



Zakat for Humanitarian Aid and Development

Goal: Viable pathways for mobilizing and operationalising zakat for the purposes of development and humanitarian assistance are elaborated and endorsed.

Duration: January – December 2016

Situation Analysis: The West Asia-North Africa region is facing unprecedented and multi-faceted development challenges. These include weak governance, chronic conflict, gender inequality and an emerging threat of violent extremism. One challenge linking these issues is varying levels of economic development and functionality. The region has become synonymous with deficits such as unemployment, rentierism and stunted private sector growth. Moreover, while the region is home to vast wealth, it is also one of entrenched economic and social inequality: in 2013, Qatar's Gross Domestic Product (GDP) per capita stood at USD93,714 compared to Yemen's meagre USD1,473. Another set of challenges relate to employment and entrepreneurial opportunity. Despite high secondary and tertiary education rates in many Arab states, youth unemployment sits at 22 percent for men, and up to 40 percent for women. A review of where such countries sit on the Ease of Doing Business Index illustrates the stifling of entrepreneurialism caused

by difficulty in obtaining credit, enforcing contracts and accessing training. These challenges require a diverse set of solutions. Moreover, solutions must evolve from within the region itself, both for sustainability and to galvanise the necessary political will. The positive news is that region does have the capacity to resolve its economic challenges; resources are simply under-tapped and poorly managed. A key opportunity lies in the Islamic tradition of *zakat*.

Zakat, one of the five pillars of Islam, requires that Muslims donate 2.5 percent of their wealth to one of eight purposes specified in the Qur'an. The potential volume of annual zakat collection is enormous; a 2012 study estimated that USD200 billion-USD1 trillion are spent annually in *zakat* across the Muslim world. This places *zakat* within the 10 highest donors, and up to 15 times more than global humanitarian aid contributions. Despite such potential, zakat as a development tool suffers from three major constraints. First, due to deficits in transparency and accountability, zakat administration is particularly prone to corruption and embezzlement. Second, zakat contributions are not reaching their potential, due to both ineffective collection mechanisms and skepticism on the part of contributors regarding distribution impact.



Project Components

Viable pathways for mobilizing and operationalising *zakat* for the purposes of development and humanitarian assistance are elaborated and endorsed

Finally, *zakat* distribution generally adopts a charity-giving model, with funds principally used to support the short-term consumption needs of the poor. It is well established that charitable giving is not effective means of promoting sustainable and inclusive development, and is more likely to entrench poverty traps than to close them.

There is broad scope for conceptualizing new modalities for using *zakat* for the purposes of combating poverty and vulnerability. While the scholarship is underdeveloped, some scholars argue that *zakat* has a 'transformational' mandate aimed at lifting the poor out of poverty to become *zakat*-givers (*muzaki*). Others posit that there is a wider range of possibilities for *zakat* use, including supporting infrastructure projects, social cohesion and peace building. Thinking about *zakat* in this manner has several benefits. Principally, *zakat* is both a sustainable and indigenous mechanism for social development, overcoming long-standing narratives around foreign interference. Second, because it exceeds other forms of aid, *zakat* could facilitate longer-term development programming, increasing the potential for tangible and more sustainable gains in poverty reduction. Finally, because *zakat* operates more like a tax, it is preferable to rents such as foreign aid and natural resource revenues, which have deleterious economic impacts.

¹ A portion of the funds would be retained and re-invested according to Shari'ah with a waqf governance structure overseeing the maintenance of such funds and outlining their proper use, allowing the fund to become independent and self-sustaining.

Project Outline

This research project will investigate how *zakat* might be better mobilised and managed for the purposes of development and humanitarian assistance by:

1. Conducting scholarly research on Islamic jurisprudence to support an elaborated platform for *zakat* use
2. Hosting 3 high level meetings with relevant policy stakeholders and senior regional religious scholars.
3. Conducting a viability assessment of restructuring distribution models away charitable giving and towards evidence-based community development and poverty reduction strategies including by (i) aligning the work of government alms agencies, independent *zakat* foundations and development agencies to work towards common objectives, (ii) establishing a centralised national or regional mechanism to manage and redistribute *zakat* assets towards development projects and social development organisations.
4. Conducting a viability assessment of mechanisms to prevent corruption in *zakat* distribution.