

ZAKAT for Social Justice



2016



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Introduction

Every year between 200 billion and 1 trillion USD is given in Islamic charity to alleviate poverty.¹ Given by individuals and to charities for distribution within communities and more recently coordinated by governments, it is a clear religious obligation to give to those in need. Such giving is noble, just, and plays an important function within Islamic societies; however it is limited by its immediate focus. In short, it does not engage with the causes of inequality or injustices; leaving issues that surround and aggravate poverty unaddressed.

Zakat is the most significant form of charity within Islam. ARDD-Legal Aid believes that Zakat is both an opportunity fill the funding gaps in humanitarian and development assistance as well as enhance social justice. With a clear mandate to increase access to justice for all vulnerable and marginalized groups, ARDD-Legal Aid believes that Zakat could be utilized with a social justice intention to address some of the most intractable issues that exist in Jordan, and the world more broadly. One example of this could be through contributing to achieving the Sustainable Development Goals (SDGs).

This paper outlines the accepted role of Zakat, the deficiencies with this system and the possibility for its expansion to take into account social justice issues in Jordan.

As will be shown in this paper, Zakat has recently been recognized as a potential source of humanitarian funding. This is an important development in its history but progress still needs to be made to convince our community that focus on programs with longer term, less immediate results can have untold benefits in achieving the ultimate aim of reducing poverty.

Islamic Charity

The most common and relevant forms of giving in Islam are Zakat, Sadaqah, and Waqf. Despite holding an important place in the Islamic faith, the roles and function of Zakat and other forms of Islamic charitable giving are not well understood by both Muslim and non-Muslim communities.

As one of the five pillars of Islam, Zakat is a spiritual and religious duty for all Muslims who have the means to do so. Through this, Muslims whose wealth reaches a certain threshold, known as nisab, are required to give 2.5 percent of their accumulated wealth from a lunar year. The clear intention is to benefit the poor or needy.² Those whose wealth falls below the nisab are encouraged to give Zakat in the form of goods, or by offering a service or providing help to someone in need.

Sadaqah is another form of voluntary Islamic charity which can be given at any point throughout the year and be any amount. A more specific variant of Sadaqah is Sadaqah Jariyah, known as ongoing charity, where individuals contribute to community projects such as building wells for access to clean water or providing schoolbooks for students.³ Considered by the international development sector as “sustainable development,” Sadaqah Jariyah has both short and long-term positive effects on communities.⁴

A popular form of Sadaqah is Waqf, which is an endowment given as land or property that can be used for charitable purposes or used to support charitable activities via investment. To aid in the Waqf process, various Ministries of Awqaf have been established in some Muslim-majority and Islamic countries (including Jordan) and organizations have been set up to collect and distribute funds.⁵

¹ Stirk, Chloe. An Act of Faith: Humanitarian Financing and Zakat.

² Stirk, Chloe. An Act of Faith: Humanitarian Financing and Zakat. Global Humanitarian Assistance (GHS), 2015. http://www.globalhumanitarianassistance.org/wp-content/uploads/2015/09/ONLINE-Zakat_report_V9a.pdf.

³ Ibid

⁴ The Zakat Foundation of America. Last modified 2016. www.zakat.org.

⁵ "Venture Philanthropy- Waqf Practices and Its Implementation: Scenario in Malaysia, P. 109."

How it Works

The key role of Zakat is to create mutual responsibility in communities by building relationships between different parts of the society. Zakat is often collected during Ramadan, the holy month of fasting and prayer for Muslims. The channels for payments include through government collection, independent collection via delivery agencies, mosques, individuals and Islamic banking systems.⁶ Due to this tradition, many communities often view Zakat as a yearly obligation just for charity items and not as a tool to target larger community issues in a more sustainable way.

Although Zakat has been around since the beginning of Islam, few modern governments legally enforce its collection, many of which have only begun to do so in recent years. The following governments regulate Zakat either through the constitution or law: Saudi Arabia (1950), Libya (1971), Pakistan (1980), Sudan (1984), Malaysia (1990) and Yemen (1996). In contrast, Jordan, Bahrain, Kuwait, Lebanon, and Bangladesh consider it voluntary.⁷ However systems are in place for its collection.

Since the rise of Islamic finance in the 1970s, Islamic banks and financial institutions have integrated the religious alms of Zakat, specifically by creating accounts for Zakat payments.⁸ However, many Muslim countries have not been able to successfully implement these methods due to various limitations from logistical and ideological barriers, to accounting standards and liabilities.

In addition to government and bank management of Islamic charity, there has been a growth in the number of local, regional, and international Faith Based Organizations (FBOs) and Non-Governmental Organizations (NGOs) that utilize Zakat. In recent years, Islamic faith-based organizations have started to receive the majority of their funding through Zakat donations as a result of their perceived political independence and focus on humanitari-

an aid. In general, these organizations support emergency relief, development projects, orphans and seasonal projects. Two prominent FBOs known for the distribution of Zakat and Islamic charity are Islamic Relief Worldwide and Zakat Fund of America.

Islamic Relief Worldwide (IRW), established in 1984, is the most well known FBO. IRW has successfully used Zakat to target a wide variety of issues that go beyond the distribution of aid items, also working towards sexual and gender-based violence prevention, child protection, and psychosocial support.⁹ Most recently, IRW was involved in food distribution in besieged Syrian communities such as Madaya, Madamiyah, East Ghouta, West Ghouta, and Daryya.

It is through the work of organizations such as IRW, that Zakat is being seen by the broader aid community as a way to utilize alternative humanitarian financing methods. Many international agencies have started to partner with Zakat FBOs, such as the United Nations International Children's Emergency Fund (UNICEF) and the United Nations High Commission Refugees (UNHCR), because of the recognized wide reach and influence of these organizations. ARDD-Legal Aid believes that this can be expanded further with the specific and clear aim to contribute to social justice issues and the SDGs.

The Impact of Zakat

Due to the complex nature of calculating the value of Zakat, an accurate view of the past and projected impact of Zakat is impossible. Based on available data, Islamic financial analysts estimate that between two hundred billion and one trillion U.S. dollars are given in mandatory alms and voluntary charity across the Muslim world each year.¹⁰ A study by Global Humanitarian Assistance collected data from Indonesia, Malaysia, Qatar, Saudi Arabia and Yemen, which make up 17 percent of the estimated

⁶ Stirk, Chloe. An Act of Faith: Humanitarian Financing and Zakat.

⁷ Ibid

⁸ See Glossary.

⁹ Islamic Relief Worldwide

¹⁰ Stirk, Chloe. An Act of Faith: Humanitarian Financing and Zakat.

Muslim population, and found that the “amount of Zakat raised in each of these countries through formal Zakat-management institutions [totaled] at least U.S. \$5.7 billion... each year.”¹¹ It is estimated that Waqf could be worth up to U.S. \$1 trillion globally.¹²

Both Zakat, Sadaqah, and Waqf could be sustainable and efficient source of funding for many Islamic financial and charitable institutions. The total voluntary income and charitable contributions of FBOs to humanitarian causes in 2013 totaled over 132 million Euros.¹³ If the enormous amount of Zakat contributions was directed towards humanitarian and development initiatives each year the impact could be unprecedented. As Economist Habib Ahmed notes, “the potential is tremendous. But in most countries it is not being used to the potential.”¹⁴

Achieving this potential will not just be done with clearer communication and coordination between actors, the understanding of Zakat also needs to be shifted. Zakat can and should be used with a clear social justice intent, not merely with the very narrow focus on poverty alleviation, as this does not address the root causes of the issue. With a social justice mandate for the use of Zakat there is greater capacity to make substantial positive change within a community.

Government Management of the Fund

Numerous Islamic scholars and Muslim citizens do not see government authorities as fit to manage Zakat collection and distribution and this has been a point of concern in countries where governments face fiscal challenges and a lack of resources and capacity. The reluctance towards governmental administration of the fund is not just limited to a question of capacity but also one of control. This is a valid concern when discussing Zakat because it symbolizes an individual act that is considered accountable to God—but the donor then questions why the state is interfering in

such an inherently religious act. Citizens who see Zakat as an obligatory act then question whether there is a guarantee that Zakat will be used for its rightful purpose, especially if it is controlled by a governmental agency.

The basis of this lack of trust and concern is found in the lack of transparency with regards to the distribution of the funds, exact data on the number of beneficiaries reached, the administration of the fund and the distribution of collection to the poor and needy. To address the issue of transparency, governmental agencies must work in tandem with their populations to promote awareness.¹⁵ Further, governmental agencies should be working to increase their transparency and accountability with regards to how they administer and manage the funds. This in turn would create trust between the donor and the governmental agency. The increase in awareness and trust requires the engagement of Islamic academics, scholars, theologians, regulators, finance experts, foundations, practitioners and agencies. Through partnership between these entities, governments can address the logistical barriers they face as well as the ideological barriers and misunderstandings of the contributors. These partnerships provide a coordinated approach to limit suspicion and mistrust. It will provide the opportunity to increase and improve the use of Zakat.¹⁶

Case Study: Jordan

Zakat is voluntary in Jordan. The Zakat Fund is one of the oldest funds in the Levant region and the primary Islamic charity fund in Jordan. The fund falls under the Ministry of Awqaf, Islamic Affairs, and Holy Places and consists of a National Zakat Fund. While there are currently no laws enacted within Jordan that regulate and make Zakat obligatory, the Ministry and National Zakat Fund works to ensure a steady flow of the Zakat fund as well as Waqf Funds.¹⁷

¹¹ Stirk, Chloe. *An Act of Faith: Humanitarian Financing and Zakat*.

¹² Islamic Finance News

¹³ Islamic Relief Worldwide Annual Report 2014. Islamic Relief Worldwide, 2015. <http://www.islamic-relief.org/annual-reports/>.

¹⁴ "IRIN Global | Analysis: A Faith-based Aid Revolution in the Muslim World?" IRINnews. Last modified June 1, 2012. <http://www.irinnews.org/report/9556/analysis-a-faith-based-aid-revolution-in-the-muslim-world>.

¹⁵ Chodhury, M Zubair. "Zakat System's Failure to Deliver." *The Tribune* 23 July 2012, International New York Times: Pakistan sec. Print.

¹⁶ Ibid

¹⁷ "Jordan: National Zakat Fund (NZF)." International Labour Office: Social Protection. International Labour Office. Web.

Through the Jordanian Ministry of Awqaf, Islamic Affairs, and Holy Places, there are 7 major programs: Cash Assistance; Occasional In-Kind Assistance; Orphan Cash Assistance; Rehabilitation Assistance Projects; Urgent Cash Assistance; and Medical Care Programs.¹⁸ USAID's 2011 report on National Zakat Fund programs shows the highest expenditures of the Zakat Fund are cash assistance and occasional in-kind assistance, totaling 4.645 Million Jordanian Dinars (6.5 Million USD) for 13,000 beneficiaries.¹⁹ The Zakat Fund has been primarily used to provide cash assistance to Jordan's poor and vulnerable communities.

Within Jordan, Waqf is used to solve economic problems such as inadequate housing and the revitalization of commercial buildings. In 2010 there were about 6,243 operating mosques and 772 under construction that had been financed by Waqf.²⁰ For Jordan, the Waqf Fund has proved beneficial, as it has contributed directly to the establishment and creation of infrastructure. Such works increase access to economic opportunities and growth amongst the most marginalized communities.

Zakat in Jordan has primarily focused on poverty alleviation measures to support Jordanians. This means assistance such as cash and food, which although necessary, do not address the root causes of such problems. To achieve this, it is important to examine the use of Zakat with a social justice intent to address the causes of these problems in a sustainable way. Given that Jordan is a major host country for hundreds of thousands of displaced people, Zakat must also be blind to nationality and be focused on building and supporting the entire community. The Jordan Response Plan for 2016 – 2018 has shown that the needs of all who call Jordan “home” far exceed what the Government of Jordan is able to provide on its own. While foreign governments and international organizations are contributing, it is important for citizens who meet the nisab threshold to recognize their important role in improving the livelihoods of their neighbors. Through

the promotion of Zakat as a tool for social justice within Jordan, those giving Zakat can identify the issues facing the community and actively work to be a part of the solutions.

Obstacles of Accessing Zakat in Jordan

Zakat and Waqf within Islamic society have gone through a period of innovation and critical reexamination. In the West and Far East, Muslim leaders and Islamic scholars in the private sector and civil society are beginning to reconsider the Islamic principles of social justice, Islamic governance and the role of the obligatory alms. Despite this increased conversation, barriers to accessing Zakat remain.

The primary barriers to accessing Zakat center on accountability. As Chloe Stirk highlighted, the lack of transparency creates ‘tension between the individual paying Zakat and the institution or governmental agency they are paying.’²¹ This tension is aggravated if there is no reporting on the funds which creates insufficient mechanisms to trace financial contributions and their impacts. Without accountability mechanisms in place, the trust of those contributing is low which results in limited funds being contributed. Within some communities, it is believed that collection institutions are limiting the overall volume of Zakat that is collected.²² This must be remedied to ensure the expansion of Zakat fund in Jordan.

Jordan has, to an extent, implemented localization within the Zakat distribution and collection methodology through Voluntary Zakat Committees. Enlisted and overseen by the Ministry of Awqaf and Islamic Affairs, nearly 210 Voluntary Zakat Committees have been established, and are run and staffed by private citizens who are registered under the Ministry. While tightly controlled by the Ministry,²³ ‘Zakat committees employ teams of social workers familiar with the local community that assess which individuals and families are eligible for aid.

¹⁸ Ibid

¹⁹ Ibid

²⁰ <http://library.fes.de/pdf-files/bueros/amman/10677.pdf>

²¹ Stirk, Chloe. An Act of Faith: Humanitarian Financing and Zakat.

²² Abiyoe, M.M.O Mohamas, M.H.S. and Adnan, M.A (2011) “Antecedents of Zakat Payers’ Trust: the case of Nigeria” International Journal of Economics, Management & Accounting. Supplementary issue 19, pp.133-164

²³ “ILO Social Security Inquiry - Economic and Financial Data: Jordan.” International Labour Organization. Web.

This is conducted largely by going from door to door and keeping in touch with the events of the neighborhood.”²⁴ However, currently, there is no data that provides information on the recipients of Zakat funds within Jordan or information on the criteria that defines a Zakat recipient. In order to achieve a successful poverty alleviation model, there must be research and data in order to target the correct populations within the country. Through the “door to door” system, the Ministry of Awqaf and Islamic Affairs can track who is receiving the funds, what are the criteria for those who receive the funds and if the current recipients are being supplied with sufficient Zakat funds.

With 93% of Syrian refugees living below the poverty line in Jordan, the provision of cash and food assistance is essential to their survival.²⁵ However to really address the issue of poverty, for refugee communities and vulnerable Jordanians, a social justice mandate with a long term strategy must be employed. This will help to build a more resilient society.

Potential of Zakat in Jordan

UNICEF has been one of the few international organizations that has actively attempted to utilize the Zakat fund to support projects that have emerged as a result of the ongoing Syrian crisis, specifically projects focused on children and youth. With the Ministry of Awqaf, UNICEF “agreed to launch a number of initiatives to address early and unplanned marriages of female Syrian refugees at the Za’atari Camp.”²⁶ Additionally, UNICEF Jordan is working to finalize a manual for the standard operating procedures for the Zakat Fund and is working closely with the Ministry of Awqaf and Islamic Affairs.²⁷ While this initiative will be specific to Jordan, it serves as an ‘East meets West model’ as the international development sector collaborates with Zakat and Awqaf funds to reduce poverty in the Middle East.²⁸

This initiative exemplifies the importance of modernizing the use of the Zakat fund. It demonstrates that the fund can be used to better achieve social justice and to narrow societal gaps as well as the traditional poverty alleviation focus.

Projects that strengthen community building while increasing awareness and empowerment have the ability to utilize Zakat as a social justice mechanism to address the root causes of issues that Jordan is facing. For example, ARDD-Legal Aid implements many programs in poor areas that seek to empower different members of the community to make decisions in their lives as well as build relationships and resilience between refugee and host communities. While the aim of these projects are not to directly alleviate poverty, engaging and empowering people to make a difference within the community has the potential to create major positive change. Zakat has the ability to assist in funding projects such as this, where the relief that is given is more sustainable than charitable items.

Conclusion

As has been noted by the global humanitarian community, it is necessary to recognize the potential and utility of Zakat and Waqf due to the growing gap between need and funding. The combined potential of Zakat and Waqf can provide exponential change by directly addressing ongoing issues within the region. Zakat provides the monetary support and Waqf provides the institutional and infrastructural support, which both aid in achieving sustainable development.

Zakat can be used to direct attention and energy towards issues that are often forgotten or go unfunded. It can be linked to social justice mandates that move beyond mere poverty alleviation through cash assistance and distributions. Zakat can help build a society of equals, a society where people can access their rights and can work

²⁴ Clark, Janine A. *Islam, Charity and Activism Middle-Class Networks and Social Welfare in Egypt, Jordan, and Yemen*. Bloomington, Ind.: Indiana UP, 2004. Print. Pg. 153

²⁵ UNHCR, (2016), Ramadan pulls despair of millions of Syrians into sharp focus, 7th June 2016. Available at: <http://www.unhcr.org/news/latest/2016/6/5756bfff4/ramadan-puts-despair-millions-syrians-sharp-focus.html>

²⁶ “Awqaf Ministry, UNICEF to Launch Initiatives at Za’atari Refugee Camp.” Jordan Embassy in the United States. Petra News Agency, 15 May 2013. Web.

²⁷ UNICEF. UNICEF Annual Report 2012 for Jordan, MENA. 2012. Print. Pg. 3.

²⁸ Malkawi, Khetam. “National Registry Required to Identify Poor Families, Children — UNICEF.” The Jordan Times 22 Sept. 2013. Print.

together in a community to make a difference that will be sustainable and substantive.

This sort of approach must be started at the community level. People must believe that they can substantively make a difference through their giving. From this basis, all actors, including governments, Islamic scholars, practitioners and financial experts, must come together to ensure that such funds are used with clear aims, strong outcomes and transparency and accountability. With these measures in place, Zakat can finance humanitarian initiatives and development issues. This is exactly what Jordan needs.