in Egypt as well as in other countries, are the effective procedures in safeguarding the execution of laws against any forms of manipulation or noncompliance with laws.

## 5.6 The main institutional suggestions

### 5.6.1 *Why is it important to have a governmental organization for Zakat in Egypt?*

After the proposed law for Zakat in Egypt has been presented, there should be an organization to apply this law, because this was also the case in the golden era of Zakat in history at the time of Omar Ibnkhatab, when he established “Aldewaan” for Zakat, which was like the organization that we know now. Sudan, Saudi Arabia, Malaysia and a lot of other Islamic states have organizations for Zakat, sometimes with taxes like Sudan and Saudi Arabia and sometimes as a separate organization like Malaysia. The importance of having such an organization brings with it the importance of the existence of the institutions in the modern state and without these organizations, no law will be able to be applied effectively or will not be applied at all. In the case of Egypt particularly, it is highly important to have such an organization to overcome a lot of problems such as lack of cooperation and co-ordination between the parties working in the field of Zakat. Having an organization for Zakat was the biggest request or

demand from all the experts who I have interviewed (to explore the current situation of Zakat in Egypt and to evaluate this situation). The assertion of establishing an organization for Zakat in Egypt also based on the theoretical reasons and arguments that presented in the fourth chapter.

### ***5.6.2 The two basic processes of the “Zakat association”***

The two basic processes in this association or institution (which should be affiliated to the government) are collecting and paying Zakat. The process of collecting Al Zakah has to start with counting those who are eligible to pay Al Zakah, and this requires that the Al Zakah Association (which is suggested to be established) conducts a field survey through its employees in order to preview the enterprises (companies) as they are on the ground and count the numbers of those who are eligible to pay Al Zakah. Counting those who are eligible to pay Al Zakah has to happen very accurately and that requires other procedures to be performed by other authorities and organizations such as: Licenses of the Ministry of Industry: the Ministry of Industry issues (through the Authority of Industrial Control) the licenses for the establishment of industrial facilities, and it should provide Al Zakah Association with copies of these licenses (Gaheen, 2002, p. 25-26), to facilitate the Zakat organization to follow up on those who perform industrial activities to know if they are subject to paying Zakat or not. The same processes should also apply in the governmental bodies: commercial registering, licenses issued by ministries and other concerned authorities for self-employed persons, contracts between contractors and governmental authorities and agricultural crops and spaces (Gaheen, 2002, p. 26).

### ***5.6.3 The procedures that should be taken in order to put the administrative procedures for determining the amounts of Zakat***

After finding the total number of those who are obliged to pay Zakat, the following procedures should be followed in order to put the administrative procedures for determining the amounts of Zakat :

- Submitting the declaration of Al Zakah by the payer himself, the same as tax declarations (Gaheen, 2002, p. 26-27).
- Checking and auditing processes performed by the officials in the association of Al Zakah and its branches (Gaheen, 2002, p. 26-27).

These two phases are often achieved through direct contact between the association from one side and the payers on the other side without the interference of any other authorities (Gaheen, 2002, p. 26-27).

- Objections against the sum of Al Zakah by the payer: if the payer is not convinced with the sum of Al Zakah, he has the right to object and this process should be organized and performed through clear legal procedures (Gaheen, 2002, p. 26-27).

In this regard, it is important to refer to the necessity of an independent department carrying out “field research” within the organizational structure, where it would compare the properties mentioned in the previous five means with the actual ones, as there are so many activities and businesses that are not registered in the governmental records in Egypt.

#### **5.6.4 Section for collecting Al Zakah & Section for calculating Al Zakah**

The missions of these two sections are collecting statistics and calculating the number of people who are subject to Al Zakah, identifying the different types of money that they have, specifying the percentages of Zakat that must be paid, then collecting Al Zakah accordingly and keeping it until the concerned sector or department receives it (the management responsible for spending it). It is also necessary to establish whether it is also essential to divide the management of collecting Al Zakah into sub departments according to the different types of Al Zakah's money. A department must be allocated for each type of money in order to supervise all the related affairs (Gaheen, 2002, p. 34).

### **5.7 The role of the media regarding Zakat**

#### **5.7.1 Why is it important to involve the media with Zakat in Egypt?**

Mass media plays an extremely effective role in influencing Egyptian society because it can be said that Egyptian society is generally not a culturally mature society. Thus, people in general, especially in Egypt, tend to rely on media messages to form their opinions and behavior. Because this phenomenon i.e. the hegemonic influence of media on the Egyptian society, has so many positive effects, it could be of great use in sending media messages or launching useful media campaigns. Therefore, there is an important role for mass media with regard to Zakah. Based on the experiences in Malaysia and Sudan, Zakat should be a subject that the media should discuss, and people should be encouraged by mass media to participate in this (ZSO, 2012 and Abd elAziz & Abd Alrahman, 2012).

The theory of 'reliance on mass media' first appeared in the form of a suggestion that there is a mutual relation between the mass media, the audience and the social order (Abd Al-Hamid, 2011). The theory argues that:

"people rely on achieving their goals on the sources of mass media information, formed by collecting, processing and propagating them" (Abd Al-Hamid, 2011). Media focus on the rich class will at the same time encourage and motivate other classes within society to pay Zakah to those who are eligible to receive it.

According to the theory of "reliance on mass media", the more complex the social structure of any society gets, the more difficult interaction amongst its individuals becomes, which gives mass media a larger space to fill (Abd Al-Hamid, 2011). This is clear in the Egyptian case because the social structure in Egypt is extremely complex; in fact, it is because of the low standard of literacy and the lack of depending on other sources of knowledge, that enables mass media to have a great impact on influencing the public and forming their opinions.

Due to the complex nature of society, the scope of the fields in need of sources of knowledge, which mass media supplies, has increased (Abd Al-Hamid, 2011). Sandra Paul Rukish and De Floor suggest, in their theory, that mass media is an important part of the social structure of modern society.

Moreover, they argue that the relationships between mass media, individuals and communities is either different or systematic, direct or indirect, and strong or weak (Abd Al-Hamid, 2011).

In my opinion, the relationship between mass media, individuals and the Egyptian society is systematic, direct and strong. That is why it has a role that cannot be ignored in motivating the society towards “a new social role”, such as enhancing the role of Zakah to fight poverty.

The basic principles of the reliance on mass media theory require two major conditions in order to guarantee mutual dependence between the public and mass media (Abd Al-Hamid, 2011). The first condition is that:

“if mass media achieves important functions for the society, this leads to the society's reliance on it” (Abd Al-Hamid, 2011).

This is what is happening in Egypt; the media is doing the assigned jobs in Egypt and it is satisfying the needs of the public, and this has led to the public's over-reliance on the media. Consequently, it would be very difficult to find any “national issue” successfully solved without utilization of the mass media by the state. Hence, these necessitates make the reliance on mass media very important when trying to promote Zakat among all community members (the involved actors) in Egypt.

The second condition of the theory is that:

“The degree of the sharpness of the conflict in the society, influences the degree of the individual's reliance on mass media, and this is because the conditions in which that conflict has been made, these conditions might be a war, a political, an economic or a social change” (Abd Al-Hamid, 2011).

It is noteworthy here to refer to what De Floor and Sandra Paul Rukish argued in their theory: “Media works more in the conflicting societies or those which are socially disintegrated than the stable ones, moreover, media is one of the tools which contributes in the social stability or instability of any society, and this depending on the media policy adopted by the state” (Abd Al-Hamid, 2011).

### ***5.7.2 Some suggestions for a media campaign for community participation in regard to Zakat***

Here is a summary of the suggestions:

1-The campaign should be a national one, which means that the state should sponsor this campaign with the aim of achieving social justice, decreasing social inequality, decreasing the classes conflict and solving the problem of poverty.

2- This campaign should be presented in all kinds of media, i.e. radio, TV, newspapers and magazines.

3- This campaign should be presented by using a professional approach, which might be done by employing experts and specialists in drawing up the main features of this national media campaign.

4- This campaign should somehow be directed towards the rich, with the aim of encouraging them to pay Zakah (not to hide away from paying it) and to positively contribute to paying Zakah to the State in order for it to be redistributed among those eligible to receive it.

5- Some drama and TV series, showing the suffering of the poor and their problems in the daily life, should be prepared and released to the public.

6-There must be a suitable timetable for the materials presented in the campaign to avoid a negative impact on people who are receiving these media messages.

7-This campaign needs to be adopted according to the model of the previously successful national campaigns in Egypt.

8- The campaign should be designed with participation from a lot of celebrities, experts and public figures, who are working and have a good reputation in related fields with Zakat (as well as other fields) to make the campaign looks like all society members are supporting the application of Zakat.

## 5.8 Conclusion

The problem of poverty in Egypt has many dimensions and implications which were presented in this chapter, and this should push the state to make greater efforts to solving this problem. Zakat will be effective in this regard, but the current situation of Zakat in Egypt is that there is a serious need for state intervention through legislative, institutional and media interventions.

## Chapter 6

### Conclusions

Zakat is a distinct approach to reduce poverty and this was clear in presenting its revenues and its channels; It is directed to poor people with clear and specific conditions for both groups (the payers and beneficiaries), but Zakat can also achieve comprehensive and justice development because through its eight categories it helps all kinds of people who are in need for money. Zakat is taken in small amounts from all kinds of properties at any society, and thus Zakat will solve the problem of poverty without any kind of burdens on the rich.

There is a necessity for “the state intervention” in all countries to lead and regulate the development process in all fields including the redistribution of wealth fairly between all society members and to apply the required policies and strategies in this concern. This necessity comes from so many reasons that were mentioned in the conceptual and theoretical framework of this research paper. The new agenda of the neo-liberalism theory focuses on the role of the state. The fields of the intervention is mainly focused on; the state role in making public policies and regulating the free market mechanism for a fair redistribution of income and wealth, legitimizing the rules by constructing laws and applying these laws through strong “public institutions”. Both the theoretical and practical experiences debated earlier in this research paper illustrate that no one can perform the role of the state as well as the state itself.

I can conclude from the theoretical arguments in this research paper and the conclusions from the practical experiences (that presented in the fifth chapter), that there are three main dimensions (institutional, legislative and media dimensions) that the Egyptian state should go through them in order to apply Zakat effectively, and to accomplish Zakat’s goals in the political, economic and social growth. Also there are a lot of factors confirm this conclusion, for example; the thoughts and recommendations of the professionals who are working within the Zakat field in the private sector in Egypt, that were interviewed (presented in chapter five), the points of views of the academic scholars, the history of when Zakat was applied in its “golden era”, the main features of the current situation of Zakat in Egypt these days (the main ones are: the absence of a fixed budget that enables a sustainable poverty strategy for alleviation because the absence of a law make Zakat obligatory like taxes, absence of centralized planning, co-ordination and a mechanism of co-operation between all agencies involve in the Zakat concern in Egypt which emphasize the importance of having a governmental institution), the effective application of Zakat in other states like Malaysia, Sudan, and Saudi Arabia by governmental efforts relying on these three main dimensions. So no tangible success can be reached in Zakat concern in Egypt without the state intervention to apply Zakat by law, governmental institution , and with a great help from the media.

It is necessary to have a law for applying Zakat in Egypt because this law will discuss all kinds of topics related to Zakat in a specific and clear way, in order to avoid a lot of debates and waste of time and money. In this regard there are many crucial topics that this law should focus on (which were men-

tioned before in detail), such as defining clearly what Zakat is, setting up all the conditions stipulated for paying Zakat, determining in detail the eight categories for distributing Zakat, and emphasizing the penalties in cases of violation.

It is necessary to establish an association or institution for organizing the Zakat procedures in Egypt, because if the organization is founded on a strong structure this will overcome a lot of the current problems in the random collection and distribution of Zakat in Egypt. One of the main vital points that should be highlighted in this regard (which all were previously mentioned in detail) is for example that it is required to determine all the procedures for calculating Zakat in all kinds of properties that are subject to Zakat.

Media has an effective role in formulating the perception and the behavior of Egyptian society, for many reasons (which were mentioned in detail previously) such as the complexity of the Egyptian society which makes the interactions much difficult between the individuals, thus society members rely on mass media to formulate their thoughts and hence their behaviors. So it is highly important to obtain the benefits of the large influence of the media on Egyptian society for promoting Zakat and for encouraging all Egyptians to positively participate in this regard. Thus this research paper contains some vital suggestions for formulating “a media campaign” for Zakat.

# Appendices

## Appendix 1: The main revenues of Zakat

It should be noted here that I am discussing below the main revenues of Zakat and they are not the whole types of money or properties that are subject to Zaakt , and I will do this because of the capacity limit of my research and also because the other types might be not existed at the time of prophet Mohamed , and they are subject of a lot of debates between the scholars, but they could deserve to focus on, in case of aiming to aggregate the total toll of Zakat.

### **A1.1 Zakat of Gold and Silver**

Zakah is subject of gold and silver--whether the shape of them are coins, ingots, or dust—Zakat is due when the amount reached to the *Nisab*<sup>11</sup>, a year has passed, without any debts , and basic need were satisfied from them (Sabeque, 1977).

#### **The Nisab of Gold**

The amount of *Nisab* for gold is twenty *Dinars*<sup>12</sup> and one year should pass after owing it .

“Its due is a quarter of a tenth, that is, half a dinar. For any amount over twenty dinars, a quarter of a tenth is levied upon it. (Twenty *Dinars* are equal to 28.57 Egyptian Dirham = 88 grams of gold)” (sabeque ,1977 p28-29).

#### **The Nisab of Silver**

There is no Zakah on silver till it reaches or exceeds two hundred of Dirhams.

“If it is 200 Dirham the amount payable is a quarter of a tenth” (sabeque, 1977p28-29).

### **A1.2 Zakat on banknotes and bonds**

“Banknotes and bonds are subject to Zakah once they reach the nisab”. (Sabeque ,1977p32).

### **A1.3 Zakat on Jewelry**

Jurisprudents<sup>13</sup> in consensus that no Zakah is obligatory on diamonds, pearls, sapphires, rubies, corals, chrysolite, or any type of “precious stones” untill they

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<sup>11</sup> Nisab is an “Arabic word” means the amount or the quantity of money or goods or crops that if reached to it , it will be a subject to Zakat .

<sup>12</sup> Dinar and Dirhams; are currencies which are used during the period of prophet Mohamed.

are used for trade. However, there is no consensus on women's jewelry ( if women are wearing it "as a fashion" not for trading) in terms of it is subject to Zakat or not , Abu Hanifah<sup>14</sup> and Ibn Hazm<sup>7</sup> agreed that Zakah is obligatory on women's gold and silver (or the above mentioned kinds of "precious stones" of jewelry) if they become ( *Nisab*). Malik<sup>15</sup>, ash-Shafi'i<sup>16</sup>, and Ahmad ibn Hanbal<sup>17</sup> have an opposite view that Zakah on women's jewelry is not compulsory whatever its value is (Sabeque, 1977).

#### **A1.4 The Zakat of Crops and fruits**

God made Zakah compulsory on crops (plants) and fruits (Mashhour, 2005).

##### **A1.4.1 Zakat on crops and fruits during the time of the Prophet**

At the time of messenger Mohamed, Zakah was obligatory on wheat, barley, dates, and raisins (Sabeque ,1970). Ibn al-Munzhir<sup>18</sup> and ibn 'Abd al-Barr<sup>19</sup> say:

" Zakah was not levied on vegetables or fruit, with the exception of grapes and fresh dates (*rutab*)<sup>20</sup>" (Mashhour, 2005).

##### **A1.4.2 Nisab of crops and fruits**

Majority of jurists agree that Zakah on plants or fruits is not compulsory unless they reach to a weight of "five *awsuq*"<sup>21</sup>.

"Furthermore, this becomes applicable only after the chaff, straw, and husk are removed. If it is not cleansed of husk ( like rice sometimes), then the amount of Zakah would be ten *awsuq*" (Sabeque ,1977p53).

According to Abu Hanifah and Mujahid , Zakat is due on any amount, even its a big or a little , because of Prophet's saying:

"From what the heavens water, a tithe [is due] ..." (Sabeque,1977p54).

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<sup>13</sup> They are the scholars of Islam that they are working in interpreting the verses of "Quran" and sayings of "Sunna" to abstract the rules and regulations of islam in all kinds of practices.

<sup>14</sup> <sup>7,8,9,10</sup> they are the early scholars who interpreted Sharia in islam and they have the most famous and trustful refrences in this concern. The most famous scholars are four : Ahmed Ibn Hanbal , Abu Hanifa, Anis Ibn Malik and Al shafi` , and they also have the most famous and trusted doctrines in "Islamic law", that all researchers till now primarily rely on their doctrines .

<sup>18</sup> One of the most famous jurists in Islam .

<sup>19</sup> One of the most famous jurists in Islam .

<sup>20</sup> An Arabic word for dates when it becomes "dark and wet".

<sup>21</sup> An old type of weight at the time of prophet Mohamed which is equal to 122.4 K.G.

#### **A1.4.3 The rate of Zakat for crops and fruits**

The amount should be paid of Zakat is different based on the way of irrigation of the land. If the land was watered “naturally” like by raining, so Zakat will be “a tithe” (one-tenth) of the total of production. On the other hand, if the land was irrigated by an “artificial method” or by “purchased water”, so the due Zakat would be a “half of a tithe” (Sabeque, 1977p57).

#### **A1.4.4 When Zakat is payable on crops and fruits?**

Zakat is due on crops when the grains be matured and ready to be “rubbed off” and on the fruit when it be “ripened”, for example, in dates the indication of that will be its brightness or “red color”, and in grapes of its taste “sweetness” (Sabeque, 1977p71).

### **A1.5 Zakat on Trade**

The most of jurisprudents agree that Zakat on merchandise (trade) is obligatory; “The Prophet Mohamed ordered Mouslims to give Zakat from “the goods” that they already have for sale ( for purpose of trade) ” (Sabeque, 1977p38).

The core purpose of applying Zakat on the rich businessmen (traders), God wants to assist the poor and to let them share the welfare of life with the rich, thus it is not from logic not to collect Zakat from “businessmen” while they own the most of wealth in the most of developing countries (Sabeque, 1977p40-41).

#### **A1.5.1 Which kind of goods are subject to Zakat?**

The goods become subject to Zakat, when they have the following conditions:

1-The “actual possession” of goods is required in the hand of the merchant or the business owner and this should happen by practicing “business transactions” so “intention” is not only the matter in this case (Sabeque, 1977p40-41).

2- The businessman should intend at the time of starting the ownership of these goods, that they are for purpose of trade, even if he intended later on ,these goods will not be subject to Zakat (Sabeque, 1977p40-41).

#### **A1.5.2 How is Zakat of trade be calculated?**

The trader who owned commodities (for trading) and they reached a *Nisab* and one year has passed, he should “evaluate” the prices of these commodities at the end of that year, then he should pay Zakat of these commodities, the due Zakat will be a “quarter of a tenth” of the value of the commodities (Sabeque, 1977p42).

All businessmen should do this “evaluation” for their goods every year. It should be noted here that the calculation of a year does not start till the goods reach to a *Nisab*. So ( for example) if the trader owned goods which are less of a *Nisab* and a period of the year already has passed ,then the value of these goods has increased and reached a *Nisab* ,so the year should start at this moment that goods reached the *Nisab* not before (Sabeque, 1977p42).

## **A1.6 Zakat of Minerals and underground fortunes**

According to a saying of prophet Mohamed that:

“There is a (one –fifth) on *Rikaz*”<sup>22</sup>

So this means a Zakat is obligatory by (20%) on “all unearthed items” (Senturk,2007p79) , and for this type of Zakat, it is not required to wait for passing a year after the extraction from the ground (Sabeque, 1977p95).

## **A1.7 Zakat of Animals**

There are a lot of explicit *sayings*<sup>23</sup> of prophet Mohamed that refer to that, there is Zakat on “camels, cattle, and sheep” , and its conditions are as follows :

- The animals must reach to a *Nisab*.
- One year must pass in the hands of the owner.
- The animals should feed on grass in the most of the year (Sabeque, 1977p76).

### **A1.7.1 Zakat on Camels**

There is no Zakat on camels until they reach to five of camels (Sabeque, 1977p77).

### **A1.7.2 Zakat on Cattle (cow)**

There is no Zakat on cows till they reach to thirty of them (Sabeque, 1977p80).

### **A1.7.3 Zakat on Sheep and Goats**

There is no Zakat on sheep and goat till they reach to forty of them (Sen-turk,2007p75).

It should be noted that; there is no Zakat on horses and donkeys except if the owner of them possessed them with intention of trade (Mashhour, 2005).

## **Appendix 2: For Whom Zakat is paid?**

Zakat is paid only for the eight following categories:

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<sup>22</sup> “A general term, refers to all valuable objects underground, and this term includes another term named *Kanz* (*an Arabic word*) , which means any kind of valuable things ( like treasures and fortunes) that have been buried by man” (Senturk,2007p79).

<sup>23</sup> Some times named “*hadith*”, which means the correct sayings of prophet Mohamed that Muslims abstract from it the regulations of “Islamic law”.

### ***A2.1.2 Fuqara and Miskins<sup>24</sup> or the “Poor” and the “Needy” (they constitute the first two channels)***

Joining between the “Poor” channel and the “Needy” channel and assuming them as one channel may be due to their resemblance which caused jurisprudents’ differences on their definitions and identifications, though- under religious texts- they are two different channels, with the “Poor” channel ranking first, followed by the “Needy” channel as second in priority, for entitlement and eligibility to this Ordainment as follows:

For the Poor:

The “Poor”, linguistically, is the opposite of “the rich”, as assessed by having what would suffice one’s dependents; or having only food, but lacking other necessities (Hashim, 2002p9).

The “Needy” means the one who has nothing; or the needy poor; or one who has been stilled by poverty that impedes his movement. He is the humble weak person (Hashim, 2002p9).

Religiously (Shar’ia-wise): Jurisprudents have different points of views – regarding to the “limit” that separates between “Poor” and “Needy” – so there is two “schools of thoughts”:

One School: defines the “poverty limit” to be having the minimum thing, i.e. less than the minimum adequacy (Nissab); or incomplete minimum adequacy, being in persisting need; while the Needy is that who has nothing and has thus to resort to beg for food or to cover his body. Such is the definition of the Hanifites<sup>25</sup> (according to one of their narrations)<sup>26</sup> and the Malikites who – however – restrict the period of the “Poor’s” neediness to one-year while the Hanifites put no limit thereon (Hashim, 2002p9).

There is another school defines the Poor to be: who has no money and no means for earning what would attain adequacy; and the Needy to be who finds or earns some money, but less than adequacy, such as – for example - a person in need of two-hundred pounds but finds less, say: one-hundred or one-hundred and fifty. Such is the definition of the “Hanifites” (as narrated through them) as well as the Shaféites<sup>27</sup> and the Hanbalites<sup>28</sup> (Hashim, 2002p9-12).

Preponerderance between the two Schools depends on who is to be considered as the more miserable: the “Poor” or the “Needy”?

The first School finds that the state of the Poor is worse than that of the Needy (Hashim, 2002p9-12).

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<sup>24</sup> They are Arabic words written in English letters , I used it because they are commonly used in most of the English references discussing this topic.

<sup>25</sup> The group of Islamic scholars who follow the Abu Hanifa’s doctrine.

<sup>26</sup> This means that sometimes the same doctrine might have deferent points of views in the same issue.

<sup>27</sup> The group of Islamic scholars who follow the shafi’s doctrine.

<sup>28</sup> The group of Islamic scholars who follow the Ahmed Ibn Hanbal’s doctrine.

The Second School considers the “Needy” to be worse than the “Poor”, according to the other narration of the Hanifites, and to the Malikites<sup>29</sup> (Hashim, 2002p9-12).

#### **A2.1.1 The contemporary applications of the “Poor” and the “Needy” channels**

The “Destitute” or the “Indigent” (i.e. who has nothing) should definitely be given the first priority, followed by those who have the minimum sustenance, then those below the adequacy level (Hashim, 2002p12-13).

The needs of Man start first with the basic needs (or essentialities), such as food, drink, clothing, home, and medical treatment, i.e. the basic needs on which human life depends. Foremost among the main objectives of our noble religion comes the maintenance or sustenance of the human soul as one of the most important ones (Hashim, 2002p12-13).

The satisfaction of such basic needs would save the human soul from destruction. The provision of food and drink removes the pains of hunger and thirst, and enables the body to perform its normal functions (Hashim, 2002p12-13).

Clothing secures from the coldness of winter as well as from the heat of summer (Hashim, 2002p12-13).

Housing covers the women’s nakedness and men’s humanity, so as not to be left exposed as animals on public roads (Hashim, 2002p12-13).

Medical Treatment is not less important than food and drink, because illness may be more destructive to the human soul, in comparison with food and drink (Hashim, 2002p12-13).

So Zakat Helps each one with what suits his case, the destitute is to be provided first with the most dire needs, then with the less essentially needed, and so on, in accordance with his case. Thus he has to be helped first with food, since food is more essential than clothing. As for clothing, a normal dress or garment is better than elegance, because there are others in need of the respective shares of Zakat (Alqaradawy, 1981).

A person who possesses the least should be given until he /she reaches the adequacy (Hashim, 2002p12-13).

#### **A2.3 Alemeloon alihā<sup>30</sup> or The “Zakat Administrators”**

The “Zakat Administrators”, who constitute the third channel for spending Zakat funds, are those employed by the Master or the state (*Al-Imam*)<sup>31</sup> to collect and keep Zakat funds, until directed to their religiously ordained channels, they are like seniors, employees and workers (Hashim, 2002p15).

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<sup>29</sup> The group of Islamic scholars who follow the Anis’s Ibn Malik doctrine.

<sup>30</sup> They are Arabic words written in English letters .

<sup>31</sup> It is an Arabic word that means the president of the state .

Anybody working for the administration of Zakat funds, in whatever capacity, should be given a salary, even if he is rich (Alqaradawy, 1981).

#### **A2.4 *Muallafat-ul-Qulubihim*<sup>32</sup> Or The “Reconciled – Hearts” Channel**

The “Reconciled – Hearts” channel is the fourth of Zakat channels.

Hanifites, Malikites and Hanbalites are in consensus that those of “Reconciled-Hearts” are the chieftains who are obeyed in their tribes and may be expected to join Islam, those their evils, should rather be evaded; or Muslims who have joined Islam recently and should be given to foster their faith.

The Shaféites see, that the “reconciled – hearts” means only the Muslims who have recently joined Islam ( Hashim, 2002p19).

##### **A2.4.1 Cutting the Share of those of Reconciled Hearts**

In fact, it is only the Malikites and the Hanbalites who referred of cutting the share of the “reconciled hearts”, so they suggested not to pay this channel of Zakat any more, this is implying of the continuity of their shares according to the Hanafites and the Shaféites. *Omar Ibn Al-Khattab* <sup>33</sup>advocated cutting their shares, on the grounds that the objective of giving it, was to support Islam, so as Islam became well- spread out , Omar removed their shares. If the justification of giving them is to support and strength Islam, so if Islam become much weak, shall we resume this channel again ? ( Hashim, 2002p20).

The first point in this case will be how to define weakness: whether as regards number or as regards faith?

It is certain that at the beginning of Islam, the weakness was due to the number of Muslims, but nowadays the weakness is due to the weakness of the faith ( Hashim, 2002p20).

The weakness of faith needs strengthening through removing of impurities from the hearts and consciences , which stand as a barrier between man and his faith in Islam.

#### **A2.5 *Fir-riqab*<sup>34</sup> Or The “Salves and Captives Liberation” Channel**

This is the fifth Channel for spending Zakat money.

Jurisprudents (Hanifites, Shaféites and Hambalites) are in consensus of what is the meaning of “Al-Riqab”: is the “scribed” slaves: the “scribed slave” is the slave promised by his lord- by “written agreement”- to be liberated against a certain amount of money, i.e. “ a ransom” ( Hashim, 2002p23).

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<sup>32</sup> They are Arabic words written in English letters .

<sup>33</sup> One of the governors who led the “Islamic State” after Prophet Mohamed and he was one of the close friends to the prophet. His thoughts are one of the resources of abstracting regulations in “ The Islamic law”.

<sup>34</sup> They are Arabic words written in English letters .

Jurisprudents are in consensus that such slave may be aided from Zakat funds to facilitate his way to freedom (Sabeque, 1977).

This includes helping the “scribed slave” to pay the scribed ransom, as well as buying “necks” (i.e. (slaves) for their liberation, because the purpose is to free Muslims souls from slavery. Also the slave should be given for liberation only, but not for poverty or otherwise. War captives may also be ransomed by Zakat funds, particularly that wars never end, while slavery was stopped by international treaties, such as Vienne Convention of 1919 ( Hashim, 2002p23-24).

#### ***A2.6 Al-Garimoon<sup>35</sup> Or “Those In Debt”***

This constitutes the sixth channel for Zakat funds.

They also may be classified under two categories:

1-Those whose debt burdens have been incurred for the purpose to improve him self, like a persone who became a debtor in order to educate his children, or for the medical treatment of any of his ascendants or descendants. (Sabeque, 1977).

2-Those whose debt burdens have been incurred for the reconciliation of conflicts or enmity arising between different parties, like what could take place between two villages or families, or the conflict because of murder or financial disputes, like one who killed someone and he doesn't have the blood-money to pay for the slain's family (Sabeque, 1977).

So these two categories take from Zakat funds.

It is possible to give from Zakat money for individuals and countries in case of being burdened with indebtedness ,so if a country becoming burdened with debts caused by wars or by heavy expenditures, may be given under Zakat channels (Hashim, 2002p25).

#### ***A2.7 Fi Sabeelillah<sup>36</sup> Or The Channel of “In God’s way”***

“In the Way of Allah” is the seventh channel of Zakat Channels, the “Way” is the “road”, but it is used often to mean striving or invasion in the way of Al-lah, in the most of the Islamic jurisprudence literatures (Hashim, 2002p27).

#### ***A2.8 Ibn-Ilsabee<sup>37</sup> Or The “Wayfarers” Channel***

This is “the Eighth” of Zakat Channels, the Messenger of Allah (Prayers and Peace from Allah unto him) says: “Zakat is not allowed to be given to the rich except if in the way of Allah, or if being a wayfarer or for a poor neighbor.....” (Ibn Hesham, 1980).

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<sup>35</sup> They are Arabic words written in English letters .

<sup>36</sup> They are Arabic words written in English letters.

<sup>37</sup> They are Arabic words written in English letters.

### A2.8.1 The Contemporary Application of the “Wayfarer Channel”

These applications might be like the following :

-Who has travelled to work to a country but finds no work ,even his money is run out (Hashim, 2002p26).

- Who finds work for sometime but his earning ceases thereafter ,and he has no money even to go back to his country (Hashim, 2002p26).

- Who travels for Pilgrimage but his money becomes depleted or lost; or who is getting out for striving but he lost his way to his comrades (Hashim, 2002p26).

All of the foregoing categories are entitled to be given Zakat under the “Wayfarer” channel, it should be noted here that the Malikites put a condition in this concern, that all these people did not find anyone to lend them money (Hashim, 2002p26).

### Appendix 3:

**Table 1: External Dept of Egypt (End of June 2009-2010)**

Values: Million of (US\$).

Item	End of June	% Change	2010	2009
Gross External Debt <sup>38</sup>	6.9		33694.2	31531.1
Rescheduled bilateral debt <sup>39</sup>	-10.5		12599.3	14081.4
Other bilateral debt	- 2.7		4692.4	4824.2
International & Regional Organizations	22.1		9977.5	8168.8
Suppliers' & buyers' credits	-3.1		313.5	323.6
Egyptian bonds and notes	59.9		3079.5	1926.1
Short- term debt	39.1		2954.8	2124.0
Private sector debts (non-guaranteed)	-7.0		77.2	83.0
Total Debt Service (during the period)				
Total Debt Service	30.0		2610.5	3119.8
Interest (paid) <sup>40</sup>	-12.5		649.3	742.2
Principal (repaid)	-17.5		1961.2	2377.6
Unit: (US\$)				

<sup>38</sup> The difference from World Bank data is in short -term debt.

<sup>39</sup> According to the agreement signed with Paris Club countries on 25/5/91.

<sup>40</sup> Including interest payments on Egyptian bonds and notes floated abroad.

External Debt per capita	-4.6	399.2	418.6
Indicators (%)			
External Debt/ GDP <sup>41</sup>	-5.9	15.9	16.9
Short-term External Debt/ Total			
External Debt	29.4	8.8	6.8

Source : (CAPMAS,2011)

#### Appendix 4:

**Table 2: Domestic Debt of Egypt (08/2009,9/2010)**

Values: Million of L.E

End of June Item	% Change	2010	2009
Gross Domestic Budget sector Debt	15.5	808384	699667
Budget sector Deposits	5.8	145333	137341
Net Domestic Budget sector Debt	17.9	663051	562326
Gross General Government Domestic Debt	19.1	733468	615875
General Government Deposits	7.0	159298	148811
Net Domestic General Government Debt	22.9	574170	467064
Gross Domestic Public Debt	21.1	779491	643654
Public Sector Deposits	7.6	180564	167733
Net Domestic Public Debt	25.8	598927	475921
Indicators (as percent of GDP):			
Gross Domestic Budget sector Debt	0.1-	67.0%	67.1%
Net Domestic Budget sector Debt	1.7	54.9%	54.0%
Gross General Government Domestic Debt	2.9	60.8%	59.1%
Net Domestic General Government Debt	6.2	47.6%	44.8%
Gross Domestic Public Debt	4.5	64.6%	61.8%
Net Domestic Public Debt	8.5	49.6%	45.7%

Source : (CAPMAS,2011)

<sup>41</sup> External debt is calculated in L.E at the end of the period.

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