**Zakat practices around the world**

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**Zakat**, an obligatory donation, is the third of the five main pillars of Islam and originates from the Arabic word meaning ‘to purify’, as it is a mechanism to ‘purify’ the wealth of the rich and redistribute it to achieve social justice. Wealth that is liable for Zakat incudes gold and silver, agricultural products and livestock, business assets, bank accounts, financial assets, and rentable buildings. Zakat is set at 2.5 per cent of all productive wealth and is meant to be distributed to eight categories (Asnaf) of people listed in the Quran as having the right to receive it: the poor, the needy, new converts to Islam, slaves and captives, the debt ridden, stranded travellers, Zakat administrators, and ‘for the sake of God’ (Quran 9:60).

The implementation of Zakat and its use in social protection differ extensively from one country context to the next. This One Pager summarises a Research Report produced by the IPC-IG in collaboration with UNICEF Afghanistan under the IPCIG-UNICEF ROSA (Regional Office for South Asia) project, which aims to represent the different modalities of how Zakat collection and distribution systems operate in the world.

The report looks at Zakat practices in 29 countries, highlighting: (i) the management and institutional arrangements of Zakat systems—i.e., whether they are State- or charity-led, centralised or decentralised; (ii) the financing of Zakat systems—i.e., whether they are compulsory and if there are any tax incentives for payers; (iii) eligibility criteria and interpretation of the Asnaf categories; (iv) the Zakat benefits provided; and (v) the transparency, accountability and perceptions of Zakat systems. It also provides some recommendations regarding Zakat practices developed considering the Afghan context prior to the new government of September 2021.

**Management and institutional arrangements**

- Most countries either have voluntary State-led Zakat funds or charity-led Zakat collection processes.
- Most State-led Zakat collection and distribution processes operate through a hybrid model where the central Zakat Fund and local committees work together either through the redistribution of Zakat (as in Sudan) or through the implementation of unified eligibility criteria (as in Libya).
- Countries with strong state-led Zakat Funds have sought to increase linkages to social protection systems by setting coordination mechanisms (Oman), developing complementary eligibility criteria (Jordan) or including Zakat in social protection strategies and planning (Sudan).
- A few countries have embedded Zakat in the social protection system by using it to finance part or all of the social protection budget, as in Saudi Arabia and Kuwait.

**Financing**

- Most countries with State-led Zakat payment mechanisms have made Zakat voluntary.
- The type of wealth liable for Zakat is mostly the same across countries, with a few exceptions extending the obligation onto companies, such as in Pakistan, Sudan, Saudi Arabia and Kuwait.
- Tax incentives to pay Zakat are provided by countries with voluntary schemes and those with compulsory ones, in the form of a deduction of Zakat from tax payable, such as in Malaysia, or mostly as a deduction of Zakat paid from taxable earnings, as in Pakistan and Sudan.

**Eligibility Criteria**

- Most countries interpret the eight Zakat beneficiary categories differently.
- Most countries have stipulated additional eligibility criteria, particularly regarding having income below the poverty line.
- Local committees play a major role in eligibility determination.

**Type of Benefits**

- Most countries use Zakat to support both productive and unproductive recipients, with the former receiving microfinancing and the latter receiving social assistance.

**Transparency, Accountability & Perceptions**

- Only a few countries have clearly indicated grievance redress mechanisms (GRM) or monitoring and evaluation (M&E) processes.
- Most countries do not regularly publish financial data about amount of Zakat received and distributed.
- Most countries are working on improving the data available on programmes, especially through the development of apps that provide payers with the ability to track the size of their donations.

The institutionalisation and operation of Zakat as part of a social protection system requires careful consideration of the elements of management, financing, eligibility criteria, type of benefits, and transparency. Choosing between State-led or charity-led, or compulsory or voluntary Zakat collection schemes must be predicated on government perceptions and preferences, as well as countries’ different socio-economic and governance contexts.

**Reference:**