

Using Zakat for international development

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2018

Question

What evidence exists on the scale of charitable giving through Zakat (and through other the religious charitable giving)? How has this been used for international development purposes, and what are the key challenges in its use for international development?

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1. Overview

This review focuses on Zakat, a particular form of almsgiving within Islam. The value of Zakat is estimated to range from US\$ 200 billion to US\$ 1 trillion per annum across the world (Stirk, 2015) or around US\$ 187 million among countries in the Organisation of Islamic Co-operation (Shaikh, 2016). Therefore, interest in mobilising Zakat for poverty alleviation in Muslim majority countries as well as for international development is rising. Zakat is an important source of funding for Muslim humanitarian organisations which operate across the globe. However, de-risking, a term coined in the banking sector to reduce the risk of money laundering and funding of terrorism by blocking international transactions or raising the criteria for processing them, is the most serious challenge faced by Zakat collecting Muslim charities.

Zakat is a mandatory donation of 2.5% of savings which must be paid annually by Muslims to assist the poor. There is a limited literature on the role of faith-based organisations in development and the role of Zakat in development. Interest in Zakat has been revived in the Muslim world by conservatives who wish to promote greater adherence to the scripture as well as reformers who view Zakat as a tool for attaining social justice (Fauzia, 2013). In addition, international development agencies are taking more interest in Zakat because of its substantial value as well as the negative impact that the legal and financial restrictions imposed to curb terrorism are having on Muslim humanitarian organisations operating in conflict zones (Barzegar & El Karhili, 2017; Metcalfe-Hough, Keatinge, & Pantuliano, 2015; Taraboulsi-McCarthy & Cimatti, 2018).

Zakat is used to alleviate poverty and redistribute wealth by giving support in cash or kind directly to poor and needy individuals. While this practice remains pervasive, Zakat donated to Muslim charities can be used for local and international development projects. Local Muslim charities support food banks, build hospitals and provide training to help the poor become self-sufficient (Atia, 2011). Large Muslim humanitarian organisations combine Zakat with other sources of funding to fund development projects and crisis relief in many developing countries.

Widows and orphans are considered as deserving beneficiaries of Zakat. Qur'anic study groups for women make their own donations and engage in fundraising activities to raise money for the needy. Women, therefore participate in Islamic charity as both givers and receivers.

The complexity of adapting Zakat for use in the international humanitarian sector and de-risking are the most serious challenges for expanding the use of Zakat for international development (Barzegar & El Karhili, 2017). Zakat is an ancient institution and there is little consensus among Islamic clerics regarding how to adapt or interpret the traditional rules for Zakat for the modern world. Consequently, Zakat collecting organisations adopt different approaches to dealing with key issues such as the inclusion of non-Muslims as recipients, re-allocating funds to regions where the need is greatest and using Zakat for infrastructure or construction projects (Bremer, 2015; Atia, 2011). Sadaqah which is another form of giving that is subject to fewer rules and customs may be a more suitable mechanism for raising funds for international development programmes. Muslim humanitarian organisations which collect Zakat funds have come under intense scrutiny after the 9/11 terrorist attacks and experience many difficulties with maintaining bank accounts and making international money transfers, especially for programmes run in conflict zones where there is extremism (Barzegar & El Karhili, 2017). These organisations are resorting to perilous methods to transfer funds and are exposed to corporate governance risks (CFG, 2015). Furthermore, de-risking curbs the ability of individuals to send Zakat or remittances to family members in conflict zones like Somalia and Syria (Durner & Shetret, 2015).

2. Scale of Zakat

In 2013 governments within the Organisation of Islamic Co-operation (OIC) provided humanitarian assistance valued at US\$ 2.2 billion (Stirk, 2015). **Zakat** is the third pillar of Islam and is loosely translated as tithes or almsgiving (Haq, Ashraf, & Farooq, 2017). It is rooted in the belief that all wealth belongs to God and that the affluent have a duty to assist those in need (Malik, 2016). Zakat is a mandatory charitable contribution of 2.5% of savings (Ali & Hatta, 2014, p. 61) which is payable by observant Muslims whose wealth exceeds a minimum threshold, known as the *nisab*. The *nisab* is generally low so that a large pool of people are obliged to contribute (Pollard, Datta, James, & Akli, 2015). In addition, at the end of the holy month of Ramadan *zakat al-fitr* (alms on feast) must be paid, and this equates to the cost of feeding one person (Atia, 2011). Through Zakat wealth is **purified** by the act of giving (Bremer, 2015). The key objectives of Zakat are to provide poverty relief and re-distribute wealth to promote harmony within the community of Muslims, known as the *umma* (Atia, 2011). Zakat is not intended to eliminate either poverty or wealth creation and co-exists with general taxation.

Zakat can be augmented with voluntary contributions called **sadaqah** and endowments or bequests which are referred to as **waqf**. There are very few restrictions on the use of *sadaqah* while *waqf* is used mainly to finance the building of mosques or schools. In addition, some communities such as the Somalis participate in Baho which is community-based fundraising for charitable purposes (Pollard et al., 2015).

Estimates of Zakat are difficult to obtain because the collection and distribution methods vary by country. Only six countries - Saudi Arabia, Yemen, Libya, Malaysia, Pakistan and Sudan - enforce some form of Zakat payment by law (Fauzia, 2013, p. 54). In other countries Zakat is a private matter and there is no requirement that it should be collected by the state. In some countries like Egypt, Jordan and Kuwait the payment of Zakat is not centralised and individuals can choose to give Zakat to their neighbours, extended family, local mosques or Zakat committees (Ali & Hatta, 2014, p. 64). For example, in Egypt there are 5,000 Zakat committees and 25,000 associations which collect Zakat (Atia, 2011). In contrast, in Indonesia, Brunei, Sudan, Yemen and Saudi Arabia centralised agencies linked to the government collect Zakat payments. In Kano State, Nigeria, a government organisation, the Zakat and Hubsu Commission, is responsible for administering Zakat (Wali, 2013).

In developed countries Zakat can be privately donated to individuals in need and there are a range of organisations which collect Zakat. Zakat foundations are found in the United States, United Kingdom, Australia and Canada. There are over 1,600 Muslim charities registered with the Charities Commission in the United Kingdom and 56 are engaged in international development or humanitarian relief work (Metcalf-Hough et al., 2015, p. 3). For example, Islamic Relief and Muslim Aid operate in over 30 countries and provide international disaster relief. Research conducted in the United Kingdom found that some British Muslims donate their Zakat to large charitable organisations while migrant communities may send it to relatives in their home country or contribute to local mosques (Pollard et al., 2015).

The following estimates of the value of Zakat contributions have been proposed by various reports and collection agencies.

- A broad estimate of US\$ 200 billion to US\$ 1 trillion per annum across the globe (Stirk, 2015).

- A reliable estimate of US\$ 5.7 billion per annum in Indonesia, Yemen, Saudi Arabia, Malaysia and Qatar (Stirk, 2015).
- The Zakat Foundation of America collected US\$ 9.7 million in 2013 (Stirk, 2015).
- Since its inception in 2011, the National Zakat Foundation in the United Kingdom has distributed £ 8,214,500 (“National Zakat Foundation (UK),” 2018).
- Since 2013 the National Zakat Foundation of Australia has distributed AUS \$ 4,073,900 (“National Zakat Foundation (Australia),” 2018).
- In Indonesia over R 3.6 billion was collected by state agencies in 2015, of which 63% was designated as Zakat (BASNAS, 2017).

Shaikh (2016) estimated the value of Zakat as a percentage of Gross Domestic Product (GDP) for OIC countries (see Table 1).

Country	2008	2009	2010	2011	2012	2013
Albania	2.51%	2.46%	2.58%	2.57%	2.62%	2.60%
Azerbaijan	7.57%	5.92%	6.13%	5.86%	5.41%	5.83%
Bangladesh	3.48%	3.06%	3.01%	2.91%	2.83%	2.76%
Egypt	5.34%	4.02%	3.85%	3.99%	3.72%	3.69%
Indonesia	4.66%	4.03%	3.82%	3.69%	3.52%	3.53%
Jordan	5.84%	5.01%	4.79%	4.67%	4.50%	4.30%
Kazakhstan	3.62%	3.05%	2.97%	2.95%	2.72%	2.69%
Kyrgyz Republic	2.98%	3.02%	3.28%	3.12%	3.20%	3.13%
Malaysia	6.05%	5.99%	5.28%	4.85%	4.65%	4.59%
Morocco	5.61%	4.92%	5.02%	5.10%	5.16%	5.01%
Mozambique	1.21%	1.07%	1.12%	1.03%	0.98%	0.97%
Nigeria	1.80%	3.01%	2.30%	2.39%	2.22%	2.20%
Pakistan	3.06%	2.68%	2.68%	2.64%	2.59%	2.54%
Saudi Arabia	10.58%	8.81%	8.53%	8.85%	8.48%	8.45%
Tajikistan	2.39%	2.37%	2.44%	2.37%	2.36%	2.36%
Tunisia	4.20%	3.59%	3.66%	3.77%	3.77%	3.73%
Turkey	3.48%	3.80%	3.53%	3.55%	3.49%	3.42%

Table 1: Estimated Zakat to GDP (Shaikh, 2016, p. 27)

Using the estimate of Zakat as a percentage of GDP, Shaikh (2016) was able to estimate the potential value of Zakat in US dollars within the OIC states (see Table 2). The total value of Zakat within the Organisation of Islamic Co-operation is estimated as above US\$ 187 million.

Country	Potential Zakat Collectible (mln \$)
Albania	335
Azerbaijan	3,955
Bangladesh	4,144
Egypt	10,038
Indonesia	30,624
Jordan	1,447
Kazakhstan	6,232
Kyrgyz Republic	226
Malaysia	14,369
Morocco	5,202
Mozambique	152
Nigeria	11,460
Pakistan	5,895
Saudi Arabia	63,257
Tajikistan	201
Tunisia	1,754
Turkey	28,142
Total	187,432
Surplus/Shortfall	

Table 2: Projected Zakat Collection for 2013 (Shaikh, 2016, p. 30)

Women's Qur'anic study groups collect funds for charity independently and engage in other fundraising activities to raise money to help the needy, as well as to sponsor larger projects such as building schools (Borchgrevink & Erdal, 2017, p. 221).

3. Using Zakat for development

The role of religion in development has not received much attention in development studies until recently. The field is attached to the modernisation thesis which predicted that over time non-Western societies would become secular and that religion would become less prominent in the public sphere (De Cordier, 2009). However, **faith-based organisations** contribute 15-16% of aid given to non-governmental organisations and it is estimated that in 2013 faith-based organisations collected between US\$ 420-435 million of international humanitarian assistance which was channelled to non-governmental organisations (Stirk, 2015).

The literature on Zakat and development can be divided into two broad streams. The larger stream which is produced mainly by scholars from/ living in Muslim majority countries examines the potential of utilising Zakat to enhance development in such countries. The second stream considers the role of Zakat and Muslim humanitarian organisations in international development.

Zakat and national or local development

Fauzia (2013, p. 62) claims that there has been renewed interest in Zakat from both revivalist Islamic or Wahabi groups which favour a strict reading of religious texts, and modernisers who see Zakat as a means of promoting social justice. There is little evidence of how Zakat is used for development in Muslim countries in the literature because of a lack of transparency on the part of the agencies which collect Zakat and because the academic literature focuses on the potential rather than the actual benefits of Zakat. However, the following data was gleaned from the literature.

Egypt

Widows and orphans receive most of the Zakat funds in Egypt because they are uncontestedly viewed as the deserving poor (Atia, 2011). In 2003 a fatwa was issued which made it acceptable to pay Zakat to the Egyptian Food Bank. Later Zakat was used to build a new hospital for children with cancer and to assist poor people suffering from HIV (Atia, 2011). Clerics and NGOs in Egypt are becoming supportive of using Islamic donations to promote self-sufficiency among the poor. There has been a shift away from using Zakat entirely for charitable aid projects and towards supporting **self-sufficiency** among the poor through support for entrepreneurship (Bremer, 2015). For example, the Nasser Social Bank, a prominent collector of Zakat, supports job creation projects. Zakat was effectively used to transform Tafahna al-Ashraf, a poverty stricken village, into a flourishing area. The project was successful because there was broad participation in the development project, local direction and leadership and a focus on long-term income generating activities (Bremer, 2015). Sadaqah is used to provide interest free micro-finance loans as well as to buy equipment and provide training or services to help the poor to begin or sustain enterprises (Atia, 2011). Loans are provided to women in rural areas to assist them with selling their produce.

Pakistan

The public Zakat collection authority introduced skills training programmes, but found that it did not have the capacity to undertake such projects (Malik, 2016). Zakat is regarded as a critical source of social welfare (Azam, Iqbal, & Tayyab, 2014) although it has not reduced inequality in Pakistan (Malik, 2016).

Nigeria

In Kano State, Nigeria, the Zakat and Hubsu Commissions distributes grain to needy families and provides them with access to medical treatment and Ramadan packages as well as entrepreneurship assistance. However, given that 12 million people live in Kano State, the Zakat funds are not sufficient to alleviate poverty (Wali, 2013, p. 146)

One quarter of the Muslim world lives on less than US\$ 1.25 per day (Saleem, 2014) and half of global poverty is found in Muslim majority nations (Shaikh, 2016, p. 2). Economists from Muslim countries argue that Zakat can be better used for **pro-poor development** including poverty alleviation and economic development (Malik, 2016). This literature acknowledges that the majority of Zakat is disbursed privately and argues that such **decentralised** collection and distribution undermines the impact of Zakat on poverty alleviation (Habib, 2004; Malik, 2016). Consequently, the literature calls for either greater co-ordination among institutions that collect Zakat (Habib, 2004, p. 112) or centralised collection by a public agency (Malik, 2016). Habib (2004) states that greater co-ordination among the different organisations which collect and manage Zakat funds can avoid the duplication of activities and achieve a greater impact on the poor. Other scholars aver that Zakat collection should be centralised either under state control in Muslim majority countries or under the community in countries where Muslims are a minority (Malik, 2016; Bremer, 2013, Habib, 2004).

Fauzia (2013, p. 63) purports that conservative Islamist groups support state driven Zakat collection instead of voluntary models. Bremer (2015) states that conservative clerics insist on **state controlled** Zakat collection and further discourage private collection by maintaining that the scripture states that the administrative costs of the collection agency can only be redeemed from the Zakat funds if the collection agency is state controlled. The argument for centralised Zakat collection is also predicated on the need to amass the Zakat funds to undertake large-scale projects that will reduce poverty in the long term rather than provide short-term relief for those in need. For example, it is estimated that in 15 out of 37 OIC countries the resources that would be required for poverty alleviation can easily be raised through the centralised collection of Zakat (Malik, 2016, p. 70). Similarly, Shaikh (2016) estimates that the countries within the OIC are capable of raising the funds that they require for long-term poverty alleviation through Zakat. However, the experience of the countries which already implement **centralised** Zakat control is not generally positive. Indeed, in many Muslim countries the public have little trust in the government and have retained the right to meet their Zakat obligation in private (Haq et al., 2017, p. 22).

In Malaysia, Indonesia and Pakistan where the overall structure of Zakat is managed by the state, there is evidence of extensive mismanagement, malfunction and corruption with regard to the collection and distribution of Zakat (Malik, 2016, p. 73). More specifically, in Indonesia state-based Zakat collection has been resisted and the two state agencies were compelled to introduce reforms in an effort to encourage payment (Fauzia, 2013). However, research indicates that the distrust of these two agencies (which has not abated) coupled with fears of

corruption deters people from paying Zakat (Ali & Hatta, 2014). In Pakistan there is widespread Zakat evasion because the population does not trust the government (Malik, 2016). In Malaysia, total Zakat collection is small in relation to the number of Muslims living in the country (Ali & Hatta, 2014). Moreover, the burden of Zakat falls disproportionately on rice-growers who are below the poverty line in Malaysia and therefore Zakat may be transferring resources away from the poor rather than towards them (Malik, 2016). However, the lack of trust in Zakat collection institutions is not limited to the public sphere. Bangladesh has a voluntary Zakat system and there are several **private** entities which collect Zakat, but these organisations **lack transparency** and accountability which deters contributions and undermines the scope for using Zakat as part of the national poverty alleviation strategy (Ali & Hatta, 2014). An umbrella Zakat fund managed by the Islamic Development Bank has been proposed as an alternative for centralising the collection of Zakat (Green, 2015; Habib, 2004).

Shaikh (2016) estimates the number of people that were lifted out of poverty through transfer payments financed by Zakat in OIC countries in Table 3.

Country	People Lifted Out of Poverty (No.)
Albania	735,046
Azerbaijan	8,669,335
Bangladesh	9,082,150
Egypt	22,000,113
Indonesia	67,120,324
Jordan	3,171,523
Kazakhstan	13,658,865
Kyrgyz Republic	495,829
Malaysia	31,492,916
Morocco	11,401,599
Mozambique	333,727
Nigeria	25,118,087
Pakistan	12,921,233
Saudi Arabia	138,644,438
Tajikistan	440,016
Tunisia	3,844,006
Turkey	61,680,905

Table 3: Estimated number of people lifted out of poverty (Shaikh, 2016, p. 29)

Zakat and international development

Zakat is attracting attention among organisations involved international development because of its vast estimated global value (Green, 2015). There is no literature which provides details of the types of international development projects funded by Zakat exclusively. Zakat is only one source of funding for large Muslim humanitarian organisations that engage in international

development programmes. For example, neither Islamic Relief World Wide nor Muslim Aid disclose how much of their funding comes from Zakat in their financial statements.¹ Moreover, these organisations do not specify how the Zakat funds are spent, although they do state that they adhere to Sharia rules regarding how Zakat should be spent. Muslim humanitarian organisations combine Zakat with other sources of income to provide employment creation programmes, disaster relief and other development projects in over 30 countries.

4. Challenges for Zakat in international development

Adapting Zakat for international development

Zakat is an ancient institution and there is much debate in the literature regarding the adaptation of Zakat to the modern world. There are diverse views regarding the types of assets which are subject to Zakat, who can receive Zakat and what it can be spent on (Habib, 2004). These issues affect the extent to which Zakat can be mobilised for international development purposes as discussed below:

- Traditionally Zakat should be spent in the area where it is collected within one lunar year (Stirk, 2014) and this requirement can inhibit the use of Zakat for international development purposes. However, the Sharia Board of the Zakat House of Kuwait permits funds to be transferred to areas where there is greater need (Habib, 2004). Likewise, in Indonesia Zakat does not have to be used in the village where it is collected and can be sent to other villages where there is greater need (Fauzia, 2013)
- There is no consensus regarding whether or not Zakat can be used for **infrastructure or construction** projects. In Egypt, Lebanon and Malaysia Zakat has been used for building schools, mosques and hospitals but the Zakat foundation in Australia explicitly states that the funds cannot be used for construction (Bremer, 2015).
- According to the Quran there are eight categories of Zakat recipients: the poor, the needy or impoverished, administrators of Zakat funds, recent or potential converts, people in bondage or slaves, overburdened debtors and those who travel in the name of God and need to return home (Atia, 2011, p. 4). There is a debate among scholars and clerics regarding the modern interpretation of these categories. The last category has traditionally been interpreted as support for jihad or holy war and those who cannot afford to undertake the pilgrimage to Mecca, but in Egypt this reading is being re-interpreted to include refugees, displaced persons, prisoners and those who are over-indebted by microfinance loans (Atia, 2011).
- There is no consensus regarding whether Zakat funds should be used to help Muslims only (Stirk, 2015) and policies appear to vary across Zakat collecting organisations. The requirement that Zakat should only benefit Muslims would violate the humanitarian principle of **non-discrimination** within international development practice (Stirk, 2015). Organisations such as Islamic Relief in the UK support Muslims and non-Muslims without

¹ Muslim Aid indicates that its revenue for 2015 was £31.9 million but does not disclose the sources of this revenue. In compliance with Sharia Law Zakat is not used to fund administration costs (Muslim Aid, 2015). Islamic Relief World Wide's income in 2016 was £110.6 million but the contribution of Zakat is not disaggregated in the Annual Report (Islamic Relief, 2016).

a significant conflict of interest because Zakat is only one source of their funding (Petersen, 2012, p. 150).

- Concerns regarding the correct use of Zakat leads many British Muslims to donate to small NGOs, based in their community and staffed by volunteers rather than to larger organisations which have the capacity to engage in international development programmes (Metcalf-Hough et al., 2015).
- **Sadaqah** is subject to fewer rules and restrictions than Zakat and may be more suitable for funding international development programmes (Atia, 2011).

De-Risking and Zakat funded Muslim NGOs

A serious challenge for the use of Zakat in international development is de-risking. “De-risking can cover a range of actions and measures, including withdrawing or terminating correspondent banking relationships (IMF, 2016) in response to the heightened regulatory compliance, expectations and increased enforcement actions and penalties. Compliance expectations relate to Anti-Money Laundering /Combating the Financing of Terrorism (AMI/CFT) controls, economic and trade sanctions, transparency and exchange of tax information” (Taraboulsi-McCarthy & Cimatti, 2018, p. 3). Zakat has received considerable attention from donor agencies and inter-governmental bodies for security and development purposes (Barzegar & El Karhili, 2017). After the 9/11 attacks Muslim charities came under intense scrutiny.²

The regulations which were designed to restrict the freedom of international terrorist networks have adversely affected both Muslim and non-Muslim civil society actors.³ However, the former have asserted that they are disproportionately affected and discriminated against (Metcalf-Hough et al., 2015). In 2012 Islamic Relief World Wide found that donations from a Swiss bank (UBS) were blocked (Keating, 2014). In 2014 the accounts of three Muslim charities in the United Kingdom (CAGE UK, Ummah Welfare Trust and the Finsbury Park Mosque) were closed (Keating, 2014). In 2013-14 the Charities Commission carried out full statutory enquiries into five Muslim NGOs operating in Syria (Metcalf-Hough et al., 2015). As a result of these experiences which receive much media coverage, there is reputational damage for Muslim NGOs as well as the humanitarian sector in general. Humanitarian organisations complain of ‘**compliance fatigue**’ which sets in as they endeavour to meet the rising standards for transparency.

² The assets of some Muslim charities in the United States were frozen under the Patriot Act 324 (Al-Marayati, 2004). The Financial Action Task force which was founded in the United States in the 1980s to mitigate drug trafficking became the main institution for regulating international financial transactions.

³ Banks in Kuwait have taken pre-emptive measures and cut ties with humanitarian organisations which work in conflict zones while HSBC, UBS and NatWest have closed accounts, blocked transactions or delayed transfers from accounts held by charities registered in the United Kingdom (Barzegar & El Karhili, 2017; Metcalf-Hough et al., 2015). These actions have undermined the operations of NGOs and in some cases money was returned to donors because programmes could not be undertaken (Keating, 2014). British NGOs report that they suspended aid operations in Syria and Gaza (during the 2014 conflict) due to the fear of prosecution (Metcalf-Hough et al., 2015). De-risking affects NGOs working in the following countries: Iran, Kenya, Jordan, Iraq, Georgia, India, Sudan, South Sudan, Zimbabwe, Somalia, Syria, Afghanistan, Pakistan, and Sudan, Myanmar, Philippines, Lebanon, South Korea, USA, UAE, Sudan, Nigeria, Azerbaijan, Lebanon, Ukraine and North Korea (CFG, 2015). The Charity and Securities Network found that two-thirds of non-profit organisations based in the United States which engaged in international aid work report **banking problems** such as delays in transfers, unusual documentation requests and account closures (Barzegar & El Karhili, 2017). A survey of British charities found that almost one-third report that banks have become more risk averse in their dealings with the humanitarian sector (CFG, 2015).

Furthermore, NGOs observe that more resources are being devoted to administration in order to meet the banking and regulatory requirements (Barzegar & El Karhili, 2017; CFG, 2015). Small and medium sized charities have more difficulty in complying with requests for additional information and other requirements stipulated by the banks (CFG, 2015).

A recent report from the British Council found that **financial access** was the greatest impediment for Muslim charities wishing to deliver aid to the Middle East and North Africa (MENA) region (Barzegar & El Karhili, 2017). Muslim charities operating in conflict zones are particularly vulnerable to de-risking (Barzegar & El Karhili, 2017; Keating, 2014). These charities may attract more scrutiny from banks because they are faith-based and work in high-risk locations (Metcalf-Hough et al., 2015). Transactions conducted in US dollars attract extra scrutiny (Keating, 2014). According to the Muslim Charities Forum, 37% of members had difficulties opening bank accounts especially when working in regions where there is **conflict** and violent extremism such as Somalia, Sudan and Iraq (Taraboulsi-McCarthy & Cimatti, 2018). Banks often do not provide explanations to the charities for their de-risking actions and there is no legal recourse for those affected by de-risking. Consequently, many Muslim humanitarian organisations have scaled down their programmes in the Middle East (Durner & Shetret, 2015). For example, de-risking is having a devastating impact in Yemen by blocking aid efforts (Taraboulsi-McCarthy & Cimatti, 2018) and may potentially raise the security risks (Barzegar & Karhili, 2017).

Muslim charities resort to innovative and **high-risk technologies** such as mobile money currency, crypto-currency and carrying cash (Barzegar & Karhili, 2017). In addition MoneyGram payments, cash couriers, FX providers, PayPal and international brokers are used by Muslim and non-Muslim organisations working in conflict zones (CFG, 2015). These methods pose corporate governance challenges for NGOs and risks to staff (CFG, 2015). The clamp-down on informal money transfer systems, such as the Hawala system which is used in the Middle East and North Africa (MENA) region and South Asia by 'unbanked' people, has affected aid organisations as well as individuals who wish to send remittances to places like Somalia (Barzegar & Karhili, 2017).

Some Muslim communities, such as the Somali diaspora in London, prefer to donate their Zakat to relatives in Somalia (Pollard et al., 2015). In 2013 a number of money transfer services to Somalia were closed down prompting an activist campaign from the Somali community which enabled one service to survive (Keating, 2014).⁴ The reduction in both aid and remittances has a negative effect on people, especially women, living in conflict zones like Syria (Barzegar & El Karhili, 2017; Durner & Shetret, 2015).

Muslim humanitarian organisations have responded to de-risking by increasing transparency, capacity building, and advocacy (Barzegar & Karhili, 2017). As a result of the Syrian crisis some NGOs have increased their due diligence and provide banks with additional information to reassure them that the transactions are lawful (Keating, 2014). Other strategies which have had some success are **partnerships** between Muslim aid organisations and other mainstream development partners. The Muslim Charities Forum has facilitated some partnerships and good standards of transparency. Barzegar and El Karhili (2017) recommend that Muslim aid organisations continue to work in partnership with think tanks, NGOs, universities and other

⁴ It is estimated that 40% of Somalia's population rely on remittances and US\$ 1.3 billion is sent per annum (Durner & Shetret, 2015).

development organisations to generate research and as well as share the risks entailed by international development work under the current legal and financial regime. Metcalfe-Hough et al. (2015) recommend that DFID should play a key role in facilitating dialogue between British NGOs, institutional partners and government departments, particularly the Treasury, Home Office and Foreign Office.

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Acknowledgements

We thank the following expert who voluntarily provided suggestions for relevant literature or other advice to the author to support the preparation of this report. The content of the report does not necessarily reflect the opinions of any of the experts consulted.

- Jamie Williams from Islamic Relief World Wide.

Key websites

- National Zakat Foundation <https://www.nzf.org.uk/>
- National Zakat Foundation <http://nzf.org.au/>

Suggested citation

Ismail, Z. (2018). *Using Zakat for International Development*. K4D Helpdesk Report. Birmingham UK: University of Birmingham.

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