Transnational Zakat Management: Transformations in the Humanitarian Sector

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Abstract
In this commentary, we reflect on findings from our project examining Muslim humanitarianism, specifically how Muslim philanthropists and humanitarian actors influence and are influenced by their interactions with actors in the international humanitarian sector. We note a growing interest among dominant international humanitarian organizations, such as United Nations agencies, in Muslim philanthropy and Islamic social finance. Concurrently, Muslim philanthropists and humanitarian actors are increasingly asserting their presence in the international humanitarian field. Looking closer at zakat collection and management, we will explore how these interrelated trends mutually reinforce one another, driving transformation in the practices of both Muslim humanitarians and the wider humanitarian sector.

Keywords: *UNHCR, zakat management, Islamic philanthropy, human initiative, humanitarian sector*

Introduction

As global humanitarian needs continue to rise, traditional funding sources are increasingly insufficient to meet the demands of those affected by disasters, conflicts, and other crises (UNOCHA, 2024). Muslim populations across Asia, the Middle East, and Africa are disproportionately impacted by these challenges (Ferris, 2011; SESRIC, 2017). In response, Muslim humanitarian actors are turning to Islamic philanthropy and social finance to address these needs, offering an alternative and complementary source of support. This approach leverages deeply rooted Islamic principles of charity and social justice, particularly through mechanisms like *zakat* (obligatory alms), *sadaqa* (voluntary charity), and *waqf* (endowment).

Recognizing the potential of Islamic finance to bolster humanitarian efforts, the United Nations (UN) has called for innovative partnerships to tap into new financial resources, including Islamic social finance. There is increased recognition of the untapped potential in Muslim philanthropy and Islamic finance among Western-based humanitarian actors (Tittensor et al., 2018). As part of this effort, Muslim humanitarian actors are collaborating with

UN agencies to develop policies and partnerships that integrate Islamic social finance into mainstream humanitarian action (IsDB & UNDP, 2023; UNDP, 2019).

At the 2016 World Humanitarian Summit in Istanbul, the United Nations hosted a session specifically dedicated to Islamic social finance, where stakeholders from governments, international banks, the private sector, and nongovernmental organizations gathered to discuss how Islamic finance could contribute to humanitarian action. This session marked a significant moment in recognizing the untapped potential of Islamic philanthropy, paving the way for further engagement between religious and secular humanitarian actors (United Nations, 2016).

As one of the five pillars of Islam, zakat is an integral part of Muslim religious practice. It is a personal duty, commonly calculated as 2.5% of accumulated wealth paid annually. Giving zakat is a private, often deeply meaningful act that extends beyond immediate help, as it is viewed as an investment for the afterlife. This makes accountability, trust, and risk management crucial for the legitimacy of both public and private zakat management organizations.

The potential global zakat pool is estimated to range from USD 200 billion to USD 1 trillion (IRIN, 2012; Gallien et al., 2023), underscoring its vast potential for humanitarian action.[2] Still, the full integration of zakat and other forms of Islamic social finance into international humanitarian efforts remain works in progress. Historically, humanitarian scholars and practitioners have been cautious about engaging religious actors in humanitarian work, fearing that more particularistic worldviews might conflict with the core humanitarian principles of humanity, impartiality, neutrality, and universality. While numerous Islamic economists, Muslim scholars, and aid practitioners have emphasized the significant potential in zakat, they have also raised questions and concerns about management of zakat-based humanitarian aid (Cheema, 2017; Mahmood et al., 2022).

In this commentary, we reflect on findings from our project examining Muslim humanitarianism (Borchrevink et al., 2024), specifically how Muslim philanthropists and humanitarian actors influence and are influenced by their interactions with broader humanitarian entities in the international aid landscape. We look closer at the United Nation High Commission for Refugees (UNHCR) and Human Initiative (HI), two organizations that have taken on transnational zakat management in recent years, asking how zakat management shapes the organizations' humanitarian practice, and whether Islamic social finance contribute to transformations in the international humanitarian sector more broadly.

[2] These figures are hard to determine accurately due to the lack of precise wealth data for Muslims. As a result, zakat estimates are based on varying assumptions about the percentage of GDP allocated to zakat (see Kahf, 1989; Shirazi, 2014 for detailed discussions).

UNHCR and the Refugee Zakat Fund

UNHCR, tasked with leading international action to protect refugees, forcibly displaced communities, and stateless people, faces diminishing resources amid rising humanitarian needs (Strand & Borchgrevink, 2024). With a large proportion of refugees and internally displaced persons (IDPs) coming from Organization of Islamic Cooperation (OIC) member states, zakat emerged as a viable funding source (Bakre & Dorasamy, 2024). In response to this, UNHCR launched the Refugee Zakat Fund in 2019, after two years of piloting. The fund primarily provides cash donations and relief items to eligible refugees and IDPs, with a significant focus on populations in Asia and the Middle East. By 2023, UNHCR's zakat contributions had assisted 1.1 million individuals in 20 countries. In 2023, the fund received over USD 45 million, with 45% of this amount coming from zakat donations, 55% from sadaqa, and smaller contributions from Zakat al-Fitr and Sadaqah Jariyah (UNHCR, 2023).

For UNHCR, collecting and managing zakat represents a departure from its traditional humanitarian practices. Zakat, being a deeply personal, religious obligation, requires a high level of trust and accountability, not only in terms of financial transparency but also in adherence to Islamic principles. To ensure compliance with Sharia law, UNHCR consulted leading Islamic scholars and fatwa institutions prior to launching the Refugee Zakat Fund. As of 2024, 17 institutions, including the Muslim World League and Al-Azhar's Islamic Research Academy, have endorsed the fund, providing much needed trust and legitimacy to the UN agency (Strand & Borchgrevink, 2024). To further enhance trust, UNHCR waived its usual indirect support costs, ensuring that 100% of zakat funds go directly to recipients. The zakat funds are kept in a dedicated, interest-free bank account in Geneva, and no conditions are placed on beneficiaries. UNHCR also provides individual reports to donors, detailing the use of zakat funds and conducting annual Shariah compliance reviews (UNHCR, 2023).

As the first UN agency to collect zakat, UNHCR's legitimacy has been questioned and tested. A frequently discussed issue is whether UNHCR—an international, secular organization—is equipped to manage zakat in accordance with Islamic principles. In 2022, the World Zakat and Waqf Forum (WZWF) called for an immediate halt to UNHCR's zakat collection. WZWF advocated for the decentralization of zakat collection and distribution, questioning whether UNHCR, as an institution, was eligible to receive and manage zakat (WZWF, 2022). UNHCR has taken these concerns seriously and has developed approaches that align with different interpretations of zakat in specific contexts. For instance, in Indonesia, UNHCR does not directly collect zakat. Instead, through its Islamic Philanthropy in Indonesia program, UNHCR collaborates with various supporters and partners, including zakat organizations, Islamic charities, foundations, and Sharia-compliant businesses, to assist refugees and other forcibly displaced individuals (UNHCR, 2023).

Human Initiative: A Transnational Muslim NGO

In Indonesia, Human Initiative (HI) has emerged as a humanitarian organization distinct from mainstream zakat organizations. Established in 1999 with the name Post Keadilan Peduli Ummat (PKPU)—"A Post of Justice for Caring Umma"—and registered as a zakat organization in 2001, the organization gained significant experience during the 2004 Aceh tsunami and 2006 Yogyakarta earthquake relief efforts, excelling in disaster response and humanitarian programs. In 2010 it registered as a European Union partner in social programs. While the organization expanded its humanitarian work nationally and internationally, the Indonesian government rules and permits for zakat management became increasingly strict and centralized. In response, PKPU separated its zakat organization from its humanitarian work and established Human Initiative as a distinct humanitarian NGO in 2016. Since then, HI has developed into a transnational Muslim humanitarian NGO committed to addressing global challenges while maintaining its Islamic values. HI's four programs, Initiative for Children (including orphans), Initiative for Empowerment, Initiative for Disaster Risk Management, and Initiative for Infrastructure, are based on general donations, grants, and corporate social responsibility funds, not zakat (Human Initiative, 2023a, 2023b). In addition to its 13 branches across Indonesia, it operates national chapters in Saudi Arabia, Germany, Japan, Malaysia, Singapore, Qatar, Thailand, and Australia (Human Initiative, 2023b).

HI has been consistent in not collecting zakat directly in Indonesia[3] but collaborates with local faith-based philanthropy and zakat organizations to redistribute assistance, including zakat, coming from abroad. For example, it distributed zakat al-fitr from its Germany branch to Muslims in Bogor (Fitors, 2024) and from Australia to Muslims in Padang (HIVE, 2023). As a transnational Muslim NGO, it must also deal with the legal complexities of transferring and using zakat funds across international borders, ensuring compliance with both local laws and international financial regulations. HI manages this by working with local organizations that collect and distribute zakat to ensure that it complies with the rules on zakat governance in the respective contexts. It also faces the challenge of determining whether and how zakat funds can be used to support non-Muslims, especially in areas where humanitarian crises affect both Muslim and non-Muslim populations. HI works to navigate religious interpretations while aligning with the inclusive goals of global humanitarian work, which often prioritizes needs-based assistance regardless of religious affiliation.

Advocating for the use of zakat in international humanitarian programs remains an important task for HI. Together with other progressive zakat organizations, the organization is working with Islamic legal scholars to expand

[3] HI is not registered as an "*amil* zakat organization," as required for managing zakat in Indonesia, and since the PKPU's spin-off, zakat collection is managed under the Initiative Zakat Indonesia (IZI). HI can still collaborate with zakat organizations to receive and redistribute zakat.

the permissible uses of zakat for humanitarian initiatives. Importantly, the Indonesian national zakat management agency (BAZNAS)—which handles parts of Indonesia's transnational zakat transfers—is permitting the use of zakat for victims of natural and social disasters: both Muslims and non-Muslims (Keputusan Ketua Badan Amil Zakat Nasional, Pedoman Pelaksanaan Pendistribusian dan Pendayagunaan Zakat di Lingkungan Badan Amil Zakat Nasional [Guidelines for the Implementation of Zakat Distribution and Utilization within the National Zakat Collection Agency], 2019). They interpret the eight categories of zakat beneficiaries contextually, making victims of humanitarian crisis eligible for some of the categories , most importantly the destitute (*fuqara*), the poor (*miskin*), those whose hearts are to be reconciled (*muallaf qulub*), and those in bondage (*fi riqab*, slaves and captives). HI is careful to maintain alignment with religious teachings while engaging in the global humanitarian system, showing that there it is possible to find constructive, and productive, ways of working at the intersection of Islamic principles and international humanitarian standards. At the time of writing HI is considering restarting zakat collection and distribution in its international chapters. When and if they do this, they will draw on the insights of other zakat management organizations, like BAZNAS, but also on the experiences of secular organizations like UNHCR Refugee Zakat Fund and the organization's zakat division in Indonesia.[4] However, while HI is demonstrating a new way, most zakat organizations in Indonesia are deeply embedded in a context where zakat management laws and Islamic legal frameworks determine engagements and ways of working. As such HI is unique in their approach, rather than representative of a broader trend.

Transnational Managers of Alms

As managers of zakat, the organizations are responsible not only for handling aid funds but also for managing individuals' alms. This responsibility comes with an added layer of accountability beyond what is typically required in modern financial management (Borchgrevink, 2020). Therefore, the integration of zakat and Islamic social finance in the humanitarian sector is not merely the introduction of a new area within humanitarian practice; it also brings changes to individuals' religious practices. To be recognized as legitimate stewards of alms, both HI and UNHCR must adhere to Islamic legal principles. When zakat is used for international humanitarian work it involves navigating a complex web of national and international legal regulations. For instance, in some countries, zakat might be subject to specific legal restrictions, particularly if the recipients are non-citizens or the funds are being distributed across borders.

As both managers of alms and providers of and providers of humanitarian aid the two organizations must work to raise awareness about the impact of zakat and improve the accountability and transparency of their funding and activities.

[4] Interview with Human Initiative, Jakarta, October 2024.

Both UNHCR and HI must therefore build trust with donors, recipients, and international partners by demonstrating that zakat funds are being managed efficiently and in accordance with both Islamic principles and global humanitarian standards.

Mutually Reinforcing Trends in Humanitarian Practice

The evolving engagement between secular and religious aid organizations reveals a dynamic convergence, where actors from both spheres are increasingly learning from one another to address humanitarian challenges. On the one hand, secular humanitarian organizations are turning to religious almsgiving practices, such as zakat, to tap into new resources and engage with communities in ways that are culturally and contextually appropriate. This shift is not merely transactional but involves deeper engagement with religious authorities and Islamic philanthropic structures, integrating these into the broader framework of international aid. From the Muslim philanthropy perspective, there is a growing recognition of the value of international collaboration, including aligning with secular humanitarian frameworks to address global crises. This interaction highlights a shift in perspective, where religious organizations are increasingly open to participating in global, secular humanitarian efforts, without compromising their core values.

To fully realize the potential of zakat in addressing humanitarian needs, it is necessary to adapt its use through theological innovation to ensure it remains effective and relevant. At the same time, while there is growing openness to new partnerships and funding sources among both international aid agencies and Muslim philanthropic organizations, challenges persist in navigating the normative requirements of both secular and religious frameworks. This is evident in the tensions between core humanitarian principles of neutrality and impartiality and common interpretations of who can receive zakat and what it can be used for. While these issues remain debated in some contexts, there are practices in others that bridge between the traditions. For example, in the distribution of zakat to needy communities in Sittwe, Myanmar, zakat organizations, by combining humanitarian principles and the Islamic concept of benefit (*maslahat*) and emergency (*darurat*), decided to distribute zakat neutrally and non-discriminatorily, including to non-Muslims. Mainstream secular organizations also acknowledged the role that religious zakat organizations could play as mediators in humanitarian crisis (Fauzia, 2018). Therefore, some of these challenges also present opportunities to break down barriers between religious and secular humanitarian actors, potentially enabling more flexible and innovative approaches to humanitarian aid.

What is needed to advance this development? First and foremost, trust is crucial. Mutual trust must be fostered between Muslim humanitarians and mainstream humanitarian organizations, ensuring that both sides understand and respect each other's values and practices. Knowledge is the foundation of this trust; humanitarian organizations must invest in understanding the Islamic philanthropic sector and vice versa. Additionally, a willingness to take risks, learn from failures, and adapt to innovative approaches will be essential in driving this collaboration forward. Only through these efforts can full potential of cross-sector partnerships be unlocked and contribute to more effective, contextually relevant humanitarian action.

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