

The role of *zakat* in the provision of social protection: a comparison between Jordan, Palestine and Sudan¹

Charlotte Bilo and Anna Carolina Machado, International Policy Centre for Inclusive Growth (IPC-IG)

Zakat is one of the five pillars of Islam and considered a religious duty for wealthy people to support those in need. In Muslim-majority countries, *zakat* has a long tradition of providing income, goods for consumption and other basic services such as health care and education to poor and marginalised populations. A growing body of research has investigated the role of *zakat* in the provision of social protection and its importance as a poverty reduction mechanism. Although based on the same principles, countries vary significantly in the institutionalisation of *zakat*, ranging from obligatory to voluntary contributions. The institutional arrangements and benefit provision also differ greatly.

In Sudan *zakat* contributions are mandatory, providing assistance to those in need in many forms, including unconditional cash transfers, non-contributory health insurance and seasonal assistance to families during Ramadan and in case of emergencies. Sudan's *zakat* system is based on an extensive decentralised infrastructure that reaches all the way down to the village level. Sudan has managed to increase its *zakat* collection significantly over recent years, making it the country's most important source of funding for social protection. Due to its independence from the government budget, *zakat*'s financial sources can be considered very sustainable. However, given the lack of a unified social registry and limitations in monitoring mechanisms, there is room for improvement in both coordination and transparency.

Zakat-funded programmes in Palestine have a long tradition of providing assistance to the most vulnerable members of society, which has to be seen against the background of limited state structures—in part due to the conflict with Israel. The cash assistance provided to orphans is of particular importance, yet the system relies on voluntary contributions and is highly dependent on contributions from abroad. While the *Zakat* Committees that administer the scheme enjoyed high levels of public trust for a long time, recent political struggles and subsequent centralisation reforms have contributed to a decrease not only in public trust but also in *zakat* contributions.

The *Zakat* Fund in Jordan is one of the oldest institutionalised funds in the region. The first law regulating the collection of *zakat* in the country came into effect in 1944. Today *zakat* plays a key role in the national social protection system. *Zakat* resources have grown steadily

over time, financing important services such as job creation and income generation initiatives, health care programmes and a monthly cash assistance scheme. However, the lack of a common registry of beneficiaries among different government initiatives (especially those of the National Aid Fund and the Ministry of Social Development) still represents an obstacle to better coordination of poverty reduction programmes in the country.

Subsidy reforms in the Middle East and North Africa have been leading countries to an increased redistribution of social spending to more targeted assistance. In this sense, *zakat*-funded schemes may be enhanced to support sustainable poverty reduction strategies. The comparison of Sudan, Palestine and Jordan shows that *zakat* plays an important role in the provision of social protection services. However, while in Sudan *zakat* constitutes one of the most important sources of funding for social protection, the systems in Jordan and Palestine are rather small compared to other national social protection programmes in these countries. Moreover, challenges remain regarding these *Zakat* Funds' overall size, their coordination with other national social protection schemes, and their transparency and accountability.

There is no 'one-size-fits-all' solution in terms of the institutionalisation of *zakat*, yet decentralisation seems to be important, as the case of Sudan demonstrates. Moreover, implementing an efficient collection system is central to increasing funding, although the mechanisms to develop it (i.e. through a mandatory tax or voluntary transfers, for instance) are context-specific. Improving coordination among state institutions is crucial to enhance the role of *Zakat* Funds as providers of social protection. However, assessing the feasibility of coordination (for example, the sharing of databases requires resources and infrastructure) and ensuring the commitment of relevant stakeholders are essential steps in this process. Lastly, a 'de-politicisation' of *Zakat* Funds seems to be important to maintain the public trust that *zakat* has traditionally enjoyed.

Note:

1. All of the literature mentioned in this One Pager is thoroughly referenced in: Machado, A., C. Bilo, and I. Helmy. 2018. "The Role of *Zakat* in the Provision of Social Protection: a Comparison between Jordan, Palestine and Sudan." *Working Paper* 168. Brasília: International Policy Centre for Inclusive Growth.