



REFUGEES: THE MOST IN NEED OF ZAKAT FUNDS

Assessing how Zakat can drastically improve the lives of the world's displaced population



UNHCR
The UN Refugee Agency

UNHCR Zakat Program:
2019 Launch Report

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GLOBAL DISPLACEMENT CRISIS AND THE ROLE OF ZAKAT



AN IN-DEPTH REVIEW OF UNHCR'S ZAKAT PROGRAM



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INNOVATION OPPORTUNITIES TO BETTER LEVERAGE ZAKAT



INTERVIEW WITH WORLD ZAKAT FORUM/BAZNAS



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1. Foreword



The global refugee crisis has reached immense proportions and much more needs to be done by individuals and institutions

We live in a time where mankind is more technologically and economically advanced than ever before. However, despite that, political conflicts show no signs of slowing down, and new conflicts continue to escalate. The number of displaced people, as a result, has reached staggering levels, amounting to 68.5 million globally in 2017¹. This means we live in a world where nearly one person is forcibly displaced every two seconds.



From families fleeing their homes, to mothers carrying their infants hundreds of kilometers to seek safety, to children surrendering their childhood in exchange for survival, refugees and internally displaced people are some of the most vulnerable groups in the world today. All of them are after one basic right – the right to live. Often, refugees must start from scratch and fight to rebuild a life similar to the one they were forced to leave behind. With the right support, guidance, and resources, refugees show unimaginable perseverance and resilience, as they flourish and become positive contributors within their new communities.

Over 50% of refugees under UNHCR’s care come from just five countries, most of which are predominantly Muslim: Syria, Afghanistan, South Sudan, Myanmar and Somalia.² We at UNHCR believe that the private sector - individuals and businesses - have an important role to play in alleviating the plight of displaced persons and have seen the impact of such, first-hand. We are therefore targeting \$1 billion in funding annually by 2025 from the private sector, with the engagement of 22 million individual donors globally.

The powerful role Zakat can play

At UNHCR we are committed to ensuring all human beings are given the support and protection they need to restore their lives with dignity. With the majority of refugees hailing from Muslim countries, Muslims around the world fulfilling Zakat, a major pillar of their faith, can play an important role in alleviating their suffering and restoring their dignity as human beings.

Imagine if all Muslims globally who pay Zakat, allocated a third of their Zakat money to most vulnerable refugee families. The lives of those refugees would be completely transformed, while allowing those providing the donations to fulfil a basic requirement of their faith.

Proud to announce our ‘Refugee Zakat Fund’, the first of its kind

The realization of the tremendous giving power of Muslims, which can potentially exceed \$300 billion a year, prompted us to launch a Zakat program in late 2016 where funds were exclusively allocated to eligible refugee families in Jordan. UNHCR’s Zakat program is fully Sharia compliant and is backed by fatwas from five leading scholars and institutions. In their unique situations, refugees fall under at least four of the eight stipulations required by recipients of Zakat funds. Those eligible for Zakat are poor and needy, in debt, or whose journeys have been interrupted by lack of funds, all of which applies to the majority of refugees benefiting from our cash assistance programs globally.

¹ <https://www.unhcr.org/figures-at-a-glance.html>

² <https://www.unhcr.org/news/stories/2018/6/5b222c494/forced-displacement-record-685-million.html>



© UNHCR/Diego Ibarra Sánchez

UNHCR is quite unique in providing a legitimate and credible route for Muslims to effectively fulfil their Zakat obligations while helping lift most vulnerable refugees out of their dire situation. With a 68-year+ track record in assisting refugees throughout the world, regardless of the background of their plight, UNHCR is uniquely positioned to disperse Zakat funds to refugees most in need.

The Zakat program's rigorous governance ensures transparency at every step, from donation collection to the provision of assistance, thus providing peace of mind to Zakat givers that their money is going towards a legitimate cause and benefiting those in dire need. Through digital payments, UNHCR makes fulfilling Zakat obligations fast and simple, while allowing the immediate easing of hardship faced by refugees.

With 100% of the funds collected through the UNHCR Zakat program directly reaching refugees in the form of cash assistance, and benefitting from UNHCR's established and scaled distribution infrastructure, we have had a tremendous impact. In less than 20 months, UNHCR lifted over 20% of refugee families out of destitution, raising them above the poverty line in Jordan.

In this report – the first in a series of regular reports - we are proud to share in full detail the amounts collected since the launch of the Zakat program in 2016 and the impact we've had so far. We also disclose a detailed account on how the money has been spent and the positive outcomes the program has had on the lives of refugees in need of assistance. We also seek in this report, however, to generate discussion and ideation on how Zakat could realize its true potential, and have hence provided thought leadership on the role of Zakat for refugees and opportunities to innovate, given broader innovation trends in social finance.

Our cash assistance program ensures that 100% of Zakat donations goes to those who need it the most

Our cash assistance program is an innovative way to ensure that 100% of Zakat donations go to people most in need, to spend on what they need most, instead of providing them with truckloads of unwanted supplies. This allows refugees to continue living their daily lives in dignity and with peace of mind.

The distribution of cash is conducted in a way that ensures that it goes directly to those who have been vetted and designated as most in need of assistance. Refugees access their allocated funds through iris-scan enabled ATMs in Jordan, which in addition to being fast and convenient, adds an important feeling of control, dignity and normality to refugees during a very stressful time. In Lebanon, refugees benefiting from our cash assistance programs withdraw the funds through bank cards.

We have great ambitions for 2019 and beyond

We are at the start of a tremendous journey and hope to harness the potential scale and transformational social impact of Zakat.

Alongside other established distribution mechanisms, we aim to significantly expand our footprint and increase our impact, beyond Jordan and Lebanon. The crises happening around the world is a test of humanity - with the power of Zakat and your continued contributions - we hope to pass that test with distinction.

— Houssam Chahin
Head of Private Sector Partnerships, MENA, UNHCR



Photo: © UNHCR/Diego Ibarra Sánchez

 **Peace be upon you, along with God's grace and blessings.**

In the Name of God, Most Merciful, Most Compassionate, may peace and blessings be upon our master, God's Emissary, and upon his folk and companions and those who follow him.

Indeed the increasing number of refugees fleeing from the strife of war, conflict and oppression does not cease to be heart-wrenching. Adding to the grief and pain many refugees and internally displaced people endure due to losing their loved ones, they are forced to go through a journey, many times which is of a dangerous nature, to ensure their children's safety, away from conflicts they took no side in. Since most refugees are Muslim, it is incumbent upon us to fulfil both our human and religious duties toward them, by highlighting the role of Zakat in meeting their basic needs, and ensuring the means to a dignified life for them and host communities alike. However the role of Zakat is not limited to this scope only, rather it is a deeply powerful reminder for refugee and internally displaced families that their Muslim brothers and sisters have not forgotten about them.



Al Habib Ali Al Jifri

In 2015, UNHCR sought the advice of Tabah Foundation regarding the use of Zakat as a source of aid. Having realized the importance of UNHCR's role in setting global standards of humanitarian assistance, its capability to deliver aid to hard-to-reach-area, let alone its systemised and non-political approach to distributing aid (which is lacking in many organizations and makes Zakat donors apprehensive about their money reaching those who are in real need); we asked for legal opinions from some of the most prominent scholars and legal committees in the Islamic world. The conclusion of legal opinions affirmed the permissibility of paying Zakat funds to refugees provided that UNHCR observes two fundamental conditions:

1. Zakat funds must be given to the categories mentioned in Quran 9:60.
2. Zakat funds must not be used to cover expenses or wages.

UNHCR has affirmed its commitment to observing the aforementioned legal standards. This has been demonstrated by periodic reports of Tabah Foundation after conducting field visits with UNHCR and observing their methods of collecting and distributing Zakat funds to eligible refugees in both Jordan and Lebanon. We hope that this promising program spreads with the same degree of compliance, to reach other countries and beneficiaries who are in desperate need of support, such as in Yemen, and among the Rohingya community.



Scan here to see
Al Habib Ali Al Jifri's
speech on the launch of
UNHCR's Zakat Program

And while I ask God most high, by His grace and kindness, to alleviate the suffering of all those oppressed on Earth, I also wish to draw attention to the importance of earnest cooperation among the different segments of both Muslim and non-Muslim societies - including individuals, private sector, governments and religious leaders - in providing aid to refugees and internally displaced people around the world, who are in the direst of need to ensure their dignity and wellbeing, until they have the opportunity to return to their countries of origin, in peace and prosperity.

— Al Habib Ali Al Jifri
Founder, Tabah Foundation

2. Executive summary

The Zakat industry has the potential to play a much greater role and to transform the lives of 68.5 million refugees and other displaced persons around the world, of which 40.8 million are Muslim.

Zakat is one of the five pillars of Islam, with Muslims required to give a portion of their wealth beyond a specified threshold.

This inaugural report by UNHCR, The Office of the UN High Commissioner for Refugees, in partnership with DinarStandard, a specialized research and advisory firm, has estimated that the current Zakat given worldwide stands at \$76 billion, which is modest in context of \$1.7 trillion in wealth held by high net worth individuals in the Middle East¹, and separately, \$2.5 trillion in assets held globally by the Islamic finance Industry²

UNHCR projects that \$208.6 million in Zakat funds will be required, and can be distributed through its existing cash program, to assist the most vulnerable refugee and IDP families across several countries, spanning Jordan, Lebanon, Iraq, Yemen, Egypt and Mauritania.

Islamic jurisprudence is clear³ that Zakat giving has a much larger role to play in drastically improving the lives of the today's displaced population, in particular the world's rapidly growing refugee population, which has expanded from 16 to 25.4 million in the last decade.⁴

Zakat giving can also play a significant role in meeting wider social needs. At its pinnacle, the Zakat industry could fully alleviate the \$21.9 billion identified by UNOCHA as required to address humanitarian needs globally in 2019⁵, of which \$7.9 billion⁶ is required⁷ by UNHCR to address the needs of refugees and other forcibly displaced persons.

The involvement of leading humanitarian organizations in Zakat collection and distribution is an important step forward for the Zakat industry in improving the overall humanitarian impact of Zakat funds.

Increasingly, leading humanitarian organizations are striving to support the development of the Zakat industry, notably through Zakat-related initiatives involving UNDP, UNRWA and UNHCR. These organizations have established mechanisms to efficiently identify and support the most vulnerable persons on a global scale. This report particularly examines UNHCR's pioneering experience in administering Zakat funds, and recommends a roadmap for the organization to transform its program into a global structure that harnesses the power of Zakat to positively impact the world.

As the only internationally mandated organization to protect refugees, and other forcibly displaced populations, **UNHCR is in a leading position to direct Zakat funds to meet the critical needs of some of the most vulnerable populations around the world.** UNHCR is the principal organization supporting refugees globally, with a 2019 required budget of 7.9 billion⁸; to deliver various humanitarian services including core relief items (CRIs), shelter, healthcare and cash assistance. The latter is operated by UNHCR in some 100 countries, ensuring that funds reach those with urgent needs. To date, UNHCR channels all Zakat funds it receives for distribution through its cash assistance programs.

1 Wealth X. "High Net Worth Handbook". 2019.

2 Thomson Reuters in collaboration with DinarStandard. "State of the Global Islamic Economy Report". 2018.

3 Tabah Foundation. "UNHCR Zakat Collection and Distribution Report". 2017.

4 UNHCR. "Global Trends: Forced Displacement". Reports from 2007 to 2017.

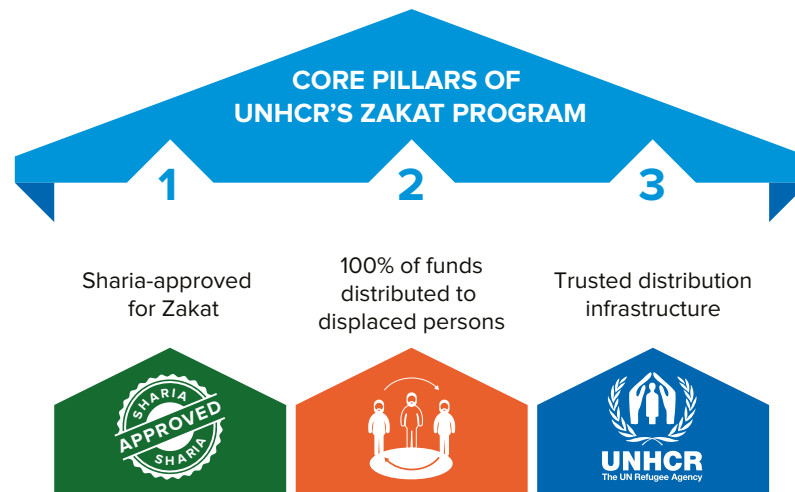
5 UNOCHA. "Global Humanitarian Overview 2019".

6 UNHCR. "Global Appeal-2019 Update".

7 This figure does not include funding for refugees under UNRWA's mandate, who are part of the global forcibly displaced population.

8 UNHCR "Global Appeal-2019 Update".

Figure: Pillars of UNHCR's Zakat Program



UNHCR's Zakat program, established upon five authoritative fatwas, has already disbursed \$14.4 million to 6,888 families across Jordan, Yemen and Lebanon, from 2016 to 2018. \$11.4 million was donated from large Institutions, and \$3 million was generously raised from the wider public.

UNHCR is in a strong position to distribute funds to those most in need. This report closely examines UNHCR's experience in collecting and distributing Zakat funds. UNHCR's well-established cash assistance program employs sophisticated vulnerability assessment criteria that allows identification of the most vulnerable refugees.

All Zakat funds have been fully distributed, in accordance with the conditions of the fatwas. The program was piloted in Jordan in 2016, where the cash assistance program has been well-established with innovative forms of distributing funds using iris-scanning at ATMs. In 2018, UNHCR expanded its Zakat program to include beneficiaries in Lebanon too.

Going forward, UNHCR's goals are to enforce its Zakat program in support of the most vulnerable displaced families; it aspires to be a prominent voice in helping the Zakat industry reach its maximum potential, through highlighting the eligibility of most refugees and IDPs so they may benefit from Zakat funds.

UNHCR is at the beginning of its journey and seeks to sustain its Zakat fundraising operations in 2019; it has already projected that \$208.6 million in Zakat-eligible funds will be required to assist refugee and IDP families across several OIC countries, spanning Jordan, Lebanon, Iraq, Yemen, Egypt and Mauritania. Of the \$208.6 million identified, UNHCR targets to raise over \$26 million by the end of 2019.

There is much room for the Zakat ecosystem to improve. While there is a robust national and private Zakat giving ecosystem worldwide, the participants must cultivate deeper collaboration with global organizations for effective and efficient distribution. Greater participation from the wider public, high-net worth individuals (HNWIs) and Islamic financial institutions is imperative to also boost giving and ensure funds are properly apportioned to alleviate the most acute needs.

Adopting digital innovation, in context of the broader prevalence of apps and online solutions addressing the varied faith-based lifestyle needs of Muslims, including Islamic finance, halal food, matrimony and travel, is also critical to enhance the collection (and distribution) of Zakat funds, and ensuring communications about how lives are impacted.

UNHCR intends to be a dynamic part of the broader conversation, and this report is part of our contribution. We hope it will shine the spotlight on a perilous area: the vibrant link between Zakat funds and the strong eligibility and priority of supporting the needs of refugees and IDPs.

3. Introduction

Background

Zakat is a mandatory requirement for all Muslims that meet a minimum level of wealth (nisab), to donate 2.5% of their accumulated wealth annually¹, with the Qu'ran specifying:

[Chapter 6: Verse 141] "...give the due alms (Zakat) on the day of harvest, and do not waste anything. He does not love the wasters."

[Chapter 30: Verse 38] "Therefore, you shall give the relatives their rightful share (of charity), as well as the poor, and the traveling alien. This is better for those who sincerely seek GOD's pleasure; they are the winners."

Zakat is commonly transferred directly from donor to recipient without the involvement of any Zakat collecting organizations, with only an estimated 25% of all Zakat donated being collected by government or Islamic non-governmental organizations²

Zakat is an important source of philanthropic funds and the Zakat industry plays a key role in addressing the funding requirements needed to achieve the UN's Social Development Goals (SDGs), and humanitarian assistance programs.

Report purpose

The core purpose of the report is to establish the importance of giving Zakat to displaced persons and to raise awareness of UNHCR's role and aspirations in directing Zakat to its populations of concern, with the following objectives:

- a) Establish the Zakat-eligibility of displaced persons and highlight the potential role Zakat can play in alleviating their needs
- b) Present a roadmap for the Zakat industry to reach its full potential in addressing the financial needs of displaced persons
- c) Highlight the core proposition and accomplishments of UNHCR's Zakat program across Jordan, Lebanon and Yemen
- d) Illustrate prospects for UNHCR's Zakat program to evolve into a global structure (Refugee Zakat Fund) that harnesses the power of Zakat to positively impact the world.

This launch report is the first of a series of reports by UNHCR, with the intention of raising awareness among a diverse portfolio of potential stakeholders and partners across the Islamic World, on the importance of directing Zakat funds to refugees and other displaced persons.

1 Global Humanitarian Assistance. "An Act of Faith: Humanitarian Financing and Zakat". 2015. Available from http://devinit.org/wp-content/uploads/2015/03/ONLINE-Zakat_report_V9a.pdf

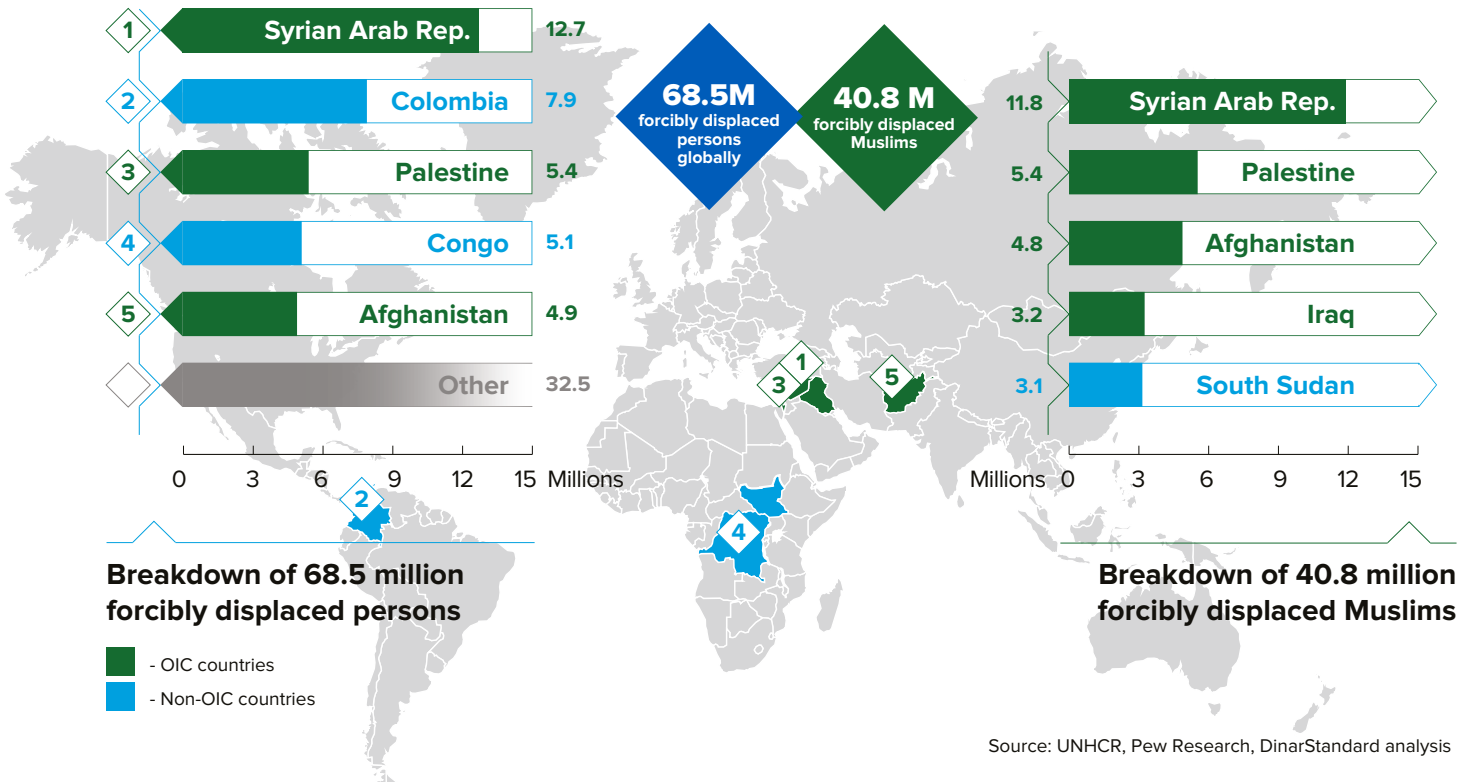
2 UNDP. "The role of zakat in supporting the Sustainable Development Goals". May 2016. Available from <http://www.id.undp.org/content/dam/indonesia/2017/doc/INS-ZakatUpdated-English-19June17.pdf>



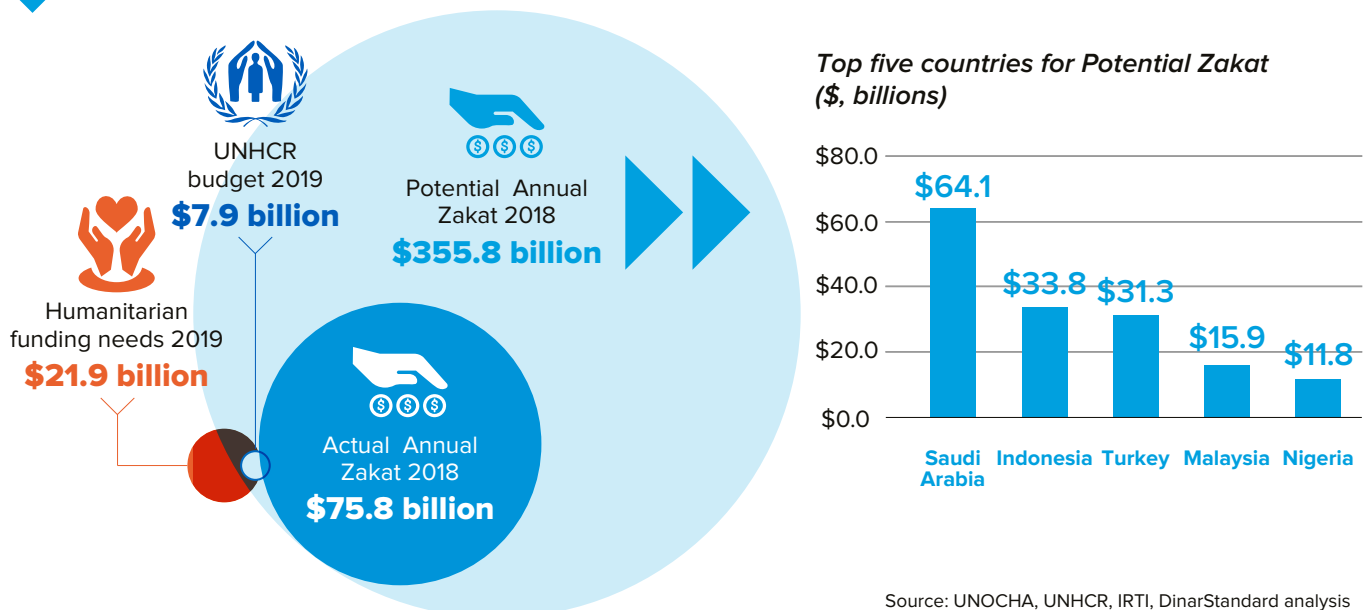
Photo: © UNHCR/Ola Kabalan

4. Visualizing Zakat for refugees

The growing refugee problem: 68.5 million forcibly displaced persons globally in 2017, of which an estimated 40.8 million are Muslim

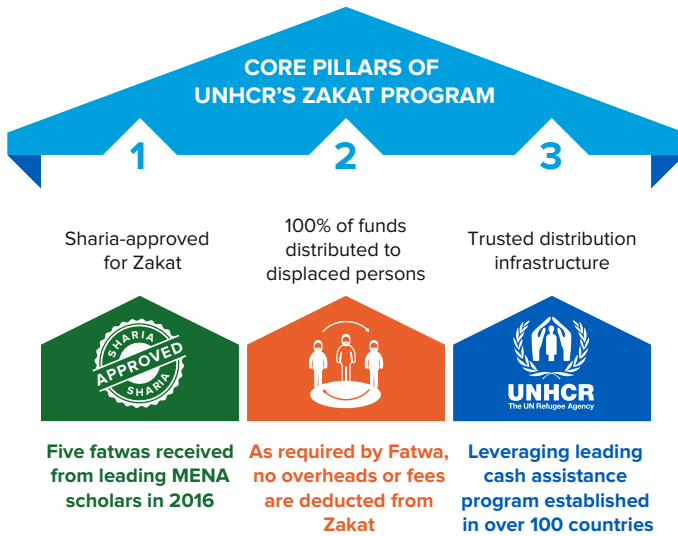


Zakat is falling below its true potential: Actual global Zakat given of \$76 billion is far below its potential of \$356 billion. ~10% of the current Zakat market could fully address UNHCR's 2019 budget.



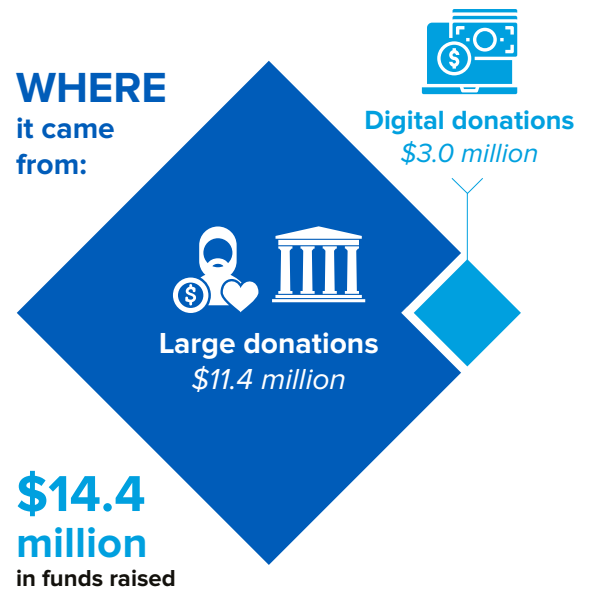
Introducing the Refugee Zakat Fund: The UNHCR's Zakat program has substantial potential to alleviate refugee needs, already distributing 100% of \$14.4 million in donations received to 34,440 individuals across Jordan, Lebanon and Yemen

Zakat Program pillars



Zakat Funds raised

WHERE
it came from:

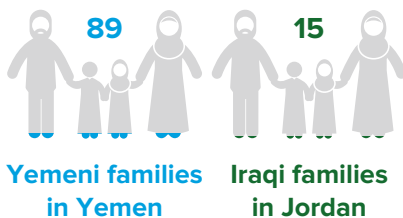


Zakat Funds disbursed

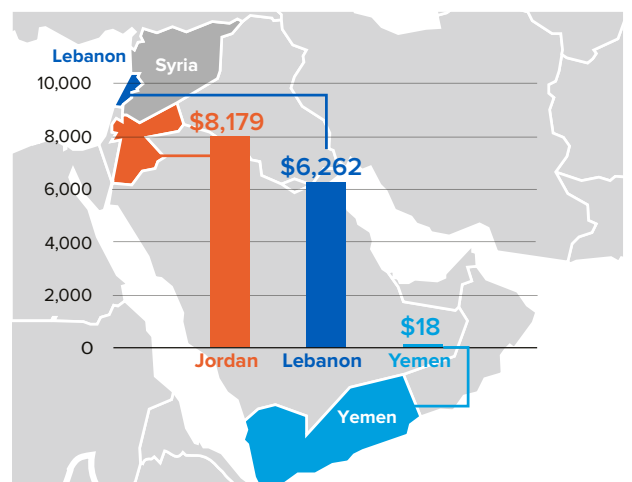
\$14.4 million
in funds fully distributed



6,888 families
assisted



Destination of funds, \$ in thousands



Refugee Zakat Fund Next steps



5. Refugee journey

The journey of Latifa and her family, Syrian refugees rebuilding their lives in Jordan¹



Living in poverty in Jordan.
Latifa and her two children, Muhammad and Yusra are registered as refugees with UNHCR in Jordan. They live in extreme poverty, surviving on thyme and oil.



Scan here for video

Displaced from the conflict in Syria.
Latifa, a widow, and her two young children escaped the conflict in Syria to seek shelter in Jordan.



Zakat funds have made a life-changing difference.
Based on the organization's thorough vulnerability assessment, Latifa has been a recipient of UNHCR's cash assistance program since 2018, which has been supporting her with rent, food and other living expenses.



Latifa and her family are rebuilding their lives.
Like many other Syrian refugees in Jordan, Latifa has found some stability and is rebuilding her life, made possible by Zakat funds.



Jordan's Syrian refugees in numbers²



671,650

Syrian refugees in Jordan at the end of 2018



128,800

Syrian individuals are on Cash assistance (~29,900 families)



2,615

refugee families in Jordan received **\$5.6 million** in Zakat funds in 2018³



74%

of Syrian refugees reported using cash primarily on rent



48%

of Syrian refugees indicated cash assistance "significantly" improved their lives

1 UNHCR. "Look how far we've come together.... Your Impact Report/ Ramadan." 2018.
2 UNHCR. "Multi-purpose Cash Assistance: 2018 Post Distribution Cash Monitoring Report – Jordan." 2018.
3 UNHCR internal data on Zakat program.

The journey of Samira and her family, Iraqi refugees rebuilding their lives in Jordan⁴



Displaced from the conflict in Iraq. Samira left Iraq in 2015, with many of her family killed in conflict.

Living in Amman, Jordan. Along with her three sons, Samira was in desperate need of cash assistance. Vulnerability assessment qualified her to be enrolled in the program.



The funds have had made a life-changing difference. Samira has been able to rebuild her life in Jordan, spending the funds on rent, food and other essential living expenses.

Jordan's Iraqi refugees in numbers⁵



66,823

Iraqi refugees in Jordan at the end of 2018⁶



8,400

Iraqi individuals are on Cash assistance (~1,950 families)



2,615

refugee families in Jordan received **\$5.6 million** in Zakat funds in 2018⁷



85%

of Iraqi refugees reported using cash primarily on rent



58%

of Iraqi refugees indicated cash assistance "significantly" improved their lives

4 UNHCR. "Look how far we've come together.... Your Impact Report/ Ramadhan." 2018.

5 UNHCR. "Multi-purpose Cash Assistance: 2018 Post Distribution Cash Monitoring Report – Jordan." 2018.

6 UNHCR. "Jordan Factsheet." June 2018.

7 UNHCR internal data on Zakat program.

6. Global displacement crisis and the role of Zakat



Photo: © UNHCR/Sebastian Rich

6.1 Introduction

The global humanitarian crisis has reached record proportions. The majority of these displaced communities are Muslim, with those paying Zakat having an ethical responsibility to address the funding requirements of these displaced communities.

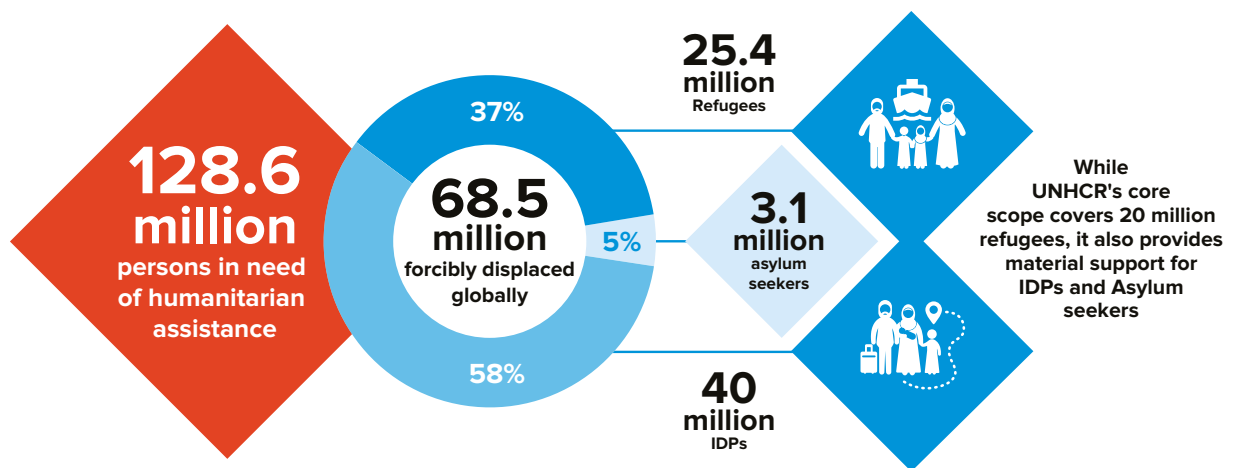
6.2 The growing displacement crisis

68.5
million forcibly
displaced persons

Global displacement has grown at an alarming rate, soaring to 68.5 million in 2017. The Syrian crisis alone is responsible for displacing 12 million refugees and IDPs, placing a strain on neighboring developing countries.

According to UNOCHA, 128.6 million people who were impacted by disaster and conflict in 2017 required humanitarian assistance.¹ A big portion of these are forcibly displaced², and over the last decade, the global population of forcibly displaced people has significantly increased from 42.7 million in 2007 to 68.5 million in 2017, with refugees increasing from 16 to 25.4 million.³

Figure: Illustrating and segmenting those in need of humanitarian assistance



Source: UNOCHA⁴ and UNHCR⁵

In 2017, the number of those forcibly displaced from their homes was predominantly comprised of internally displaced persons (40 million people; 58% of the globally displaced population) and refugees (25.4 million people; 37% of the globally displaced population). A large proportion of the displaced population is an urgent concern for UNHCR.

The numbers of those displaced has been steadily rising over the last 10 years, driven in large part by internal conflicts; the number of newly displaced people per day skyrocketed from 11,000 in 2003 to 45,000 in 2017.⁶

Most displaced persons come from five countries, with Syria, Colombia, Congo, Afghanistan, and South Sudan accounting for more than half (52%). In these countries, conflicts and socioeconomic conditions have been the primary cause of displacement.⁷

1 UNOCHA. "Global Humanitarian Overview 2017".

2 Forcibly displaced people predominantly include internally displaced people who are forced to flee their homes due to violence or natural disasters but remain within a country's borders, and refugees, who are forced to flee their homes and cross an international border.

3 UNHCR. "Global Trends: Forced Displacement" Reports from 2007 to 2017.

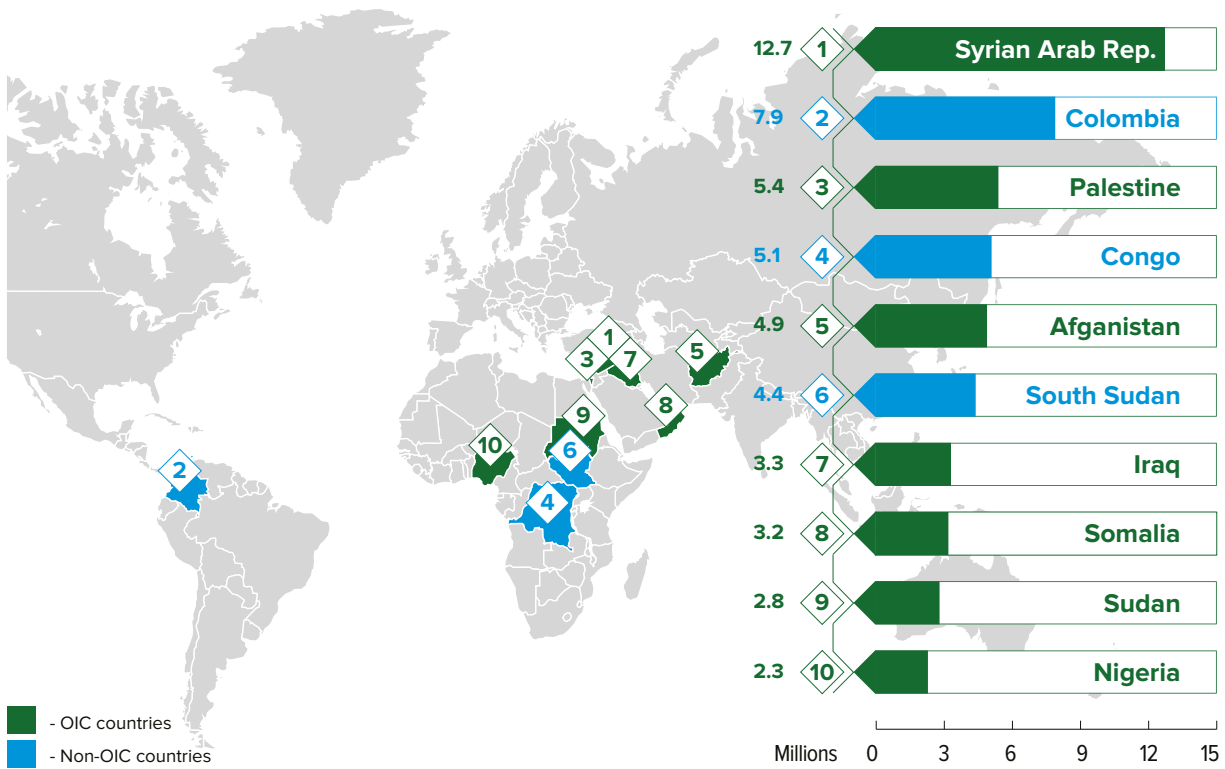
4 UNOCHA. "Global Humanitarian Overview 2017".

5 UNHCR. "Global Trends: Forced Displacement" Reports from 2007 to 2017.

6 UNHCR. "Global Trends: Forced Displacement 2017".

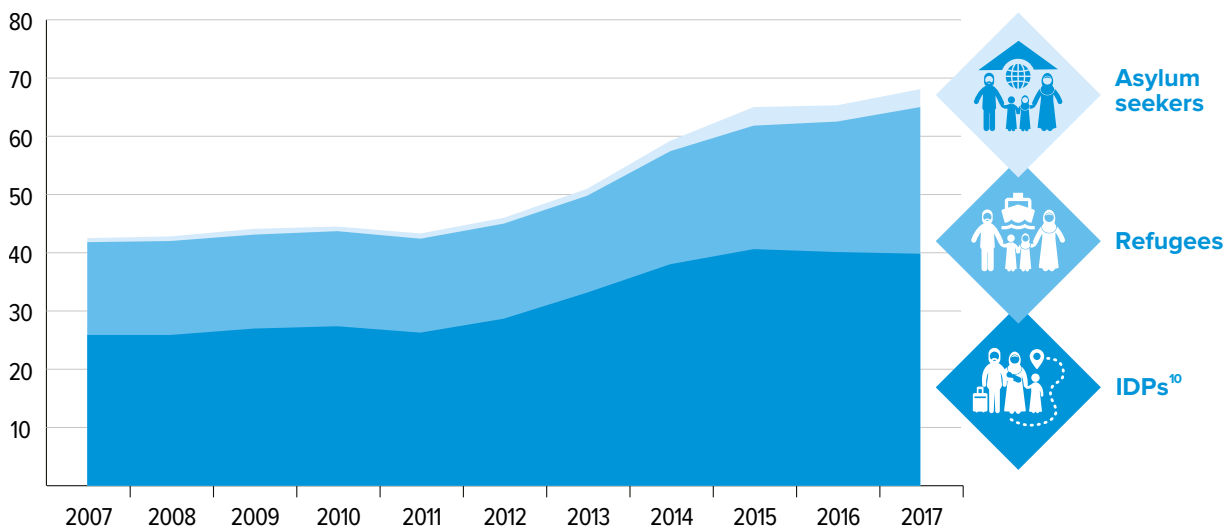
7 Ibid.

Figure: A visual mapping of refugees, IDPs and asylum seekers by source country



Source: UNHCR⁸

Figure: The growing number of globally displaced persons (in millions)⁹



Source: UNHCR¹¹

8 Ibid.

9 UNHCR provides assistance to other categories not included in the forcibly displaced, such as stateless persons and returned refugees. In 2017, total individuals of concern to UNHCR reached 71.4 million people. These figures derive from the “Global Trends: Forced Displacement 2017”, as referenced above.

10 This population includes only IDPs displaced by conflict or violence and of concern to UNHCR to whom the Office extends protection or assistance.

11 UNHCR. “Global Trends: Forced Displacement” Reports from 2007 to 2017.

25.4
million refugees

UNHCR plays a leading role supporting 20 million refugees around the world as well as other displaced populations, with the exception of refugees from Palestinian territories, who are supported by UNRWA

UNHCR's dedicated personnel work in 138 countries around the world, from major capitals to remote and often dangerous locations. Wherever refugees arrive, UNHCR works closely with governments to ensure that the 1951 Refugee Convention is honored. Only 10 per cent of UNHCR's personnel are based at the organization's headquarters. Along with the Global Service Centers in Budapest, Copenhagen, Dubai and Amman, these people provide support for the rest of UNHCR, including through key administrative functions. Nearly 90 per cent of the organization's workforce is based in the field, assisting the most vulnerable victims of displacement.

The growing displacement crisis has placed tremendous strain on the resources of predominantly developing countries, specifically the increase in refugees, whom by their definition have crossed an international border in search of a safe and secure environment. Approximately 85% of refugees are hosted mostly in developing countries, with Turkey and Pakistan being the two top destinations, accounting for 14% and 6% of total refugees, respectively. Lebanon and Jordan hosted, on a per capita basis, the highest number of refugees in 2017.¹²

Figure: The top 5 host countries for refugees under UNHCR's mandate

Country	World Bank Classification	Number of refugees taken in
Turkey	Upper Middle Income	3,480,348
Pakistan	Low Middle Income	1,393,143
Uganda	Low Income	1,350,504
Lebanon	Upper Middle Income	998,890
Iran, Islamic Republic	Low Income	979,435

Source: UNHCR¹³

6.3 The pervasive funding needs of displaced persons

\$7.9 billion
in humanitarian
funds needed

\$22 billion is critically needed in humanitarian funding, of which UNHCR requires \$7.9 billion to address the needs of refugees and other displaced persons.

Humanitarian needs represent a subset of the broader sustainable development needs of the human population. Displacement in particular has the dire consequences of reducing human capital and thrusting individuals into poverty, creating a pervasive need among 6 of the 17 SDGs

In the context of the sustainable development goals, a comprehensive measure of one's quality of life, displacement is disruptive to all aspects of an individual's life. The refugee and IDP crises can be viewed as a test for the SDGs and Agenda 2030 pledge to "leave no one behind".

¹² UNHCR. "Global Trends: Forced Displacement 2017".

¹³ Source of UNHCR Data "Global Trends: Forced Displacement in 2017".

Figure: How displaced persons acutely fall behind on SDGs¹⁴

In 2019, the projected total humanitarian assistance required is \$21.9 billion¹⁵. Refugees and IDPs are an important recipient of those funds. UNHCR is the leading organization addressing the needs of displaced people, with a required budget of \$7.9 billion in 2019s.¹⁶

The SDGs represent an all-encompassing objective of ensuring that 8.5 billion people are able to meet a minimum baseline requirement of sustainable development by 2030, with an annual funding gap of \$2.5 trillion expected to add SDG needs by 2030.¹⁷ Those in need of humanitarian assistance represent a critical category of those who fall short of meeting the SDGs today, with total required funding of \$21.9 billion in 2019¹⁸ to meet their needs. The required total humanitarian assistance represents a compilation of appeals by humanitarian agencies including UN agencies, Red Cross and Red Crescent societies, governments and development agencies.¹⁹

UNHCR represents a significant portion of the funding needed for forcibly displaced persons, with a target budget of \$7.9 billion²⁰ in 2019.²¹ For UNHCR to continue playing its crucial role in providing support to the forcibly displaced, funding needs to be secure, predictable and flexible. Currently, governmental contributions still remain the largest source of UNHCR funding (76% of total funding in 2017), with private sector donations amounting to only 10% of total funding.

¹⁴ International Rescue Committee. “Sustainable Development Goals, in Crisis”. Available from <https://www.rescue-uk.org/sites/default/files/document/1797/irc-sdgsincrisis-september2018.pdf>

¹⁵ UNOCHA. “Global Humanitarian Overview 2019”.

¹⁶ UNHCR “Global Appeal-2019 Update”.

¹⁷ UNDP. “Innovative Financing for the SDGs”. 2018. Available from <https://www.undp.org/content/undp/en/home/news-centre/speeches/2018/innovative-financing-for-the-sdgs.html>

¹⁸ This figure includes funding required for both UNHCR and UNRWA.

¹⁹ UNOCHA. “Global Humanitarian Overview 2019”.

²⁰ This figure does not include funding for refugees under UNRWA mandate, who are part of the forcibly displaced.

²¹ UNHCR “Global Appeal-2019 Update”.

UNHCR provides critical emergency assistance for displaced persons in the form of access to clean water, sanitation and healthcare, in addition to shelter, cash, and household necessities, and income-generating projects when possible. UNHCR also provides assistance packages for returned refugees and IDPs.²²

6.4 The ethical imperative of supporting refugees with Zakat funds

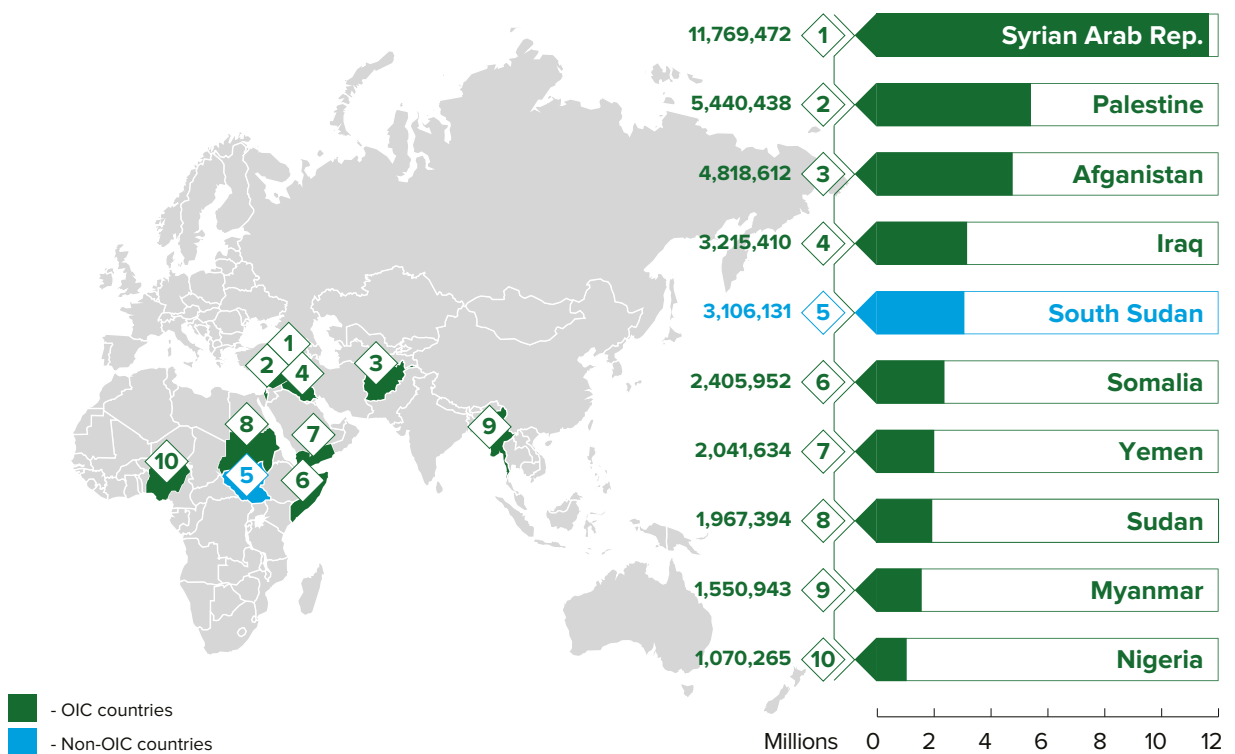
40.8

million Muslim displaced persons

Zakat represents a mandatory religious requirement for individuals and institutions to give 2.5% of their accumulated wealth to those in need. Refugees and other displaced persons, 40.8 million of which are Muslims, are in critical need of Zakat funds

The majority of today’s 68.5 million forcibly displaced people clearly meet the criteria of Zakat. Of the 68.5 million, a total of 40.8 million are Muslim, with the top source countries for Muslim displaced persons under UNHCR’s mandate comprising Syria (12.8 million Muslims), Afghanistan (4.8 million Muslims), and Iraq (3.2 million Muslims)²³

Figure: A visual mapping of Muslim refugees by top source country



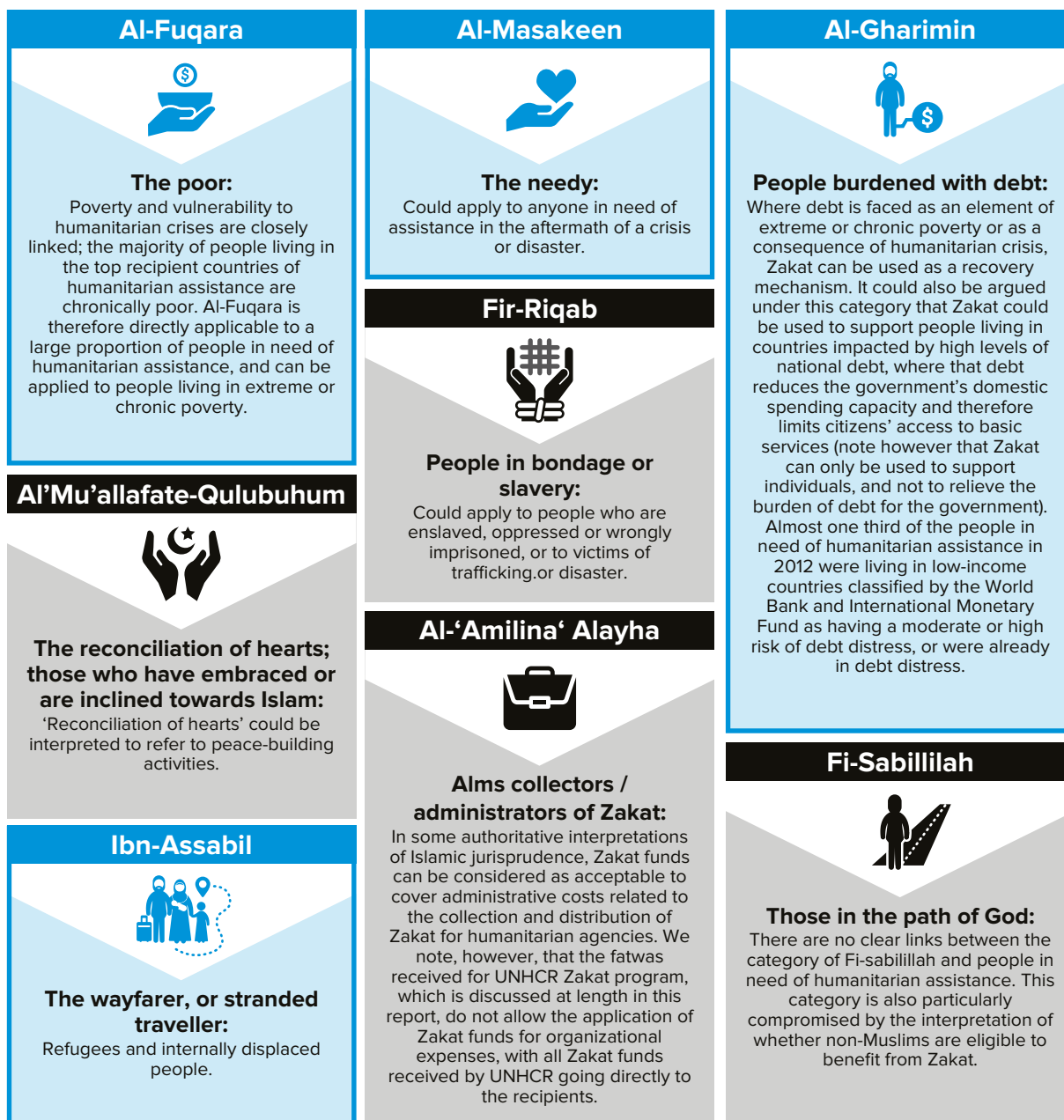
Source: Pew Research²⁴, UNHCR²⁵ and DinarStandard analysis


22 UNHCR Website. Available from <https://www.unhcr.org>
 23 Estimates prepared based applying Muslim share of population to a detailed breakdown of IDPs globally in 2017. Further details are included in the Methodology section towards the end of this report.
 24 https://www.pewforum.org/2015/04/02/muslims/pf_15-04-02_projectionstables74/
 25 UNHCR. "Global Trends: Forced Displacement" Reports from 2007 to 2017.

Zakat is an essential pillar of Islamic philanthropy with Muslims required to annually donate 2.5% of their accumulated wealth above a specific threshold.

The Qu’ran identifies eight categories of eligible use for Zakat, with displaced persons clearly meeting four of those categories:

Figure: How refugees meet the requirements of Zakat



 - Categories that are applicable to forcibly displaced persons, in particular refugees

Source: Global Humanitarian Assistance²⁶

26 Based on the following: Global Humanitarian Assistance. “An Act of Faith: Humanitarian Financing and Zakat”. 2015. Available from http://devinit.org/wp-content/uploads/2015/03/ONLINE-Zakat_report_V9a.pdf;

6.5 The potential role of Zakat and current challenges

\$356
billion
potential zakat

Zakat is currently far below its potential and falls short of the role it could play in addressing the funding needs of refugees.

The potential size of the Zakat that could be given globally has been estimated at \$356 billion in 2018.²⁷ While this computation is global and includes donations by Muslims in non-Muslim countries, the potential scale of Zakat donations predominantly represents the giving power of Muslims in the OIC, with the top three countries comprised of Saudi Arabia, Indonesia and Turkey; these three countries collectively account for \$122 billion and represent 26.9% of Muslim spending on core lifestyle products and services in 2017.²⁸

The global projection is based on estimates of the potential Zakat that can be collected on total wealth in select OIC countries, across private individuals and businesses, which was estimated as a share of GDP for each country²⁹. The sub-set of significant Zakat-paying countries included in the estimate represented 56% of Muslim spending power globally, with estimates based on 2016 estimates developed by the University Kebangsaan Malaysia³⁰, extrapolated to 2018 using GDP growth estimates³¹.

\$76
billion actual
annual Zakat

While Zakat can have a powerful impact on resolving SDGs and humanitarian needs, the current market is a fraction of its potential at \$76 billion in 2018.

The actual Zakat given worldwide is estimated at \$76 billion in 2018. 75% of Zakat donations are largely transferred in an informal manner, directly from donor to recipient³², with a small portion of Zakat that is paid by donors, whether individuals or institutions, being collected by government agencies, notably in OIC countries, or by Islamic non-governmental organizations

27 The potential Zakat estimate has been prepared by DinarStandard based on external estimates prepared by University Kebangsaan in Malaysia for a selection of 10 OIC countries based on GDP; the estimates were updated for 2018 and extrapolated to a global estimate based on DinarStandard estimates of Muslim Lifestyle spend globally, built up by country. Further details are included in the Methodology section at the end of this report.

28 Estimates based on DinarStandard proprietary data on Islamic Economy Lifestyle Spend for 2017, with the total results presented in the "State of the Global Islamic Economy Report 2018/19" prepared by Thomson Reuters in collaboration with DinarStandard.

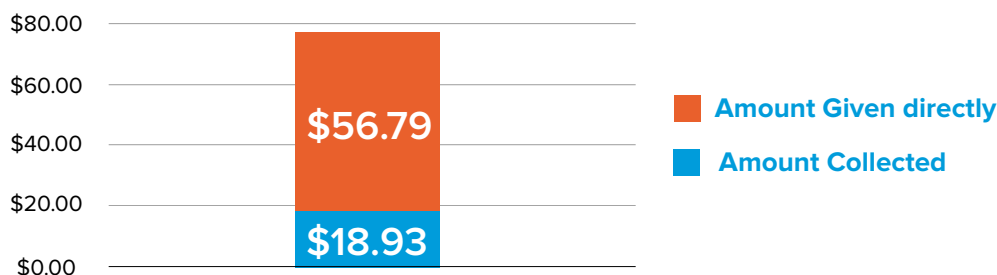
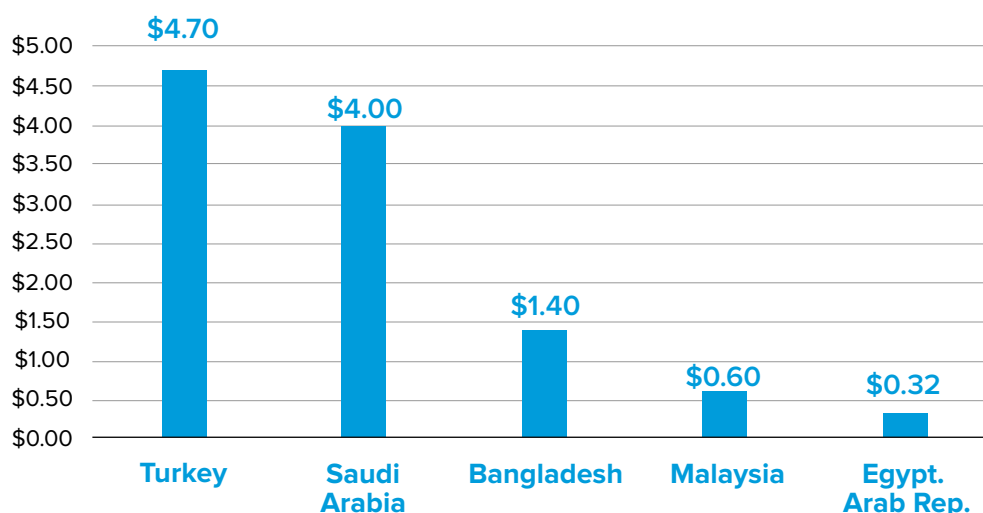
29 Ibid.

30 International Journal of Zakat by the University Kebangsaan Malaysia. "Zakat Collectible in OIC Countries for Poverty Alleviation: A Primer on Empirical Estimation". 2016.

31 IMF Website database. Available from https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOORLD/ALB/AZE/BGD/EGY/IDN/JOR/KAZ/KGZ/MYS/MAR/MOZ/NGA/PAK/SAU/TJK/TUN/TUR

32 UNDP. "The role of zakat in supporting the Sustainable Development Goals". May 2016.

Available from <http://www.id.undp.org/content/dam/indonesia/2017/doc/INS-ZakatUpdated-English-19June17.pdf>

Total actual Zakat collected in 2018 (\$, billions)**Total amount of actual Zakat collected in 2018 by top country (\$, billions)**

Source: DinarStandard synthesis and Analysis³³, The Islamic Research and Training Institute (IRTI) and the World Bank³⁴, UNDP³⁵, Global Humanitarian Assistance³⁶, Philanthropic Foundations in Egypt³⁷, Financial Tribune³⁸

The portion of Zakat that is directed towards humanitarian assistance, as defined in the UNOCHA appeal, is estimated at between 23% and 57% based on research conducted by Global Humanitarian Assistance.³⁹

33 Estimate prepared based on an aggregation of Zakat collection on 12 OIC countries across multiple authoritative sources, including the Islamic Research and Training Institute, which were then extrapolated to a global estimate based on DinarStandard proprietary estimates on global Muslim lifestyle spend, segmented by country. Further details of the approach can be found in the Methodology section at the end of this report.

34 Mohammed Obaidullah. "Role of IsDB in Developing Zakat Sector". December 2018. Available from <https://iibf.com/role-of-isdb-in-developing-zakat-sector/>

35 UNDP. "The role of zakat in supporting the Sustainable Development Goals". May 2016. Available from <http://www.id.undp.org/content/dam/indonesia/2017/doc/INS-ZakatUpdated-English-19June17.pdf>

36 Global Humanitarian Assistance. "An Act of Faith: Humanitarian Financing and Zakat". 2015. Available from http://devinit.org/wp-content/uploads/2015/03/ONLINE-Zakat_report_V9a.pdf; Estimation based on Obaidullah and Shirazi. "Islamic Social Finance Report 1436H (2015)". See also: World Bank. "Islamic Finance: A Catalyst for Shared Prosperity?". (Table 8.2, page 164). Global Report on Islamic Finance. 2016.

37 Catherine E. Herrold. "Philanthropic Foundations in Egypt: Fueling Change or Safeguarding Status quo?". Available from <http://dar.aucegypt.edu/bitstream/handle/10526/4295/Philanthropic%20Foundations%20in%20Egypt%20Fueling%20Change%20or%20Safeguarding%20Status%20quo%2035-54.pdf?sequence=1>

38 Financial Tribune. "\$85m Collected in Zakat Revenues Last Year". May 2018. Available from <https://financialtribune.com/articles/economy-domestic-economy/85979/85m-collected-in-zakat-revenues-last-year>

39 Based on an aggregation of humanitarian giving among the largest Zakat collection organizations globally, and humanitarian giving among the largest OIC countries where there was publicly available segmented data. The aggregated figure was extrapolated to a global estimate based on the share of global zakat accounted for by the organizations and countries selected. Further details are available in the Methodology Section at the end of this report.

6.6 A roadmap to enhance Zakat collection and distribution worldwide

Realizing the
\$356
billion potential
opportunity

Greater industry collaboration and a stronger partnership with international organizations are needed to realize the full potential scale of the Zakat industry and to enhance the industry's impact in addressing critical humanitarian needs.

The Zakat ecosystem has collectively faced several challenges that have limited the scale of Zakat funds collected and the impact those funds have accomplished.

The collection and distribution of Zakat has been profoundly limited by a lack of international coordination in how funds are collected, and ideological differences over how the funds should be disbursed⁴⁰.

Logistical challenges have limited the coordination across countries, especially Muslim-majority countries, in pooling and applying funds to the most critical needs:

- **Reporting, transparency, and traceability:** Due to the multiple ways in which Zakat is collected and distributed both at a local and global level, there are no systems in place for reporting, and a substantial amount of receipts are collected privately between individuals. This limits transparency and traceability, which could allow donors to target their resources.
- **Systemized coordination:** During emergency crises, it is more efficient to operate within an international coordinated system to deliver financing to beneficiaries to reduce transaction costs. A large amount of Zakat financing operates outside of the internationally coordinated system.

Ideologically, Muslims are also in disagreement about how to best allocate Zakat funds.

- **Non-Muslims receiving Zakat:** Islamic scholars have debated whether non-Muslims can receive Zakat, or if Zakat is limited to Muslims.
- **Geographic obligations:** A large portion of Zakat is earmarked for international response, but some scholars and institutions argue Zakat should be limited to domestic use.

There are four key steps Zakat stakeholders must take to realize the full potential scale and humanitarian impact on a collective global scale.

Figure: Zakat industry roadmap



⁴⁰ Global Humanitarian Assistance. "An Act of Faith: Humanitarian Financing and Zakat". 2015. Available from http://devinit.org/wp-content/uploads/2015/03/ONLINE-Zakat_report_V9a.pdf;

1 Broaden the scope of collaboration across stakeholders

There is substantial scope for stakeholders across the Zakat industry to collaborate on how to increase Zakat funds and how to best direct them, with a larger voice needed for institutional donors as well as leading development and humanitarian organizations.

The establishment of the World Zakat Forum in 2010 has helped direct the conversation towards collaboration, alongside which promising joint initiatives are being developed, such as the partnership between the UNDP and the Islamic Development Bank (“IsDB”) Group to engage in capacity building for Zakat collection, and the Muslim Philanthropy Fund for Children, a platform founded by IsDB and UNICEF.⁴¹

Beyond governments and development organizations, there is substantial scope for corporations and Islamic financial institutions to play a major role in driving Zakat, both in directly giving Zakat funds, and also in establishing and enabling employee and customer contributions.

Islamic financial institutions in particular have an important role to play. A case in point is the National Zakat Foundation of the UK and their partnership with Al Rayan Bank, undertaking several initiatives, such as offering Zakat seminars to Islamic Bank of Britain (“IBB”) customers and offering Zakat payment services directly from customer accounts.⁴² UNHCR’s increasing focus on Islamic philanthropy adds an important voice to the conversation, providing an important avenue for stakeholders to direct their funds to address acute humanitarian needs.

2 Improve the link between Zakat and humanitarian needs

There needs to be a clearer link between Zakat and the most pressing humanitarian funding needs, with Zakat transparently supporting the \$21.9 billion that is needed at an international level in 2019⁴³, and in particular to meet the \$208 million in Zakat needed in Zakat-eligible funds⁴⁴ identified by UNHCR to address the needs of more than 150,000 of the most vulnerable families.

The allocation of Zakat funds to humanitarian assistance has varied substantially by intermediary government and non-profit organizations. BAZNAS, Indonesia’s National Board of Zakat, allocated 41% of its Zakat budget in 2014 to humanitarian needs, with the balance directed towards education, health and economics programs. By comparison, the Zakat Foundation of America directed 57% of its 2013 budget to humanitarian needs.⁴⁵

The role of private institutions and Awqaf institutions is also critical in ensuring funds are directed strategically. A particular challenge that has been identified in the Awqaf industry is the lack of data-driven decision making to direct funds towards acute social needs. The move towards an optimal allocation of funds begins with an industry push towards transparent reporting and tracking the destination of Zakat funds, supported by leading OIC countries.

41 Mohammed Obaidullah. “Role of IsDB in Developing Zakat Sector”. December 2018.

Available from <https://iibf.com/role-of-isdb-in-developing-zakat-sector/>

42 National Zakat Foundation. “Zakat & Islamic Finance: Time to put first things first”.

Available from <https://www.nzf.org.uk/blog/zakat-islamic-finance/>

43 UNOCHA. “Global Humanitarian Overview 2019”.

44 UNHCR Internal Data.

45 Based on the following: Global Humanitarian Assistance. “An Act of Faith: Humanitarian Financing and Zakat”. 2015.

Available from http://devinit.org/wp-content/uploads/2015/03/ONLINE-Zakat_report_V9a.pdf;



Photo: © UNHCR/Alfredo D'Amato

3 Leverage effective distribution channels

With 75% of Zakat given directly between individuals, the ability to ascertain the impact of Zakat funds is limited.⁴⁶ While the practice of direct transfers cannot be fully discouraged, in particular with the advent of crowdfunding platforms making needs more transparent, the ability to support those most in need is critical.

For the Zakat industry to reach its full potential, partnerships with leading humanitarian organizations that can be trusted to direct funds to those most in need, are a necessity. The involvement of leading organizations such as UNHCR in distributing funds will enhance the impact of contributions, minimize overhead allocations and improve efficiency.

4 Make Zakat more accessible to digitally native, young Muslim consumers

With Muslims younger than the global median age of 32, and with 15 Islamic countries in the top 50 list of countries for smartphone penetration⁴⁷, there is a substantial need for Zakat-raising organizations to digitally engage Muslims.

As highlighted earlier, making app-enabled giving more accessible will encourage greater donations, but there also needs to be a broader effort across organizations and educators to raise awareness of where funds are needed, and to make giving easier, for instance, through enabling employee contributions via paycheck, as provided by Benevity, Inc., a Calgary-based cloud software provider that is disrupting corporate philanthropy by allowing employees to set up electronic paycheck donations.⁴⁸

46 UNDP. "The role of zakat in supporting the Sustainable Development Goals". May 2016. Available from <http://www.id.undp.org/content/dam/indonesia/2017/doc/INS-ZakatUpdated-English-19June17.pdf>

47 DIEDC and DinarStandard. "Islamic Fintech report 2018: Current Landscape and Path Forward". 2018

48 Benevity, Inc. website. Available from <https://www.benevity.com/>

7. An in-depth review of UNHCR's Zakat program

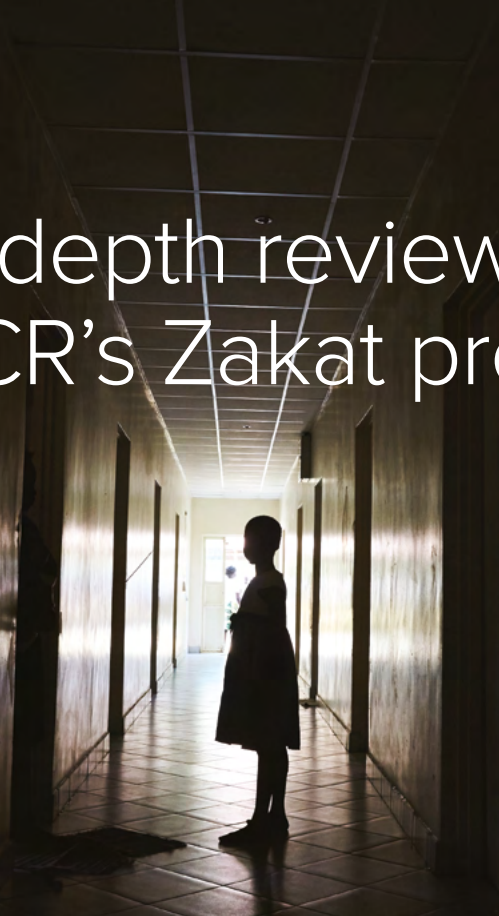


Photo: © UNHCR/Jan Møller Hansen

7.1 Introduction

UNHCR has taken extraordinary steps to establish its Zakat program, obtaining fatwas to collect and distribute Zakat. Through its cash assistance program, where it has a global footprint and access to the most vulnerable people, and with the ability to pass on all donations without any overheads, the program has had a tremendous impact and much potential going forward.

7.2 Introducing UNHCR's differentiated Zakat program

Zakat can reach
68.5
million displaced
persons

The Zakat program, since its pilot launch in September 2016, is poised to make a significant contribution to alleviating the plight of 68.5 million forcibly displaced persons.

The Zakat program was developed over several years by UNHCR, based on an established infrastructure for cash assistance programs addressing the financial needs of the world's most vulnerable and at-risk people. With a majority of those displaced coming from Muslim countries and eligible to receive Zakat funds, UNHCR identified Islamic philanthropy as an important avenue of funding.

Given the unprecedented levels of displacement worldwide, UNHCR has been exploring alternative sources of funding one of which is Islamic philanthropy and Zakat. Accordingly, UNHCR has identified a strategic alignment between sources of funding, through Islamic philanthropy, which spans Zakat, Sadaqah and Waqf; and the desperate needs among the world's forcibly displaced populations. It was also identified Jordan as the best location to launch the pilot, due to organizations robust cash assistance program in the country.

Over the past few years, the organization has taken monumental steps to secure legitimacy for its program, successfully launching and expanding its footprint across Jordan, Lebanon and Yemen. UNHCR data reveals that by December 2018, it provided monetary assistance to 34,440 vulnerable individuals since the start of the program. UNHCR has transformed the program into a fund, ensuring strict compliance with the fatwas and total distribution of funds received to the designated recipients.

The Zakat program is still at the beginning of its journey and, given UNHCR's global presence and role in addressing the broader needs of forcibly displaced people, the program has substantial potential to grow further.

Figure: The Journey of the UNHCR's Zakat program

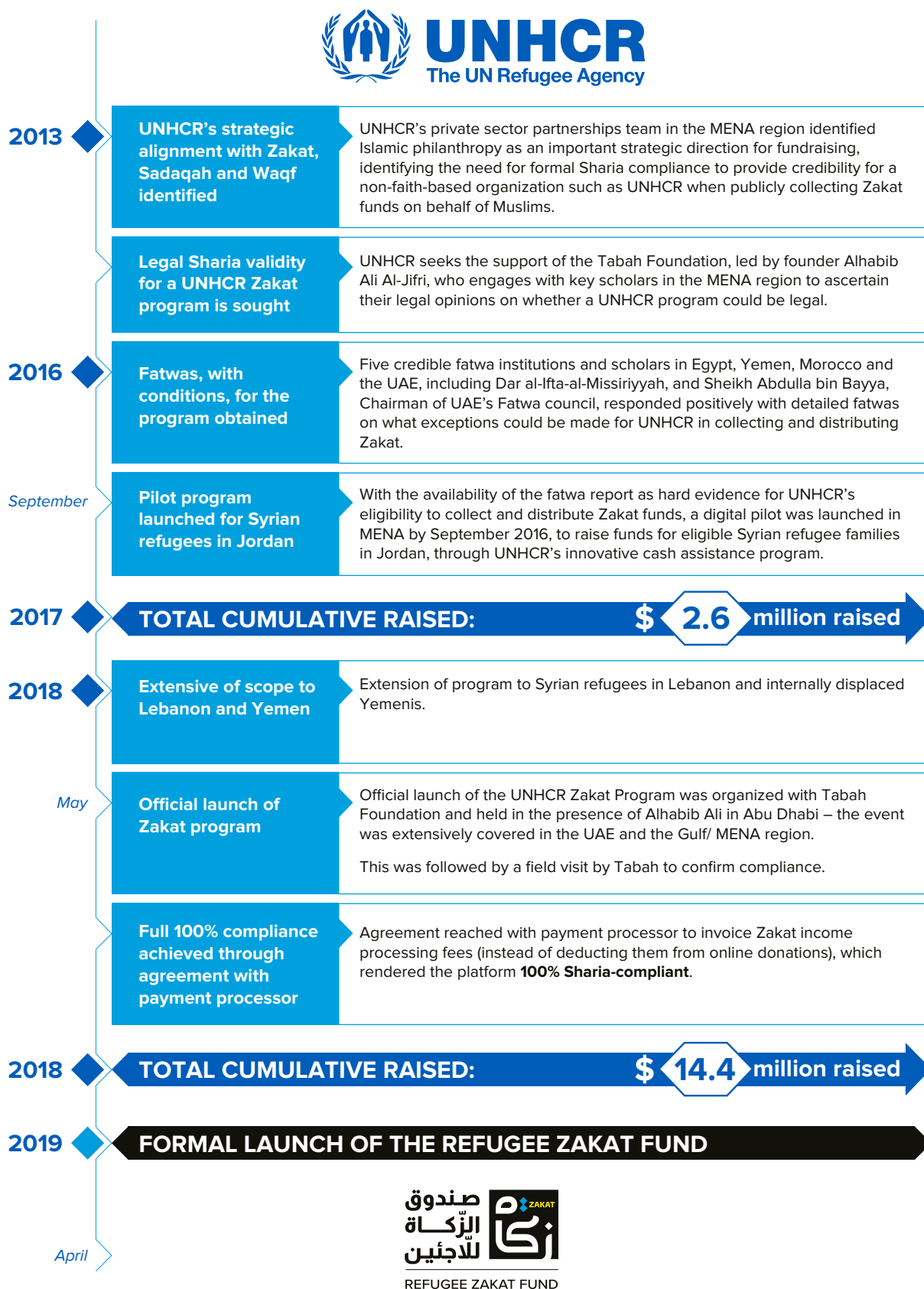
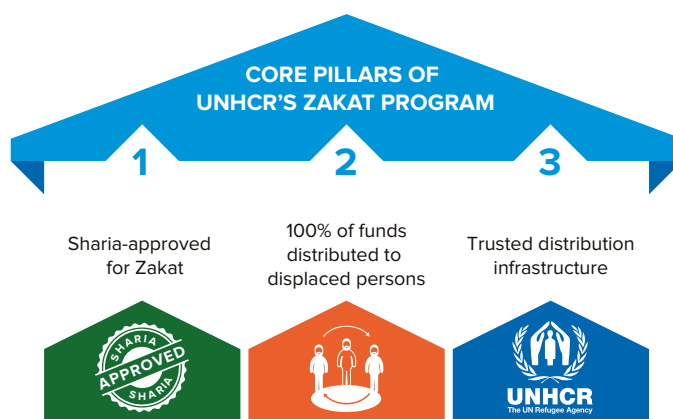


Figure: Pillars of UNHCR's Zakat program



1 The Zakat program has received five fatwas from authoritative scholars in the MENA region, permitting it to collect funds from Muslim donors, a significant milestone for a United Nations agency

UNHCR has consulted with several of today's leading Islamic scholars and institutions, which concluded that UNHCR is authorized to collect and distribute Zakat, provided they fulfill the basic requirements of one of the legal schools. These requirements are:

- Zakat funds must be dispersed to the categories mentioned in Qu'ran.
- Zakat funds must not be used to cover expenses incurred or wages.

Compliance with these conditions have been certified independently by the Tabah Foundation, with ongoing monitoring of the program.

2 100% of Zakat donations received through UNHCR are channeled directly towards forcibly displaced persons, with no deductions for overhead expenses

Through its Zakat program, UNHCR provides an efficient, trusted and discreet route to ensure 100% of Zakat contributions go directly to the people hardest-hit in the region: refugees. UNHCR's Zakat program helps eligible, impoverished and vulnerable refugee families, including those with orphans and widows, with cash assistance to cover basic living expenses such as housing, food, healthcare, and debt repayment.

UNHCR's Zakat program is subject to rigorous governance, ensuring transparency at every level, from donations to disbursements. UNHCR is unique in pledging that 100% of Zakat funds are administered directly to eligible refugees. Through UNHCR's Zakat program, support for refugees facing greater hardship are normally the immediate, primary beneficiaries.

Exceptionally for Zakat funds, UNHCR waives its standard 7% overhead costs on annual basis; any such costs are covered from other sources of funding, including Sadaqah. While any humanitarian program naturally requires overhead costs, UNHCR respects the fatwa recommendations, and welcomes other sources of funds to cover it. Additionally, UNHCR publishes quarterly reports on its digital Zakat platform, providing clarity on how Zakat funds are received and distributed.

3 For over 60 years, UNHCR has provided vital assistance to the world's most vulnerable, with an established distribution infrastructure that delivers the highest impact

UNHCR is trusted to implement a wide range of humanitarian assistance programs around the world including provision of shelter, healthcare, education, and cash assistance; the latter has been identified as the best fit for Zakat funds. All Zakat funds received by UNHCR are strictly dedicated to compliant cash assistance programs, which complements other forms of aid provided by UNHCR.

The organization is highly transparent in how it determines the extent of need among displaced persons, and in the way that it continually updates its vulnerability assessment of families and tracks the impact of cash distributions.

To date, UNHCR’s Zakat program has focused primarily on addressing Syrian refugees in Jordan and Lebanon. The potential scale and reach of the program is significant, and the organization is looking to expand the scope of the program to include Iraq, Yemen, Egypt, Mauritania and Bangladesh.

7.3 The program’s impact

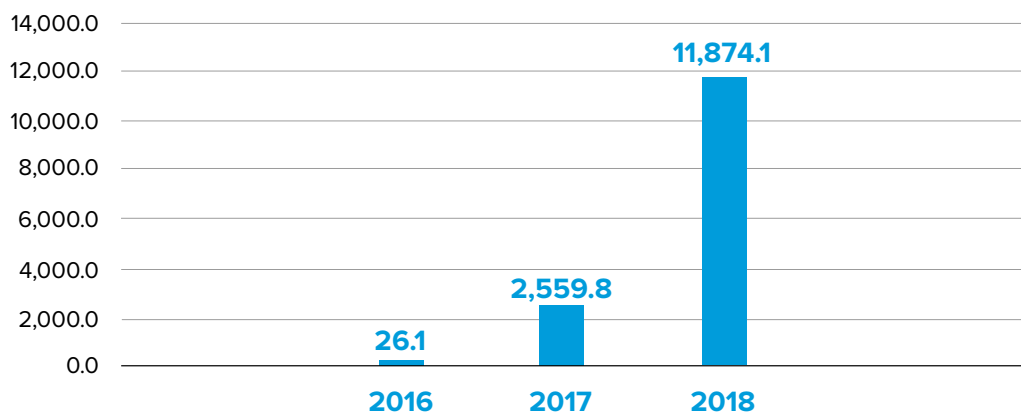
\$14.4

million raised to the end of 2018

The Zakat program has gained substantial traction, especially in 2018, raising a staggering \$14.4 million; \$11.4 million was sourced from from large donors

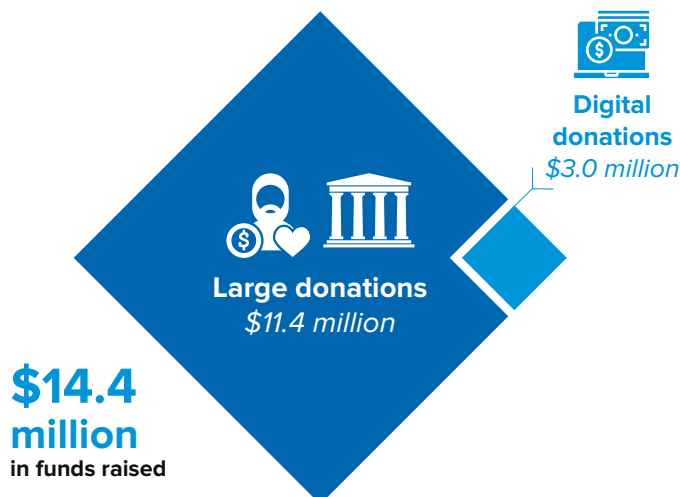
Zakat funds of \$14.4 million has been raised by the end of 2018, with large donations from institutional and individual donors primarily from the MENA region contributing \$11.4 million. During this same period, \$3 million was raised through digital donations.

Figure: Zakat fundraising by year, \$ 000s



Source: UNHCR Internal Zakat program data

Figure: Zakat fundraising by source



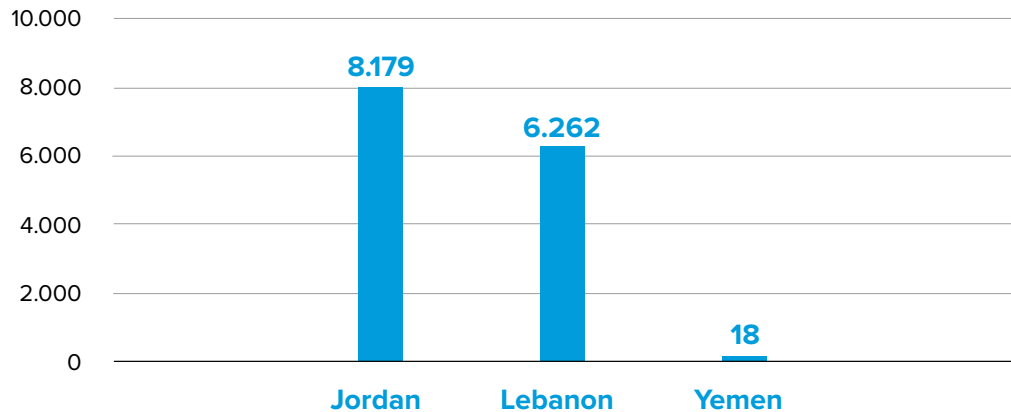
Source: UNHCR Internal Zakat program data

34,440
individuals assisted with Zakat funds since 2016

\$14.4 million was disbursed to 6,888 families during the period, with almost all distributions funneled to Syrian refugees in Jordan and Lebanon

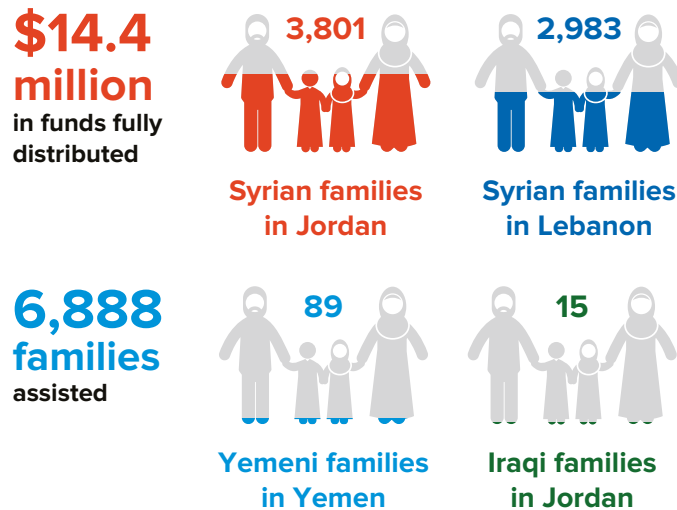
100% of funds raised were disbursed, primarily to Syrian refugees in Jordan and Lebanon. The total amount disbursed met the annual cash assistance requirements of 6,888 families, of which 5,550 were assisted in 2018¹.

Figure: Zakat funds disbursed by destination, \$ 000s



Source: UNHCR Zakat Internal program data

Figure: Number of families assisted by destination



Source: UNHCR Zakat Internal program data²

¹ Based on UNHCR data, the monthly expense requirements of each family varies from one country to another.

² Note: Figures shown for Yemen are low as the Yemen program was activated at the end of 2018; similarly, Iraqi families were assisted from 2018 on.

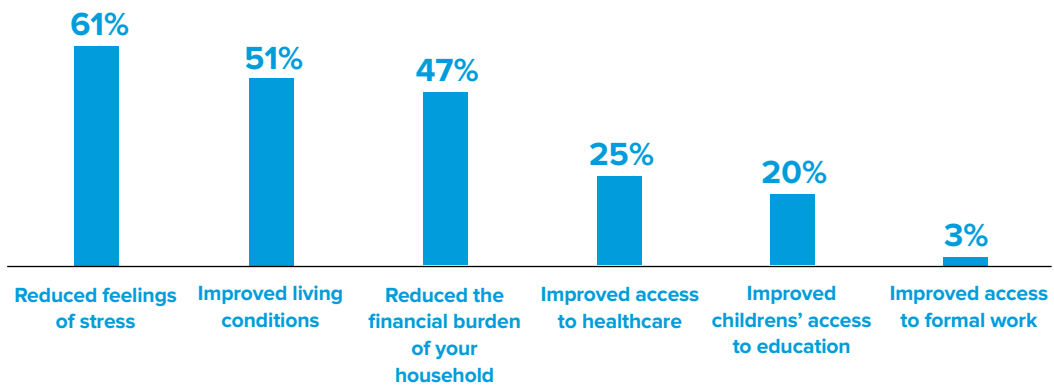
Case study 

The broader context for the Zakat program: Overall impact of cash assistance in Jordan³:

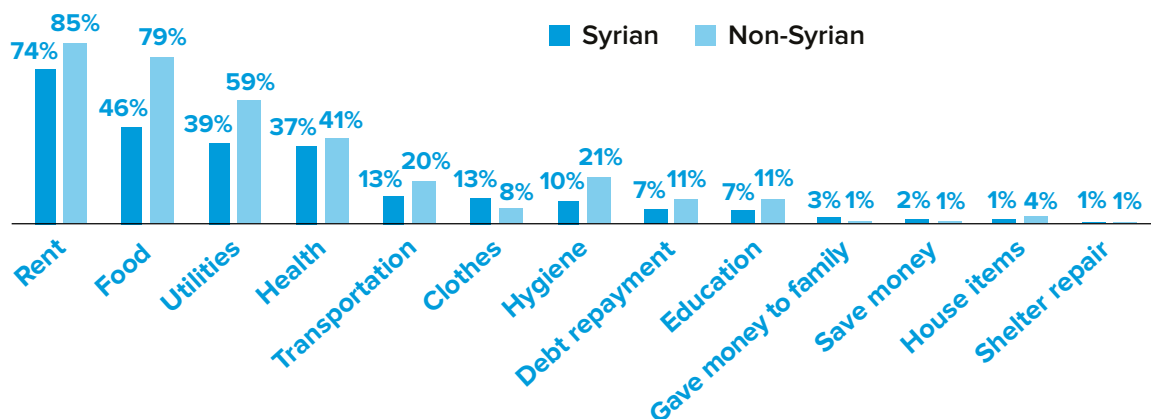
UNHCR’s Jordan cash program benefitted 139,112 individuals (32,500 families) at the end of 2018 of which 92% were from Syria and 6% from Iraq, with \$67.9 million disbursed in 2018 to monitor impact post-distribution, UNHCR gathered survey data from 782 UNHCR cash program beneficiaries, 501 of which were Syrian refugees, and 281 refugees had other nationalities.

Overall, the survey revealed that 61% of those receiving UNHCR assistance experienced a reduction in stress; 51% reported an improvement in living conditions. Their primary expenditures were for rent, followed by food.

Cash assistance having “significant” impact on family well-being



What did you spend the cash assistance on?



Source: UNHCR⁹

³ UNHCR. “Multi-purpose cash assistance – 2018 Post-Distribution Monitoring Report”. 2018.

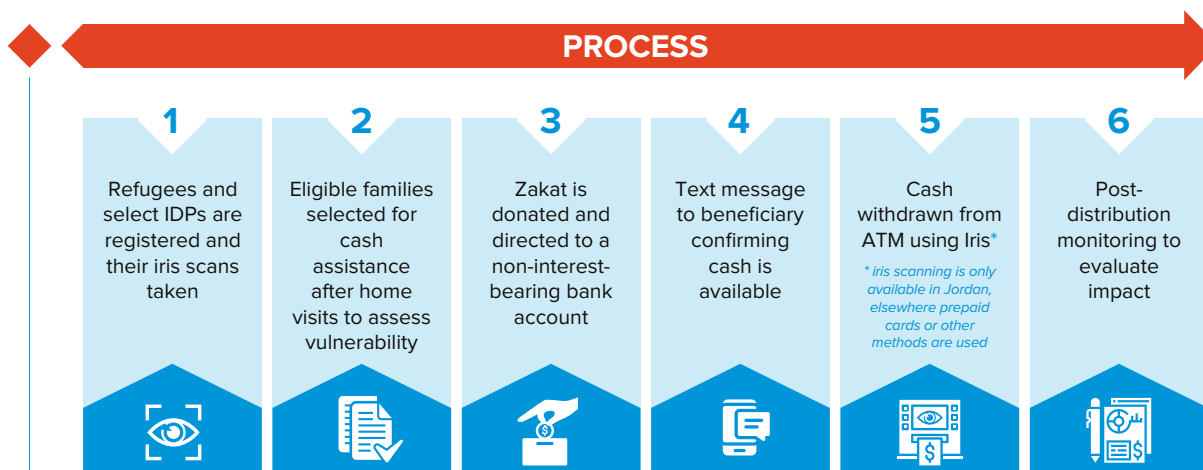
⁴ Ibid.

7.4 How the Zakat program works

Cash assistance helping 16 million vulnerable people⁵

Zakat funds received by UNHCR are directed to recipients through the established cash assistance program, leveraging a well-established footprint and framework to maximize impact.

Figure: The Journey of Zakat Funds from Donor to Recipient



Scan here for video

Source: UNHCR and DinarStandard synthesis

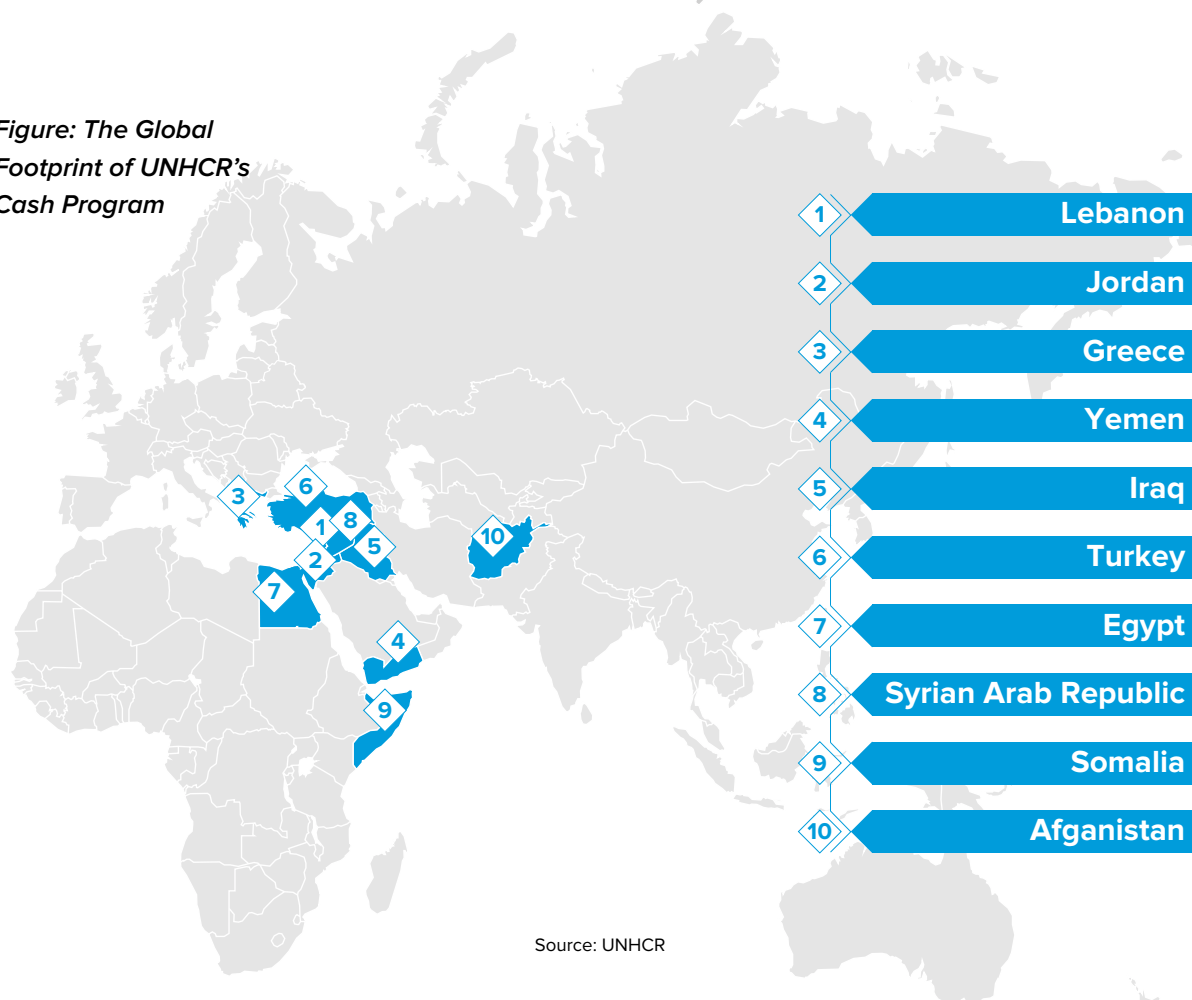
The 6-step process followed by UNHCR is well-established, and ensures funds are dispersed to the most vulnerable individuals for as long as sustenance is required.

1 Refugees and select IDPs are registered with their identity verified in locations where the cash program is active

UNHCR’s cash assistance program has a presence in over 100 countries around the world, including many OIC countries; it helps more than 16 million people globally. The process of protection for refugees or asylum seekers begins with registration and documentation of vulnerable persons either by authorities or UNHCR; early registration by UNHCR enables the organization to determine the level of an individual’s vulnerability.⁶ The organization has developed an effective and efficient assistance program, using the refugees’ irises as a form of identification to eliminate the risk of fraud.⁷ UNHCR has a robust presence in particular in OIC countries, with nine of the top 10 countries by operation size being in the OIC; the top two countries are in Lebanon and Jordan.

5 UNHCR. “Cash Assistance Factsheet”. 2018. Available from <https://www.unhcr.org/protection/operations/5c5c5acc4/unhcr-fact-sheet-cash-based-assistance-2018.html>
 6 UNHCR. Registration webpage. Available from <https://www.unhcr.org/registration.html>
 7 Charlie Dunmore. “Iris scan system provides cash lifeline to Syrian refugees in Jordan.” March 2015. Available from <https://www.unhcr.org/news/latest/2015/3/550fe6ab9/iris-scan-system-provides-cash-lifeline-syrian-refugees-jordan.html>

Figure: The Global Footprint of UNHCR's Cash Program



Source: UNHCR

2 Zakat-eligible families make up the majority of families receiving cash assistance in Jordan and Lebanon

Recipients of cash assistance are determined through vulnerability assessment criteria to identify most vulnerable families living under the poverty line. Such criteria normally varies from one country to another. In Jordan, UNHCR follows the Vulnerability Assessment Framework (VAF), which identifies the poorest and most vulnerable families within the refugee communities. It seeks to develop a standardized definition of the term “vulnerable” that could be shared across the humanitarian community. Since mid-2014 data has been collected during VAF home visits for the purpose of creating sectoral vulnerability indicators; each refugee family receives an overall sector vulnerability rating. In Jordan alone, 20 different humanitarian organizations are using the VAF.⁸ Based on the vulnerability rating of families and availability of resources, they are then prioritized to receive cash assistance. The VAF program is similarly well-established in Lebanon.⁹

Table: The Parameters of the Value Assessment Framework

Universal indicators	Sector Indicators	Scoring
1. Predicted welfare 2. Dependency ratio 3. Coping strategies 4. Documentation status 5. Disability	1. Socioeconomic vulnerability 2. Food security 3. Water access and waste management 4. Shelter 5. Health 6. Education	1 = low vulnerability 2 = moderate vulnerability 3 = high vulnerability 4 = severe vulnerability

Source: UNHCR VAF Overview¹⁰

8 UNHCR. “Vulnerability Assessment Framework.” Available from <https://data2.unhcr.org/en/documents/download/53708>

9 UNHCR. “Vulnerability Assessment of Syrian Refugees in Lebanon”. Available from: <https://www.unhcr.org/lb/wp-content/uploads/sites/16/2018/12/VASyR-2018.pdf>

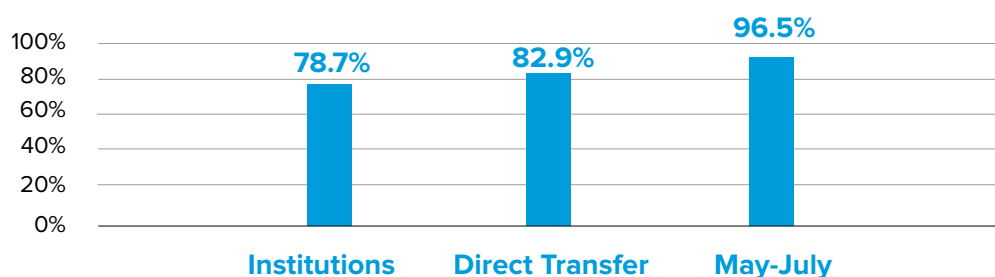
10 UNHCR. “Vulnerability Assessment Framework.” Available from <https://data2.unhcr.org/en/documents/download/53708>

3 Zakat is donated and directed to a distinct non-interest bearing bank account

Zakat funds are collected by UNHCR through either digital donations on its Zakat platform, or via direct transfers with instructions also available on the platform.

Of the \$14.4 million raised to date, the largest bulk has come through direct bank transfers from large donors; with a witnessed increase in online Zakat giving by the wider public annually, especially during and after Ramadan.

Figure: Refugee Zakat Fund - Funds by Source and Timing (Cumulative funds raised from 2016-18):
Primarily where do Zakat funds come from and during which months have they been raised?



Source: UNHCR Zakat Program data

Of particular importance are the marketing campaigns that UNHCR has executed to raise Zakat. For example, UNHCR sought to position itself as the credible UN agency recipient of faith-based funds on different occasions and to build trust and credibility in a 360-degree manner. UNHCR's Ramadan 2018 campaign, which included Zakat, was particularly effective, including expansive TV exposure through interviews with MBC and other media outlets, and engagement online and offline with celebrities, partners and social media influencers.¹¹

Zakat funds raised have been earmarked specifically for refugees in Jordan and Lebanon. They are also directed to displaced persons in Yemen, although with the capability to expand the scope since receiving Zakat by UNHCR for Yemenis started at the very end of 2018. Since the beginning of 2019, Zakat funds are held in a separate, secured bank account, without any bearing of interest; funds are administered in Switzerland, and online processing fees are invoiced to UNHCR.

4 Text message to confirm availability

Once a family is enrolled, they receive a text message notifying them when they may expect to collect cash; this standard mechanism is leveraged by the program and spans most locations.

In Jordan, the amount of cash assistance provided is based on the Survival Minimum Expenditure Basket (SMEB). The SMEB is recalculated each year to reflect changes in the economy. It is an estimate of the monthly expenditure per capita necessary for physical survival, but implies deprivation of a series of basic rights such as education and health costs. It acts as a benchmark to determine the amount required to fulfill basic survival needs (shelter, food, and water/sanitation).

¹¹ "UNHCR MENA Digital Report". 2018. Available from <https://www.unhcr.org/en-us/publications/fundraising/5b30ba237/unhcr-global-report-2017-middle-east-north-africa-mena-regional-summary.html>

Complimentary programming practices were created between UN agencies, funds and programs to provide coverage of the SMEB for beneficiaries. For Syrian refugees in Jordan, for instance, UNHCR specifically provides 60-65% of the SMEB, for the purpose of paying rent, water, and sanitation costs.¹²

5 Cash withdrawn from ATM either by pre-issued card or by iris in select locations

UNHCR uses an ATM banking network, and digital mobile wallet modalities for cash transfers.

Unique to Jordan, UNHCR and the Common Cash Facility members use iris-enabled ATMs for cash withdrawals. A simple iris scan, using a special iris camera attached to the ATM triggers the cash withdrawal; this eliminates the requirement for an ATM card or a pin. This ensures that the person targeted for assistance is the one receiving it; this extra layer of security has been instrumental in reducing fraud. ATM prepaid cards may also be used for specific needs.

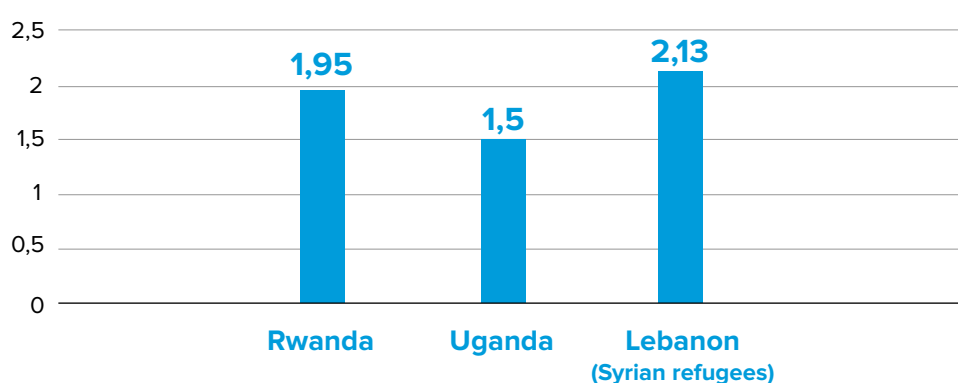
6 Post-distribution monitoring is undertaken, with significant improvements noted to recipients

Overview: Post-distribution monitoring (PDM) is an ongoing process that monitors and assesses the effectiveness of the cash assistance program and the impact it delivers on recipient well-being. It provides quantitative and qualitative insights into trends among beneficiaries related to their experiences with cash assistance. PDMs also act as a vital tool for improving the program.

For example, they help identify and lessen personal risks before, during, and after receiving the cash assistance. They also serve to assess the success of UNHCR's cash distribution and delivery methods, as well as the channels available to refugees to register complaints or provide feedback.

Impact on the community: The impact on community varies by location, but cash assistance was found to have an overarching positive effect on the economy, most notably in Lebanon, where every dollar of cash assistance received has added \$2.1 to GDP.¹³

Figure: Estimating the impact of cash assistance on communities¹⁴



Source: UNHCR¹⁵

¹² UNHCR. "Multi-purpose cash assistance: Post Distribution Monitoring Report". 2018. Available from <https://reliefweb.int/report/jordan/multi-purpose-cash-assistance-2018-post-distribution-monitoring-report>

¹³ UNHCR "Cash assistance to Rohingya refugees in Bangladesh". 2018. Available from <http://reporting.unhcr.org/sites/default/files/UNHCR%20Cash%20Assistance%20to%20Rohingya%20Refugees%20-%20June%202018.pdf>

¹⁴ Figures show upper end of estimates, with lower end of range being \$1 for Uganda, and \$1.51 for Rwanda.

¹⁵ UNHCR "Cash assistance to Rohingya refugees in Bangladesh". 2018. Available from <http://reporting.unhcr.org/sites/default/files/UNHCR%20Cash%20Assistance%20to%20Rohingya%20Refugees%20-%20June%202018.pdf>

8. Innovation opportunities to better leverage Zakat for forcibly displaced persons



Photo: © UNHCR/Hélène Caux

8.1 Introduction

The manner in which charitable giving occurs is being shaped by the technological forces of automation, disintermediation and decentralization. The Zakat industry is beginning to adapt to these trends and to the requirements of Muslim millennials, which have driven important innovations.

8.2 Trends relevant to Zakat

90
Islamic Fintech startups

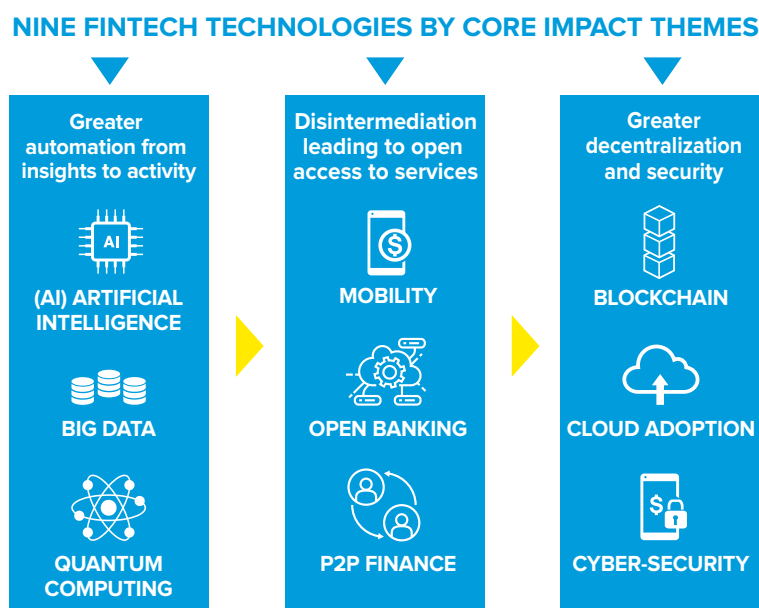
Technological innovation is driving substantial change in the financial services industry, with innovative startups gaining substantial traction. The same forces are impacting Islamic Finance, where 90 Fintech startups have emerged.

The Zakat industry will benefit from adopting the various innovations, driving improved engagement in particular with millennials.

The same drivers of technological innovation impacting financial services are also driving change in charitable giving, with visible innovation in the Zakat industry. The global financial services industry has experienced unprecedented change driven by three core technological drivers shaping innovation in financial services, and by extension, charitable giving, broadly categorized into increased technological automation, the disintermediation of essential financial services and the increasing decentralization and security of systems.

With young, digitally native consumers demanding change and rewarding those service providers that innovate, over 12,000 Fintech startups have emerged. Islamic Finance, albeit slow to respond, has also seen the emergence of 90 Fintech startups, with more innovation expected in the coming years, seen by increasing attention from dedicated incubators and government-led initiatives.¹

Figure: Overview of Fintech Innovation Trends







Source: DinarStandard analysis

The advent of these trends has had a clear impact beyond financial services, with charitable activities responding, and with observable innovations in the Zakat industry.

1 DIEDC and DinarStandard. "Islamic Fintech Report 2018: Current Landscape & Path Forward". 2018.

Select examples of innovation

Technologies by theme	Description	Problem being solved	Charitable giving example	Zakat example
Greater automation from insights to activity				
Artificial intelligence 	A set of technologies to enable computers to execute “smart” tasks through technologies such as natural language processing, expert systems and machine learning, a process that applies algorithms to analyze data to generate insights and make predictions.	Automates labor-intensive tasks and helps improve customer experiences by generating insights and making predictions.	Blackbaud , the world’s leading cloud software company powering social good, is using AI to provide data intelligence to all stakeholders across the fundraising and donations lifecycle	PayZakat - A platform for Muslim giving in Russia; an AI-powered multi-platform chatbot will help the users to calculate their donation, and it distributes the funds to the reserved people and charity foundations
Disintermediation leading to open access to services				
Peer 2 Peer Finance 	A technology-based service that connects businesses directly with investors, through a web-based platform for a fee.	Expands access to financing, in particular for SMEs, and makes verification/credit checking easier for investors	JustGiving is the world’s most trusted platform for online giving and have helped people in 164 countries raise over \$4.5 billion for good causes since being founded in 2001.	LaunchGood is a crowdfunding platform to support predominantly Muslim users in launching campaigns to raise funds for good causes. Users can donate their Zakat funds to LaunchGood campaigns.
Mobility 	Describes the ability to access information or applications in an untethered manner, usually through portable, networked computing devices such as smartphones.	Enables user to access information and applications “on the go”, without needing to be in a fixed location.	Coinup allows users to round up their purchases and to direct change towards charities of their choice	Zakatify , allows users to donate Zakat to a cause of their choice via a mobile app.
Greater decentralization and security				
Blockchain 	Tracks and records data using a distributed digital ledger system - verifying and storing data across hundreds or thousands of computers globally.	Removes the need, and associated cost, of keeping transactions/contracts in a central repository database, improves accountability and improves security.	KryptoPal is an innovative startup aimed at enabling charitable donations via the blockchain	Blossom Finance offers a free service for Muslims to pay Zakat owed by using cryptocurrency holdings.

Source: DIEDC and DinarStandard. “Islamic Fintech Report 2018, Current Landscape & Path Forward”. 2018.;
Examples taken from company websites and publicly available profiles.

8.3 Case study on mobility in charitable giving and Zakat

66%
of users
would
donate via
an app

Mobile app usage has become widespread, reaching 3 billion users in 2018. With apps gaining prevalence in banking, almost a third of smartphone users wish to use apps for donation.




Several apps have emerged successful, suggesting substantial potential for zakat apps. Mobility is an area being explored by UNHCR's Zakat program, making donating Zakat much easier to Muslim Millennials seeking to direct their donations to refugees and internally displaced persons in need.

Mobile apps have gained substantial prevalence since the widespread adoption of the smartphone in 2010. The number of smartphone users reached 3 billion in 2018 and is projected to reach 3.8 billion by 2021. Revenues generated via mobile apps reached \$92.1 billion and are projected to grow to reach \$139.6 billion by 2022, with non-game apps' revenues, representing \$33.5 billion, expected to grow faster at 22.7% CAGR, compared to 20.7% CAGR for games.²

The prevalence of mobile banking sets an important backdrop for charitable giving, as customers seek to use mobility in all areas of their expenditures, with the number of mobile banking users reaching 15% of all mobile users in 2017.³

Charitable giving is poised to embrace mobility, with a number of successful apps emerging. A global survey of 4,084 donors worldwide carried out for the 2017 Global Trends in Giving Report found that 94% of respondents agreed that non-profits and non-governmental organizations must invest in charity-app development to stay relevant. While only 6% of respondents currently give via apps, 66% of respondents in particular noted that they would be willing to donate to charitable via a mobile app that allowed two-tap giving, and that engaged users through the ability to earn points.⁴ The propensity towards app-based giving has driven the emergence of new apps allowing more convenience, the ability to round up purchases, and the ability for users to raise money for charities.

Case studies of charitable app-based giving

Company	Main idea	Key value proposition	Scale and potential
	Digital wallet donations: Users are able to donate directly to 50 different charities through their Google Play app on Android or webpage	The application, which is already linked to user's cards, offers convenience and also assures that 100% of user donations go directly to their chosen charity without any overheads	While the offering was launched in Q4 2018, Google Play could become an important channel for fundraising, given 1 billion active users ⁵
	Automated micro-donations: The app enables users to round up their purchases, with change going to a fund used for charitable causes	The app is linked to user credit cards and automatically rounds up purchases. Users can set a limit on monthly donations. The app deducts a small fee to cover operational expenses	CoinUp was one of the first mobile donation apps to launch on the Apple Store in 2017
	Corporate-sponsored donations through actions: Users can raise money through running, walking or cycling as part of their exercise routines	The app currently allows users to track nine different charities. Users document their activity on Facebook and Twitter, and corporate sponsors fund each mile of activity, and are able to engage consumers in the process	Since its launch in 2012, Charity Miles has raised over \$2.5 million for charity ⁶

² Dean Takahashi. Venture Beat. "Newzoo: Smartphone users will top 3 billion in 2018, hit 3.8 billion by 2021". September 2018. Available from <https://www.google.com/amp/s/venturebeat.com/2018/09/11/newzoo-smartphone-users-will-top-3-billion-in-2018-hit-3-8-billion-by-2021/amp/>

³ Bank News. "Mobile Banking Users to Exceed 1 billion in 2017, Representing 15% of Global Mobile Subscribers". Available from <https://www.banknews.com/blog/mobile-banking-users-to-exceed-1-billion-in-2017-representing-15-of-global-mobile-subscribers/>

⁴ SteelKiwi Inc. Hackernoon. "Transforming the Philanthropic Landscape through Charity Mobile Apps". February 2018. Available from <https://hackernoon.com/transforming-the-philanthropic-landscape-through-charity-mobile-apps-b789a5908d8e>




⁵ Alicia Marie Tan. Mashable.com. "Google Play just hit a major milestone". September 2015. Available from <https://mashable.com/2015/09/29/google-play-1-billion-users/>

⁶ Gene Gurkoff. Charity Miles. "How We Earned \$2.5M For Charity With Zero Users". June 2017. Available from <https://charitymiles.org/blog/how-we-earned-2-5m-for-charity-with-zero-users/>

There is substantial scope for Zakat apps to emerge, in the context of the rich ecosystem of digital Islamic lifestyle services that has been emerging in the last decade. Muslims are a younger demographic than the global average, with the median age of Muslims estimated at 24 years compared to 32 globally, and 15 Islamic countries are in the top 50 list of countries for smartphone penetration.⁷

There has been a rich emerging ecosystem of startups providing digital services to Muslim consumers worldwide who contributed \$107 billion to the global digital economy of \$1.9 trillion in 2014.⁸ The components of the digital economy broadly defined by E-marketer included digital ad spending, retail-ecommerce spend, and digital travel spend by country. The report identified 2,168 total consumer-facing digital Islamic services at the time, with the numbers now substantially higher.

Case studies of Islamic Lifestyle and MENA-region charity apps

Company	Main idea	Key value proposition	Scale and potential
	Digital wallet donations: Users can link the app to their bank accounts and donate to a selection of charities	The app is among the first Arabic language donation apps	The app has reached over 40,000 users since launching in 2012 and supports over 150 projects from 20 NGOs in the UAE ⁹
	Digital wallet donations: Allows users to make one-click donations via its app to a range of charities	The application, which is already linked to users' cards, offers convenience, applying a small fee to cover overheads	Zakatify launched in 2018 and plans to expand globally. The app is affiliated with Zabihah, a leading global Halal food app
	Lifestyle app: Integrated app that includes digitized Qu'ran, prayer times	The app helps users manage their religious obligations and leading in one place	Surpassed 10 million users and was acquired for an undisclosed eight-figure sum in 2017 ¹⁰

With digital Islamic apps gaining prevalence, mobility is an essential area of innovation for Zakat collection. Similar to Google Play's offering, and given the propensity of users towards one-click giving, mobile apps represent an important avenue for multilateral organizations to engage and collect funds from individuals. Innovative features such as collecting minor amounts alongside regular purchases, as CoinUp has done, will position Zakat apps strongly among Muslim users.

7 Pew Research Center. "Why Muslims Are the Fastest-Growing Religious Group". April 23, 2015. Available from http://www.pewresearch.org/fact-tank/2017/04/06/why-muslims-are-the-worlds-fastest-growing-religious-group/ft_15-04-23_muslimmedianage/

8 DTEC, DSOA, DIEDC, Thomson Reuters, and DinarStandard. "Digital Islamic Economy, Special focus brief on the Digital Islamic Consumer Services". 2015. Available from <https://www.dinarstandard.com/digital-islamic-economy/>

9 iKhair website. Available from <https://www.ikhair.net/en/about-ikhair/>

10 Nadine Freischlad. Tech in Asia. "One of the world's most popular apps for Muslims just got acquired". August 2017. Available from <https://www.techinasia.com/muslim-pro-acquired>

9. Interview with World Zakat Forum/BAZNAS



1. BAZNAS initiated the World Zakat Forum in 2010 to bring thought leaders together and enhance the industry. Tell us about the impact the Forum has had, and describe what it plans to accomplish going forward?

The World Zakat Forum was established by global Zakat stakeholders to increase cooperation between Zakat institutions worldwide. Its concern is to alleviate poverty and income inequality. In addition, the forum also facilitates Zakat institutions to improve the quality of Zakat management both in terms of collection and distribution. Moreover, the forum strives to standardize the practice of Zakat management globally, elevating its professional image. The 2018 Conference discussed various contemporary issues and plans on global Zakat development. They include, but are not limited to: (i) Zakat and SDGs (Sustainable Development Goals); (ii) Zakat Cooperation among Countries; (iii) Strengthening the Role of the World Zakat Forum; and (iv) Good Governance and Improvement of Transparency and Accountability of Zakat Institutions. The Conference also noted the growing role of Zakat in solving global poverty and inequality, and proposed new approaches utilizing the third pillar of Islam.

2. The \$2.5 trillion annual funding gap to address the Sustainable Development Goals (SDG's) synthesizes the most persuasive needs among human beings. How large of a role could Zakat play in alleviating the SDG funding gap?

Zakat has a huge potential in funding SDGs - as long as the Zakat beneficiaries are in line with Sharia guidance. Since Zakat and SDGs have similar goals, the use of Zakat may contribute to the achievement of the 17 goals of SDGs, including: no poverty, no hunger, quality education, reduced inequality, etc. According to the 2019 Zakat outlook, BAZNAS has allocated approximately 77.43% of its total disbursement of Zakat in 2017, which is intended for economic, health, social and humanitarian purposes. These sectors are closely aligned with the SDGs target. As such, based on current BAZNAS efforts, we are exceedingly confident that Zakat can also play a pivotal role in alleviating the funding gap to meet the SDGs.

3. Do you believe the Zakat industry is currently fulfilling its potential in solving humanity's most pressing humanitarian assistance needs? In your opinion, what is holding the industry back?

Currently, Zakat institutions including BAZNAS, have several programs that assist humanitarian needs practically. BAZNAS has a specific program namely Layanan Aktif BAZNAS (LAB – BAZNAS Active Services) and Disaster Response Unit of BAZNAS (BTB). The purpose of both programs is to assist the needy with basic necessities such as provision of food, clothing and temporary shelters.

However, the rapid development of Zakat in Indonesia is still facing many obstacles which must be surmounted, including overcoming the gap between potential collection and real collection, which is approximately IDR 211 trillion. According to the study, the gap is attributed to several problems such as low literacy of Zakat and awareness of Zakat payment at official institutions. Hence, those challenges must be handled effectively in order to increase Zakat collection in Indonesia.

4. The conditions of eligibility for Zakat are clearly specified in the Quran, with at least four of the criteria met by the most vulnerable refugees and internally displaced persons (poor, needy, debtors, wayfarers). Given the pervasive needs of today's 68.5 million displaced persons around the world, do you believe donors of Zakat give enough importance and priority to refugee needs? From your perspective, where are most of the Zakat funds being channeled?

Zakat funds are distributed to people who are entitled to receive them (mustahik) according to Islamic law. As stated in the holy Quran, the distribution of Zakat is restricted to only 8 (eight) groups. Presently, the utilization of Zakat funds in BAZNAS is allocated in 5 major sectors: economic, education, health, social and humanitarian, and da'wah (religious promotion). BAZNAS' donors are very mindful of the refugees' dilemma. This is evidenced by various campaigns in Indonesia which collected billions of rupiah to help many refugees in Bangladesh, Syria and Palestine. The donors collaborate with Zakat institutions to distribute the funds to those refugees. For example, last year BAZNAS donated almost USD 500,000 to Rohingya refugees living in Bangladesh, and USD 300,000 to Palestinians. According to the 2019 Zakat outlook, the proportion of the Zakat funds being channeled to humanitarian assistance reaches more than 40%.

5. We understand that BAZNAS allocated 40% of its budget to humanitarian assistance. Please tell us why this is important for BAZNAS? And what can other Zakat institutions learn from your experience in this field?

Geographically, Indonesia is located on the Ring of Fire or so-called "red zone": it is a volatile region in the basin of the Pacific Ocean where many earthquakes, tsunami, flood and volcanic eruptions occur. The movement of the plate tectonics makes Indonesia a disaster-prone area in South East Asia. Moreover, the number of poor people living there is astronomical, reaching approximately 25 million. It is therefore, not surprising that BAZNAS allocates more than 40% for humanitarian assistance. To accomplish this, BAZNAS launched relevant programs such as BAZNAS Disaster Response unit to help victims and refugees in the affected area. Furthermore, BAZNAS also initiated many economic and social post-disaster recovery programs. These should be evaluated regularly. That is what prompted BAZNAS to implement sound governance standards and measurement tools - such as Zakat Core Principle and BAZNAS Prosperity Index - that has been referenced by World Zakat Forum member countries. The utilization of BAZNAS Prosperity Index and National Zakat Index is an innovation developed by BAZNAS to enhance its management quality. The presence of National Zakat Index is actually the first in the world. Consequently, other countries may learn from us how to utilize various measurement tools of Zakat development.

6. Given your familiarity with the program, what role do you think the UNHCR Zakat Program can play in addressing the current refugee crisis? And what partnership should UNHCR seek to highlight urgent needs, increase trust and enforce transparency?

The problem of refugees is the responsibility of all global leaders and related stakeholders including Zakat institutions globally. The UNHCR Zakat Program's role is to guarantee the basic needs of refugees.

Related to the UNHCR partnership program, it should start with a legal foundation for partnership by signing an MoU with BAZNAS. This partnership can be developed in three major areas: (i) capacity building; (ii) Zakat distribution program dedicated to refugees and displaced population; and (iii) advocacy and Zakat campaign. Prior to UNHCR, BAZNAS implemented several international collaborations with international philanthropic bodies or communities. For example, in the case of Rohingya refugee problems, BAZNAS collaborated with the local charity Bangladesh Center of Zakat Management (CZM). CZM distributed BAZNAS-provided aid, in the form of food, clothing, blankets, temporary shelters and electricity supplies.



Photo: © UNHCR/Daniel Etter

Furthermore, in 2018 BAZNAS collaborated with other global institutions such as The Jordan Hashemite Charity Organization for Relief and Development (JHCO) and United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) to handle refugees crisis in Palestine and Syria. BAZNAS allocated approximately USD 300,000 to reduce these refugees' suffering.

Moreover, regarding transparency, this is critically important for social institutions such as Zakat institutions to build and maintain public trust with donors who appropriated their funds in Zakat institutions. As a concrete step for BAZNAS, all of Zakat utilization, including the utilization of refugees are reported regularly through the website in the form of financial reports and annual reports that have been audited by public audit firms.

7. What is the path forward for the Zakat industry, and what action steps can be taken to address the critical needs among refugees? What role could the broader public, Islamic financial intuitions and Zakat foundations play?

Zakat institutions need more collaboration and strong regulation to tackle the complexity of the refugee issue. Collaborative actions in assisting refugee among Zakat stakeholders is critical. Without partnering with local bodies or communities, Zakat institutions will face immense difficulties in entering certain countries to distribute aid to the affected refugees. Hence, collaboration is a primary key for the success. The collaboration among global humanitarian organizations has been practiced by BAZNAS for many years; in the case of Rohingya, Palestine and Syria Refugees, BAZNAS joined with local and international humanitarian as previously mentioned. And thanks to these collaborations, BAZNAS has never faced any serious problems in channeling aid. Thus, the greater the collaboration, the greater benefit can be provided to assist refugees. Another point for future consideration is the necessity of robust regulations. As a legal institution, Zakat institutions including BAZNAS need strong regulations specifically for aid distribution across the globe. Strong and clear regulations, will support Zakat institutions in assisting refugees more.

—Dr. Irfan Syauqi Beik
Executive Secretary, World Zakat Forum
Director of Distribution and Utilization, BAZNAS

10. Interview with a refugee

I had a house and land in Syria. We were living well there. Then the problems began.

My name is **Ibrahim el Othman** and I'm from Hassaka Province in Syria. I am 60 years old, born in 1958. I've been living as a refugee in Lebanon for almost six years.

When the war began in Syria, many people were affected. In fact, every single person was affected. Some saw their houses destroyed, while others lost family members. As for my family and I, we were lacking resources from all aspects. We were living under what felt like a never-ending blockade. At that time, I had very young children and for their safety, we had to flee. I took my children in my arms, and we moved to Lebanon.

When we arrived at the border between Syria and Lebanon, we were told we needed a sponsor to enter the country. Of course, we had no one. I remember waiting for 10 hours with the kids sleeping inside the bus. Five families were turned back. To our luck, they let my family into the country.

We are extremely grateful to Lebanon for welcoming us and giving us a home away from home. We also owe thanks to UNHCR for helping not only us, but thousands of refugees like me. UNHCR has supported me and my family in several ways, including financially. This help is crucial, but unfortunately it is not enough. Some days it barely covers the rent. If my children were older, they could have worked, but they are still young and don't deserve this burden on their shoulders. We are fortunate to have neighbors who are refugees from Syria as well, and who treat us with kindness and often bring us food. I think the hardest thing of all is when your child asks you for something, and you have to tell him "not for now". It is not easy... it is not easy at all.

Now as Ramadan approaches, I am reflecting on how it used to be. Ramadan now is very different from what we used to enjoy in Syria. My wife passed away in 2011 and to this day it still pains me to look at some of our old pictures together with our five children back in Syria. When Ramadan comes and you are in your country, among your family and friends, at home, you are at peace. Here, when Ramadan comes, you have so many problems on your mind: how to pay the rent, how to get food and clothes for the kids, among others. But at home, you feel at ease.

However, besides fasting, Ramadan is also the month of charity, during which many Muslims tend to 'purify' their wealth through Zakat, a percentage that is specified by scholars for the poor and needy, including many refugee families that are in dire need for support.

Syria is a paradise on earth. Syria had everything and more important than anything – we had security and stability there. I miss that security and stability. But it will come back Insha'Allah.



© UNHCR/ Amine Abou Ghanem

11. Tabah Foundation review of the UNHCR Zakat program for 2018



During May 2-3, 2018, Representatives from the Tabah Foundation performed the first twice-yearly review of UNHCR's Zakat collection and distribution program. This review included field visits to the various locations currently using Zakat funds.

Lebanon

Tabah Foundation visited UNHCR in Lebanon on 2 May 2018 to explore their use of Zakat funds in their own cash assistance program. We visited a family in Tripoli after meeting with UNHCR personnel in Beirut to learn about the refugee context and details of their cash assistance program, and to discuss using Zakat funds in their cash assistance program.

Refugees in Lebanon are considered extremely vulnerable due to the percentage of refugees living in informal settings (17–18%), and due to harsh winters in the country.

According to UNHCR, \$83 per month per family is the threshold for being considered poor – and 53% of refugee families fall below this level. There are approximately 125,000 families below the poverty level, and currently funding can cover only 33,000 of them.

Approximately 97% of cash assistance recipients are Zakat eligible. The top uses for cash assistance are rent, debts, and education. Cash assistance is the primary or sole source of income for the majority of its recipients.

Similar to Jordan, cash assistance in Lebanon is distributed through ATMs. The main difference is that distribution in Lebanon uses a standard ATM card secured with a pin whereas distribution in Jordan uses an iris scan. While UNHCR has documented a few cases of unauthorized card usage, the unauthorized users were individuals who were themselves refugees – usually family members.



Photo: © UNHCR/Sebastian Rich

UNHCR Lebanon was already aware of the requirements for distributing Zakat and, without need for additional explanation, agreed to comply with the guidelines laid out in the UNHCR Zakat Fatwa Report. Their operation is similar to UNHCR Jordan with respect to data collected on individuals and needs assessment.

Based on the above, Tabah Foundation agreed to Zakat funds being used in UNHCR Lebanon's cash assistance program.

After the meeting, we visited Malaki and her 4 children, Syrian refugees living in an informal settlement in the north of Lebanon. In this informal settlement, refugees live in shelters built from materials that had been scavenged or donated, on small plots of private land rented from a land owner. Rent is approximately \$100 per month. Informal settlements are designed to be temporary. Structures reflect this and are lightly-constructed: tarps propped over jury-rigged frame, offering little protection from Lebanon's cold winters.

Jordan

Tabah Foundation visited UNHCR in Jordan on 3 May 2018 to review their use of Zakat funds in their cash assistance program. We met with UNHCR personnel in their headquarters after visiting some recipients of the cash assistance program.

We visited two families of Syrian refugees living in the suburbs of Amman: Latifa (widow with two children, a boy and a girl, the boy suffers from brain atrophy), and Abu Ziad (elderly living with his wife, widowed daughter and her 5 children). Both of these families, due to funding issues, run the risk of being cut from cash assistance in spite of being well within the criteria for receiving cash assistance. Neither family knows what they would do if their funds are indeed cut.

UNHCR's reports show that Zakat funds received in Jordan are distributed to eligible recipients, and that all unclaimed funds are returned for re-distribution.

Although recipients are sometimes told that funds come from Zakat, there is limited space in SMS messages and priority is given to larger funders. One of Tabah Foundation's concerns is that refugees are not always aware that the Muslim community has not left them behind, as this reduces their dignity and fosters resentment. Although Zakat should be mentioned in SMS whenever feasible, it needs to be mentioned elsewhere. UNHCR mentioned that sources of funding are mentioned on its literature and when making household visits, and that both are opportunities for mentioning Zakat.

Since our initial visit in 2016, UNHCR Jordan has implemented an IVR (interactive voice response) system that allows them to better serve the needs of refugees. Before this system, UNHCR was able to handle 25,000–30,000 calls per month. Now, they are able to handle 125,000–150,000 calls per month.

UNHCR is working with their banking partners to develop an electronic wallet application that allows mobile phones to store funds securely, to transfer funds to another wallet, and to make payments at certain locations. Consequentially, Zakat recipients who – for whatever reason – do not wish to receive cash can instead take possession of it by transferring it to their phone.

Additionally, the ATM network is expanding to cover more areas outside of Amman.

Based on the above, Tabah Foundation continues to endorse UNHCR Jordan's implementation of the guidelines laid out in the UNHCR Zakat Fatwa Report.



Photo: © UNHCR/Diego Ibarra Sánchez

Zakat collection

One of Tabah Foundation's concerns since the beginning of this program is that the Internet payment processor that UNHCR uses for collecting funds on its website takes a percentage of Zakat funds for itself (which is the normal practice across online payment processors worldwide). This breaches one of the conditions for their collection of Zakat and we have advised UNHCR to take measures to avoid this loss. UNHCR has taken steps to inform donors to add to their donation, but Tabah Foundation has urged them to find a better solution.

According to UNHCR, this issue has been resolved and the payment processor will now pass through all Zakat donations without any fees removed and then invoice UNHCR for associated processing fees. This ensures that UNHCR does not use Zakat to cover any of its fees and, thus, avoids breaching the condition mentioned above. Additionally, UNHCR's Zakat donation (collection) portal has been revamped. Of particular note is a greatly-improved FAQ that covers the most important fiqh issues related to UNHCR's Zakat collection and distribution.

—Noureddin Harthi, CEO
—Musa Furber, Senior Research Fellow

12. The way forward for UNHCR's Zakat program – the “Refugee Zakat Fund”

Raise over \$26 million additional funding by end of 2019 ¹	Through active fundraising and a robust PR push, supported by robust partnerships, the UNHCR Zakat program seeks to build on the traction gained to raise and deliver over \$26 million by the end of 2019, with a longer-term goal of supporting some of the 154,740 most vulnerable families of refugees and IDPs.
\$208.6 million needed into total Zakat funds for 2019 ²	

UNHCR is at the beginning of its journey and has the potential to become a catalyst for collecting and directing Islamic funds to meet critical refugee needs. As the UNHCR Zakat program builds on its accomplishments to evolve into the Refugee Zakat Fund, there are three core areas along which the Fund seeks to establish increased credibility and scale.

Figure: Charting the Refugee Zakat fund's path forward



1 Improve governance and expand the program's scale and footprint:

The fund has the potential to expand its scale and play a much bigger role in meeting the organization's budget of \$7.9 billion in 2019,³ through engaging with private donors – including the public, institutional donors and HNWIs. The organization intends to raise over \$26 million in 2019 through extending its donor base in the MENA region, Canada, the UK and South East Asia, supported by a robust PR campaign and through establishing partnerships with leading Islamic finance institutions.

UNHCR will continue to strengthen its governance structure for Zakat, through various milestones, primarily the involvement of the Tabah Foundation in compliance monitoring and evaluation, centralization of Zakat funds via a dedicated non-interest bank account, publishing quarterly reports on collection and distribution, and providing donors with the choice to direct his/ her Zakat funds to a country/ population of choice.

1 UNHCR Internal Data.
 2 Ibid.
 3 UNHCR. "Global Trends: Forced Displacement" Reports from 2007 to 2017.

UNHCR has identified that from its total budget in 2019, at least \$208.7 million is eligible for Zakat, whereby funds can be distributed to families across Jordan, Lebanon, Yemen, Iraq, Egypt and Mauritania without deducting overheads. These funds would benefit 157,740 families, of which 24,009 are families of widows and orphans.

The Islamic finance industry is a natural partner for UNHCR's Refugee Zakat Fund, where globally, total assets of this industry are expected to reach \$3.8 trillion by 2023⁴, with a broader role for HNWI and OIC-based corporations to have a clear, visible impact. The Refugee Zakat Fund also has the opportunity to leverage and enhance its digital capabilities, particularly through app developments, to collect more Zakat funds from individual donors around the world.

Given UNHCR's existing global presence in the cash assistance program, the organization is well-positioned to expand the scope of the Zakat Program to other key OIC locations, such as Turkey, Afghanistan, Bangladesh and Somalia.

2 Raise awareness and influence the global conversation on Zakat's role in supporting refugees

The Zakat industry remains far below its potential and could have a larger footprint in supporting the needs of refugees. UNHCR seeks to lead the conversation on how refugees can be prioritized and supported by Zakat funds, leveraging its annual Zakat report, quarterly report series and playing a prominent role in public and media discussions.

UNHCR seeks to galvanize the Zakat ecosystem, spanning government bodies, non-governmental organizations, and most importantly individuals and institutions, to help channel much-needed Zakat funds to the most vulnerable of families, and contribute to the Zakat industry to reach its potential of a \$356 billion industry.⁵

3 Broaden the Fund's scope across the realm of Islamic philanthropy to amplify the beneficial impact on refugees

Zakat is the first step for UNHCR. The organization can play a much broader role in directing Islamic philanthropic funds to the 68.5 million displaced persons, of which 40.8 million are estimated to be Muslims.

Sadaqah (voluntary charity) is a natural extension of Zakat. While contributions received by UNHCR from Muslim individuals can be considered Sadaqah, it's recommended for UNHCR to seek intentional solicitation of Sadaqah. Although it isn't obligatory upon Muslims, receiving Sadaqah entails no restrictions and complements Zakat fundraising efforts.

Establishing a Waqf for refugees is a particularly exciting prospect for UNHCR, especially given the strong MENA regional focus on enhancing the Waqf ecosystem, in particular in the UAE and Kuwait: with the presence of the well-established Kuwait Awqaf Public Foundation that organizes the Awqaf forum every two years setting global standards on Waqf practices; and following the establishment of the Mohamad Bin Rashid Center for Endowment Consultancy and the passing of the Federal Law No. 05 of 2018, the "Waqf Law".⁶ A Waqf entity will enable the organization to make social impact investments that could benefit refugees, and that could support ongoing, continual contributions through UNHCR's cash assistance program.

4 Thomson Reuters in collaboration with DinarStandard. "State of the Global Islamic Economy Report." 2018.

5 DinarStandard estimates prepared earlier in this report and explained further in the Methodology section.

6 Khaleej Times. "Sheikh Khalifa issues two new laws in UAE". June 2018.

Available from <https://www.khaleejtimes.com/nation/sheikh-khalifa-issues-two-new-laws-in-uae>

13. Report Methodology

A wide range of sources and methods were used in the production of this report.

(1) Secondary research

Over 30 sources were used in the production of this report, including but not limited to Islamic Research and Training Institute; IMF International Rescue Committee; Pew Research Center; Thomson Reuters; UNDP; UNHCR and UNOCHR.

(2) Primary research

In producing this report, the DinarStandard team conducted in-depth interviews with UNHCR's Zakat team, and further leveraged select interviews with donors and institutions which have been included within this report.

(3) Estimations

This report includes several estimates that are not publicly reported but have been estimated based on a synthesis of multiple datasets. Each estimate has been prepared as follows:

(i) Muslim displaced persons of 40.8 million in 2017:

Metric	Description	Source
Internally displaced persons by source country, 2017	Total displaced persons by country, totaling 68.5 million people in 2017. Estimates included UNRWA displaced persons, internally displaced persons and refugees	UNHCR ¹
Muslim population by country, estimated for 2017	Muslim population estimates by country for 2010 and 2030; based on the annual growth rate, an extrapolated estimate was prepared for 2017	Pew Research ²
Total population by country, estimated for 2017	Total population by country was estimated based on World Bank metrics	World Bank ³
Muslim displaced persons by source country, 2017	Calculated based on dividing Muslim population by Total population by country, and applying the same percentage to the displaced population by source country	Calculation

(ii) Potential Zakat of \$356 billion in 2018:

Metric	Description	Source
Potential Zakat by country (\$), 2016	Estimates of potential Zakat, based on GDP by country, for 17 OIC countries. These estimates totaled \$187.3 billion and spanned, in order of decreasing size: Saudi Arabia, Turkey, Indonesia, Malaysia, Nigeria, Egypt, Bangladesh, Kazakhstan, Pakistan, Morocco, Azerbaijan, Tunisia, Jordan, Albania, Kyrgyzstan, Tajikistan, Mozambique Estimates were prepared by the University of Kebangsaan Malaysia, published in the International Journal of Zakat	International Journal of Zakat ⁴
GDP growth from 2016 through to 2018, %	Nominal GDP growth was captured by each of the 17 OIC countries in the sample used in the International Journal of Zakat	World Bank ⁵

1 UNHCR. "Global Trends: Forced Displacement" Reports from 2007 to 2017.

2 Pew forum website. Available through: https://www.pewforum.org/2015/04/02/muslims/pf_15-04-02_projectionstables74/

3 World Bank website. Available from <https://data.worldbank.org/indicator/SP.POP.TOTL>

4 International Journal of Zakat by the University Kebangsaan Malaysia. "Zakat Collectible in OIC Countries for Poverty Alleviation: A Primer on Empirical Estimation". 2016.

5 World Bank website. Available from <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG>

Metric	Description	Source
Share of global Muslim lifestyle spend (2018), %	For each of the 17 countries, their aggregate share of global Muslim lifestyle spend was determined. Muslim lifestyle spend estimates, totaling \$2.1 trillion in 2018, span Muslim spend on food and beverage; media and recreation; leisure and tourism, clothing and apparel; pharmaceutical products and personal care products, representing an important proxy for relative spending power by country, and hence the capacity to give Zakat.	DinarStandard ⁶
Global potential Zakat, \$, 2018	Calculated based on applying GDP growth by country to 2016 estimates of potential Zakat by country to determine 2018 estimates for a sample of 17 select OIC countries. A global estimate of potential Zakat for 2018 was then derived through dividing the aggregate estimate for potential Zakat across the 17 sample OIC countries by the share of global Muslim lifestyle spend represented by those same 17 countries in 2018.	Calculation

(iii) Actual Zakat of \$76 billion in 2018:

Metric	Description	Source
Actual Zakat by country (\$), 2018	Zakat estimates for 12 select OIC countries were gathered from various estimates prepared by the Islamic Research and Training Institute in conjunction with the Islamic Development Bank	Islamic Research and Training Institute ⁷ Philanthropic Foundations in Egypt ⁸
Share of global Muslim lifestyle spend (2018), %	For each of 12 countries, their aggregate share of global Muslim lifestyle spend was determined. Muslim lifestyle spend, totaling \$2.1 trillion in 2018, estimates span Muslim spend on food and beverage; media and recreation; leisure and tourism, clothing and apparel; pharmaceutical products and personal care products, representing an important proxy for relative spending power by country, and hence the capacity to give Zakat.	DinarStandard ⁹
Proportion of Zakat given from person to person without intermediary (%)	The proportion of Zakat given directly was estimated to represent the majority of the Zakat market – various datapoints were collected to validate this.	UNDP ¹⁰ Global Humanitarian Assistance ¹¹
Global actual Zakat, \$, 2018	Calculated based on dividing the aggregate estimate for actual Zakat across the 12 sample OIC countries by the share of global Muslim lifestyle spend represented by those same 12 countries in 2018. Once the total amount of Zakat collected was determined, this figure was then divided by the portion of Zakat collected by institutions, providing the total estimate of Zakat for 2018	Calculation

6 Thomson Reuters in collaboration with DinarStandard; "State of the Global Islamic Economy Report 2018/19." 2018.

7 Mohammed Obaidullah. "Role of IsDB in Developing Zakat Sector". December 2018. Available from <https://iiibf.com/role-of-isdb-in-developing-zakat-sector/>

8 Catherine E. Herrold. "Philanthropic Foundations in Egypt: Fueling Change or Safeguarding Status quo?". Available from <http://dar.aucegypt.edu/bitstream/handle/10526/4295/Philanthropic%20Foundations%20in%20Egypt%20Fueling%20Change%20or%20Safeguarding%20Status%20quo%2035-54.pdf?sequence=1>

9 Thomson Reuters in collaboration with DinarStandard; "State of the Global Islamic Economy Report 2018/19." 2018.

10 UNDP. "The role of zakat in supporting the Sustainable Development Goals". May 2016. Available from <http://www.id.undp.org/content/dam/indonesia/2017/doc/INS-ZakatUpdated-English-19June17.pdf>

11 Global Humanitarian Assistance. "An Act of Faith: Humanitarian Financing and Zakat". 2015. Available from http://devinit.org/wp-content/uploads/2015/03/ONLINE-Zakat_report_V9a.pdf; Estimation based on Obaidullah and Shirazi. "Islamic Social Finance Report 1436H (2015)". See also: World Bank . "Islamic Finance: A Catalyst for Shared Prosperity?", (Table 8.2, page 164). Global Report on Islamic Finance. 2016.

14. Acknowledgements

Produced by:



UNHCR, the UN Refugee Agency, leads international action to protect people forced to flee their homes because of conflict and persecution. We deliver life-saving assistance like shelter, healthcare, cash and water, help safeguard fundamental human rights, and develop solutions that ensure people have a safe place to call home where they can build a better future. We also work to ensure that stateless people are granted a nationality. From UNHCR's side, this report was led by the Private Sector Partnerships Unit, which sets the organization's strategy for engagement with individuals, corporations and foundations.

In partnership with:



DinarStandard™ is a growth strategy research and advisory firm empowering organizations for profitable and responsible global impact. DinarStandard specializes in the Halal/Tayyab food, Islamic/Ethical Finance, Halal Travel, Islamic NGOs and OIC member country sectors. Since 2008, DinarStandard has been advising organizations globally on market expansion, business/investment strategy, and innovative marketing strategies. Its clients include global multi-nationals, Islamic financial institutions, halal market startups and NGOs.

Report Team

Rafiuddin Shikoh

Strategic Advisor
DinarStandard

Houssam Chahine

Strategic Advisor
UNHCR

Shadi Ghrawi

Report Advisor
UNHCR

Haroon Latif

Lead Author
DinarStandard

Mohamed El Mehdi Zidani

Report Coordinator
UNHCR

Yasir Malik

Analyst
DinarStandard

Nahla Mesbah

Analyst
DinarStandard

Zuhaib Baig

Coordination Support
DinarStandard

Omar Elnaiem

Communications Advisor
UNHCR

Dima Jarmakani

Coordination Support
UNHCR

15. Glossary

Term	Definition
Halal	The word 'Halal' literally means permissible in Arabic and in translation it is also used as lawful.
IDPs	An internally displaced person (IDP) is someone who is forced to flee his or her home but who remains within his or her country's borders.
IsDB	The Islamic Development Bank (IsDB) is a multilateral development financing institution located in Saudi Arabia.
Islamic Lifestyle	Islamic Lifestyle represents the core lifestyle sectors impacted by Muslim values which include Halal Food, Modest Fashion, Halal Pharmaceuticals, Halal Cosmetics, Islamic-themed Media, and Muslim Travel. Muslim spend represents spend by Muslims on the broader lifestyle sectors spanning Food and Beverage, Clothing and Apparel, Outbound Travel, Media and Recreation, Pharmaceuticals, and Cosmetics.
OIC	The Organisation of Islamic Cooperation (OIC) is the second largest inter-governmental organisation after the United Nations, with membership of 57 states, covering four continents.
Refugees	A refugee is someone who has been forced to flee his or her country because of persecution, war or violence.
Sadaqah	Sadaqah means 'charity' and is the concept of voluntary giving in Islam.
Sharia	Islamic law that is a religious law forming part of the Islamic tradition. It is derived from the religious precepts of Islam, particularly the Quran and the Hadith.
UNHCR	The Office of the United Nations High Commissioner for Refugees is a United Nations programme with the mandate to protect refugees, forcibly displaced communities and stateless people, and assist in their voluntary repatriation, local integration or resettlement to a third country.
UNOCHA	The United Nations Office for the Coordination of Humanitarian Affairs is a United Nations body formed in December 1991 by General Assembly Resolution 46/182. The resolution was designed to strengthen the UN's response to complex emergencies and natural disasters.
UNRWA	The United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) is a relief and human development agency which supports more than 5 million registered Palestinian refugees, and their patrilineal descendants.
Waqf	A Muslim religious or charitable foundation created by an endowed trust fund.
Zakat	Zakat represents a mandatory religious requirement in Islam for individuals and institutions to give 2.5% of their accumulated wealth to those in need.

UNHCR

International Humanitarian City
Building #4, Floor #2
Dubai, United Arab Emirates
www.unhcr.org | zakat.unhcr.org

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