Zakat Distribution Policy

for Zamzam Foundation and

Zamzam Foundation UK

(Working name for Somali Relief and Development Forum)

Contents

Context and acknowledgements

Zamzam Foundation and Zamzam Foundation UK have adopted the zakat policy developed by Islamic Relief and developed our own adapted version. We are extremely grateful to Islamic Relief not only for authorising us to do this, but also for the advice, guidance and training they have generously provided to ensure that our staff in Somalia and in the UK understand the policy and can implement it rigorously and appropriately. While Islamic Relief has reviewed and approved our adapted version of the policy to acknowledge that it is in keeping with the original, ensuring the policy's proper implementation is the sole responsibility of Zamzam Foundation and Zamzam UK.

The Islamic Relief Zakat Distribution Policy upon which our policy is based was developed over several years by Islamic Relief's independent Zakat Advisory Board to ensure that it is in keeping with Islamic teachings and guidance. In developing the policy Islamic Relief consulted with offices around the world to secure their buy-in, including Islamic Relief Somalia. By following this adapted version of Islamic Relief's policy, we can ensure that your zakat is only spent on projects that meet appropriate and specific zakat criteria.

Definitions

Admin or Support Costs – Direct, Support and Indirect Costs

Direct Costs: This refers to direct project delivery costs that include programme costs associated with delivering emergency aid and development assistance in Somalia.

Direct Support Costs: These are costs that link directly to a project but are shared between different projects/ services.

Indirect Costs: These include IT, HR, finance and other office costs that underpin project delivery but cannot directly be linked to a project.

Charities SORP: A Statement of Recommended Practice which sets out how charities in the UK should prepare their annual accounts and report on their finances. The SORP is an interpretation of the underlying financial reporting standards and generally accepted accounting practice.

Poverty: According to the United Nations, poverty is the inability to have opportunities, and a violation of human dignity. It means the lack of basic capacity to participate effectively in society. It means not having enough to feed and clothe a family, being unable to access education or healthcare, not having assets from which to generate a dignified living, and not having access to credit. It means insecurity, powerlessness and exclusion of individuals, households, and communities. It means susceptibility to violence, and often implies living in marginal or fragile environments, without access to clean water or sanitation *(UN Statement, June 1998 – signed by the heads of all UN agencies).* In terms of zakat, poverty can be defined as the absence of any excess wealth beyond one's essential daily requirements.

Rightsholders: Individuals or social groups that have particular entitlements in relation to duty-bearers. Duty-bearers are defined as state or non-state actors, e.g. Zamzam Foundation (ZZF), that have the obligation to respect, protect, promote, and fulfil the rights of rightsholders. A directly reached rightsholder will have registered and received one or more project/programme inputs from ZZF, and/or participated as a registered attendee in activities organised by ZZF, and/or had documented access to services provided by ZZF.

SRDF: Somali Relief and Development Forum. SRDF is a UK Registered Charity (No. 1143208) established in 2011. Its two main charitable objects are assisting the victims of conflict and natural disasters through the provision of food, medical aid, accommodation, access to water and sanitation, and other humanitarian assistance; and promoting sustainable development for public benefit. In 2023 the trustees of SRDF signed a partnership agreement with Zamzam Foundation (ZZF) which establishes ZZF as SRDF's implementing partner for delivering aid and development programmes across Somalia and enables SRDF to use Zamzam Foundation UK as its new working name to raise awareness and raise funds.

Zakat: One of the five pillars of the Islamic faith requiring Muslims who meet the necessary criteria to give a part of their wealth each year to the poor and needy and others deserving of and eligible to receive it.

ZZF: Zamzam Foundation. ZZF is a charitable organisation headquartered in Mogadishu and established in 1992. It is the organisation with primary responsibility under this policy for distribution of zakat in accordance with the policy, through ZZF's emergency relief and development programmes.

ZZF UK: Zamzam Foundation UK is the new working name for the Somali Relief and Development Forum, UK Registered Charity No. 1143208. ZZF UK / SRDF has primary responsibility under this policy for collecting zakat and transferring it to ZZF in accordance with the policy.

1. Introduction

Context

The Messenger of Allah, may Allah bless and grant him peace, said: 'Islam is based on five things: Testifying that there is no god except Allah and that Muhammad is the Messenger of Allah (shahada); establishing the prayer (salah); paying the zakat; the Hajj; and the fast (sawm) of Ramadan'

Narrated by Imams Bukhari and Muslim

Alms are meant only for the poor, the needy, those who administer them, those whose hearts need winning over, to free slaves and help those in debt, for God's cause, and for travellers in need. This is ordained by God; God is all knowing and wise *(Al Qur'an, Surah Tawbah, Verse 60)*

Zakat is a duty mandated by Allah (SWT) upon any Muslim who is in possession of wealth over a certain threshold. Throughout the Qur'an, zakat is mentioned alongside prayer, emphasising the sacred and essential nature of zakat as an act of worship. Zakat is a unique mechanism which calls for the compulsory redistribution of wealth from the rich to the poorest and most vulnerable members of society. As a core pillar of Islam, the Qur'an teaches that zakat is not a matter of voluntary charity, but a matter of social justice and protecting the rights of the poor.

The benefits of zakat are both spiritual and worldly. Firstly, zakat purifies both the wealth and the heart of the payer of zakat, instilling in them virtues of humility, generosity, and detachment from worldly things, and providing them with a means to attain closeness to Allah (SWT). Zakat should provide the recipient with a means of lifting themselves out of poverty and need in a manner that protects their dignity. Secondly, by developing social security networks for the poorest and most vulnerable members of society and developing bonds of brotherhood and sisterhood between all levels of the community, zakat helps create flourishing societies, united by mutual love and concern.

As one of the fundamental pillars of Islam, Zamzam Foundation and Zamzam Foundation UK / SRDF believe that zakat should be at the core of our work**.** ZZF UK / SRDF is in a privileged position of being able to assist Muslims in the UK in fulfilling their obligations by providing a means for their zakat funds to support the poor and needy and displaced people across Somalia strengthening communities and lifting families out of poverty.

As such, Zamzam Foundation and ZZF UK / SRDF take the responsibility placed on our organisations by donors, rightsholders, and Allah (SWT) Himself seriously in order to distribute zakat in accordance with Islamic values and teachings. This policy seeks to ensure that the global zakat activities of ZZF and ZZF UK/SRDF are in full accordance with the teachings of Islam, thus enabling both partner organisations to fulfil their responsibilities in the best way possible.

2. Policy statement

ZZF and ZZF UK/SRDF recognise the importance of transparent and accountable governance of zakat funds based on the overarching principles outlined in the Qur'an and sunnah from a theological perspective. We also recognise the importance in the UK context of compliance with Charity Commission requirements and guidance concerning Charity SORP and trust law.

This policy is designed to ensure that a consistent approach to zakat funds is taken and that detailed and relevant guidance is centrally disseminated. This policy will assist with:

- guiding ZZF on which projects are eligible to receive zakat
- ensuring a significant and appropriate level of decision-making on the part of ZZF in Somalia regarding the allocation of zakat
- scholarly clarification on issues relating to the shared zakat endeavours of the two organisations, such as questions around support costs or the disbursement of zakat to different types of rightsholders
- developing processes to ensure the collection, financial transparency, allocation, distribution, monitoring and impact of zakat funds are appropriately taken care of between ZZF UK/SRDF and ZZF, helping both organisations to operate in a transparent, participatory and efficient way that is compliant with Islamic principles
- encouraging internal and external transparency regarding the collection, financial transparency, allocation, disbursement, monitoring and impact of zakat funds.

3. Scope

This policy is binding on both ZZF UK/SRDF and ZZF. It will have implications for the following areas of our work:

Governance	• The trustees and senior management of both organisations should consider this Zakat Policy and its application beyond their fiduciary duty to ensure that things are done right and that both organisations are doing the right things.
ZZF UK/SRDF	• ZZF UK/SRDF needs to make donors aware of their obligation to pay zakat and support them in calculating how much they should pay. • It should communicate to donors how their zakat funds will be and/or have been spent. • It needs to communicate with and involve ZZF's Head of Programmes and programme teams regarding zakat allocation to projects. • ZZF UK/SRDF, in allocating zakat funds to ZZF programmes, will need to do so according to the principles outlined herein.
ZZF Head of Programmes	• ZZF's Programmes Department will need to work with ZZF UK/SRDF colleagues and participate in decision-making processes to ensure zakat is spent on the most needed projects, in the most effective manner. • Programmes teams will need to ensure that zakat-funded projects adhere to the principles outlined herein. • Programmes teams should be encouraged to develop projects which can utilise zakat funds.

	• Programmes teams will need to provide clear reports on an annual basis to demonstrate that zakat funds are being utilised in accordance with this policy.
Monitoring, Evaluation and Learning (MEAL)	• ZZF's MEAL team will assist Programmes colleagues in monitoring the extent to which zakat projects are helping those most in need and in assessing their impact.
Audit	• Under the oversight of the Internal Auditor and Director of Programmes, selected programme audits related to ZZF programmes will include specific elements to assess compliance with our policy, procedures and systems on zakat, assessing application of funds, accounting, and reporting. Where zakat is part of a programme audit, the audit will consider the use of zakat beyond the financial aspects. This includes assessing the programmatic application, and the end use of funds to the last mile and last stop.
Communications	• The joint Annual Report Working Group convened by ZZF and ZZF UK/SRDF will need to ensure that ZZF's Annual Report and other communications inform stakeholders: ○ how much zakat was raised annually and the eligible projects the zakat was applied to • the difference and impact which zakat projects achieved.
Finance	• Finance functions across ZZF and ZZF UK/SRDF should maintain a specific track of zakat income and zakat expenditure in their accounting systems. • Internal reporting should periodically ensure that management reports incorporate: ○ the executive and trustees' analysis to show clearly and highlight costs charged to zakat funds and zakat funds raised ○ which projects were approved as zakat eligible and what costs have been charged to zakat.

4. Responsibilities

- This Zakat Policy is the collective responsibility of the ZZF UK/SRDF management team and ZZF's Finance Department and will be reviewed regularly.
- Respective senior managers and advisors will be responsible for developing and enacting relevant processes in their areas of work to ensure compliance with this policy.
- ZZF's Head of Programmes and programme leads will be responsible for developing projects that are eligible for zakat funds and allocating zakat income to eligible existing projects, ensuring that reporting shows how zakat has been utilised according to this policy.
- ZZF UK/SRDF will be responsible for allocating zakat funds to existing or new projects that are eligible for zakat.
- The finance functions across ZZF and ZZF UK/SRDF will be responsible for monitoring specific zakat income and expenditure in accordance with this policy.

- The communications leads of both ZZF UK/SRDF and ZZF will be responsible for creating awareness of zakat according to this policy among staff, the UK donor base and the wider public. They will communicate how ZZF is distributing the zakat collected.

5. Policy goals and objectives

The overall aim of the Zakat Distribution Policy is to ensure that the zakat activities of ZZF and ZZF UK/SRDF are in full accordance with the teachings of Islam, thus enabling both organisations to fulfil their obligations to those who are eligible for zakat in the best way possible.

The specific objectives are:

a) To ensure appropriate governance of the trust from theological and charity trust law of zakat funds.
b) To provide clear guidance to ZZF and ZZF UK/SRDF trustees, management and staff on how zakat should be fundraised, accounted for, allocated, distributed, and monitored, and on how the social-economic value of zakat in enhancing communities should be accounted for.
c) To provide transparency and accountability to stakeholders on how they should expect ZZF UK/SRDF and ZZF to collect, allocate and distribute zakat.
d) To ensure good-quality internal and external communications on ZZF's distribution of zakat and its impact.
e) To ensure that the zakat activities of ZZF and ZZF UK/SRDF are conducted in the most transparent and Islamically-compliant manner possible.
f) To enable ZZF to utilise zakat within its programmes in a manner that ensures the maximum impact and efficiency in reducing suffering and poverty.

6. Collection of zakat

In collecting zakat, ZZF UK/SRDF and ZZF should:

- Undertake efforts to remind Muslims and Muslim communities of the importance of paying zakat and those who are eligible to pay zakat.
- Provide clear and accessible guidelines and support to donors around calculating how much zakat they are obliged to pay. In the UK this will be provided through the ZZF UK website and access to additional advice and support through the info@zamzamfoundation.org.uk email address and the Donor Care Officer. If more detailed guidelines are published in future, these must be appropriate to the UK context and should be prepared in consultation with a suitably knowledgeable imam or scholar where possible.
- Provide training to staff involved in fundraising and public communications on the obligation to pay zakat and basic elements of calculating zakat. Fundraisers and those engaging directly with the donor community should be well trained in organisational protocols in managing and reporting on

zakat, so they may be able to provide clarity and understanding to stakeholders about zakat requirements and the ZZF approach to rightsholder eligibility and zakat distribution.

Zakat funds, SORP and trust law
Zakat funds are given for a specific purpose and can only be used for zakat-eligible purposes as defined in the eight categories of zakat. The accounting records of ZZF UK/SRDF and ZZF should distinguish the income and spend between zakat funds and other funds.

Funds generally fundraised are either:

a) Restricted or unrestricted

The consideration is whether zakat funds are restricted or unrestricted funds and if unrestricted whether they should be designated funds.

b) Restricted funds

Restricted funds are subject to conditions specified by the funder or restrictions imposed by the donor or ZZF UK/SRDF during its marketing campaigns. Therefore, restrictions can be created under trust law. This means that ZZF UK/SRDF fundraisers raising zakat do so by specific ask to particular programme, and those funds can only be spent in that programme.

Unrestricted funds are spent or applied at the discretion of the ZZF and ZZF UK/SRDF senior management teams to further any of the charitable purposes of ZZF and ZZF UK/SRDF. Unrestricted funds can be used to supplement expenditure made from restricted funds (SORP 2.6).

Marketing and fundraising

ZZF UK/SRDF and ZZF will respect the wishes and conditions which donors place on their donations. However, in the case of zakat, the policy of ZZF UK/SRDF is that donors must be encouraged to give zakat to a general zakat fund.

This is due to the need to ensure that zakat is spent as swiftly as possible (as the obligation will not be fully discharged until the rightsholder receives the zakat). Moreover, Allah (SWT) has already placed several conditions on zakat. As such, donors should be advised <u>against</u> placing further conditions on zakat that may prevent it being spent in the most quick and effective manner on those who need it most.

The policy of ZZF UK/SRDF regarding fundraising for zakat is that:

- ZZF UK/SRDF should encourage donors to pay their zakat without further restrictions added.
- ZZF UK/SRDF should avoid options in their fundraising or marketing materials (e.g. website or leaflets) that allow donors to give zakat to restricted funds.
- Programme or project-specific zakat funds should only be made available by ZZF UK/SRDF if ZZF has confirmed such programmes/projects can be delivered in accordance with the zakat policy.
- However, if ZZF UK feels that it is unable to respect a donor's wishes (e.g. due to a lack of suitable projects, or if the donor's conditions contravene our policy), ZZF UK/SRDF must:
    - communicate to the donor that ZZF may not be able to spend the zakat in the requested manner, and encourage the donor to give zakat to an alternative fund
    - where appropriate refuse the donation on the grounds that we do not have the capacity to spend the zakat in the requested manner

- apply the Charity Commission guidance and write to the Charity Commission in the United Kingdom to utilise funds for other purposes
- where ZZF UK/SRDF possesses existing unspent zakat funds which are restricted by programme or sector, ZZF UK/SRDF must ensure that such funds are spent in accordance with the donor's conditions. If this is not possible, then permission must be sought from the original donor to utilise the funds in another manner if this is possible.

- Any communication with donors that constitutes direct marketing of zakat by ZZF UK/SRDF must follow UK law and regulations governing privacy and electronic communications.

7. Distribution of zakat

Who is eligible to receive zakat?

The Qur'an clearly outlines the eight categories of people who are eligible to receive Zakat:

> *Alms are meant only for the* ***poor, the needy****,* ***those who administer them****,* ***those whose hearts need winning over****,* ***to free slaves and help those in debt, for God's cause, and for travellers in need****. This is ordained by God; God is all knowing and wise (Al Qur'an, Surah Tawbah, Verse 60)*

These boundaries are set by Allah (SWT). ZZF UK/SRDF and ZZF believe that we – as zakat administrators – will be held accountable by Allah (SWT) for how we distribute zakat funds, and the extent to which we adhere to the conditions and parameters set by Allah (SWT).

As such, ZZF UK/SRDF and ZZF must only distribute zakat to rightsholders (directly or through projects) who are relevant to the categories outlined above. When allocating zakat to projects, or applying for zakat funds to utilise in projects, ZZF must provide a justification as to *how* this project matches the criteria of zakat.

While the categories themselves are clearly set, their definition and interpretation – particularly in the contemporary context – require some clarification.

1.1 *Fuqara* and *Masakin* (the poor and needy)

1.1.1 Poverty is being in a state where one is unable to meet one's essential needs. This can be assessed through local consultations and needs assessments.

1.1.2 ZZF UK/SRDF and ZZF recognise that in mentioning both *fuqara (poor)* and *masakin* (needy or extremely poor) Allah (SWT) is ensuring that we address the needs of both the *poor* and the *ultra-poor*. As such, it is critical that the needs of the ultra-poor are considered and prioritised where possible when identifying which projects to fund through zakat.

1.1.3 ZZF will use zakat to provide adequate assistance to meet the essential needs of rightsholders.

1.1.4 ZZF UK/SRDF and ZZF believe that zakat can and should be used for emergency relief activities, such as the provision of food, shelter, clothing, medication and healthcare, water and sanitation; and other items or essential activities which can help alleviate the poverty or suffering of affected individuals.

1.1.5 Zakat funds cannot be used in cases where additional conditions are added for its receipt (e.g. cash for work projects).

1.1.6 Where possible, zakat should also be utilised in a way that provides long-term solutions to the deprivations or needs of disadvantaged people. This could be achieved through developing sustainable livelihoods projects, through education or health provision, or through supporting other sustainable development activities for the poor and needy.

1.1.7 The demographics of Somalia – whose population is thought to be over 99% Muslim – ensure that ZZF will focus its zakat implementation in areas where there is an overwhelming Muslim majority among the population. However, as a humanitarian organisation, ZZF will do this in a way that does not discriminate between people on the grounds of race, religion, clan, gender or ability and is bound by the internationally recognised humanitarian principles of impartiality, neutrality, independence and humanity. To ensure non-Muslims in such situations receive the same level of assistance, additional funding should firstly be sought from other (i.e. non-zakat) sources of funds. If other funds are not available, then zakat may be used.

1.2 Amileena alaiha (administrators of zakat)

ZZF UK/SRDF and ZZF are legitimate administrators of zakat. Both organisations are in effect duty-bearers, with a responsibility to respect, protect and fulfil the rights of rightsholders on whose behalf zakat funds have been collected.

1.2.1 As such, ZZF UK/SRDF is eligible to take a reasonable portion of 12.5% of zakat funds to cover the costs of ZZF's delivery of zakat-eligible projects, and will ensure a fair and proportionate sharing of those administrative funds between ZZF and ZZF UK each year. Costs are incurred firstly in raising awareness and collection activities for zakat funds, and then in administering funds to ensure they reach the rightsholders entitled to them.

1.2.2 Costs incurred by ZZF and ZZF UK/SRDF are defined as direct, direct support costs or indirect costs. ZZF and ZZF UK/SRDF must work together to map and understand what costs are related to zakat projects and those that are eligible to be charged against the allowed administration charge from zakat funds.

- Direct costs are frontline delivery costs that include programme costs and country office costs.
- Direct support costs link directly to a project but are shared between different projects/ services. The requirement to factor in such costs means there is a need to arrive at a true cost of delivery for zakat-eligible projects. Direct support costs can and should be charged to zakat when needed.
- Indirect costs include IT, HR, finance and other office/administrative costs that cannot directly be linked to the project.
- Costs associated with fundraising, marketing, event sponsorship, training and governance are not eligible to be charged to the 12.5% administration category.

1.2.3 Any funds taken by ZZF UK/SRDF and ZZF from zakat to cover administrative (direct support or indirect costs) must not exceed the agreed allocation of 12.5% in total.

1.2.4 To ensure transparency and accountability, the programmes function of ZZF and the finance functions of both ZZF and ZZF UK/SRDF should report on the usage of zakat funds. Both organisations must demonstrate consistency, accountability and transparency in the internal environment and in reporting for zakat purposes.

1.3 Mu'allafati quloobuhum (to reconcile hearts)

Whilst ZZF and ZZF UK/SRDF are inspired by their shared values, and proactively seek to educate supporters regarding Islamic values and teachings on poverty alleviation, as humanitarian organisations we do not engage in any proselytisation activity. As such, ZZF and ZZF UK/SRDF do not undertake any zakat activities under the category of *mu'allafati quloobuhum.*

1.4 Riqaab (emancipation of slaves)

Where ZZF finds people suffering from a modern form of slavery – such as forced labour or human trafficking – zakat funds may in principle be utilised to emancipate people from such forms of slavery (provided that the funds do not profit 'slave owners' who have violated national or international law). We do not foresee this category of zakat being part of ZZF's implementation of this policy for the time being, but this will be kept under review.

1.5 Gharimeen (those in debt)

1.5.1 Zakat may be used to assist those in debt under the following conditions:

- The debtor must need financial aid (those with enough wealth to cover their debt cannot be assisted). However, they do not necessarily need to be destitute, but simply not have enough income or wealth to repay their debt.
- The debt should be due immediately. Those whose debts can be deferred may still be eligible to receive zakat but could be considered as less of a priority than those who need immediate assistance.

1.5.2 Zakat funds may be used to pay unsustainable/unrecoverable debts. For example, in microfinance programmes, ZZF is permitted to create an accounting write off against the individual's loan records using zakat funds if the individual has incurred such a debt.

1.5.3 We do not foresee this category of zakat being part of our implementation of this policy for the time being, but this will be kept under review. If our approach to zakat expands to include consideration of those in debt, ZZF will develop and use processes and criteria to verify that only those in genuine debt are supported.

1.6 Fi sabeelillah (in the cause of Allah)

1.6.1 ZZF and ZZF UK/SRDF take the opinion that it is permissible to fund communal welfare assets and programmes – such as clean water sources, health clinics, critical medical equipment, temporary food producing outlets (e.g. bakeries), water containers, schools, training centres, seed banks, communal farmland, water dams – to reduce poverty and hardship in disadvantaged communities.

Projects involving communal welfare will promote the principle of community empowerment through ownership. ZZF will endeavour to adhere to the following conditions when funding communal welfare assets with zakat:

- The clear majority of the rightsholders can be classified as being eligible to receive zakat (i.e. *poor, needy, traveller, etc)*.
- An assessment of the rightsholder community has been conducted, demonstrating the need for the asset in question in alleviating poverty and suffering.
- Consent should be sought from the target community to purchase, develop or implement the proposed asset.
- The project should ensure that rightsholders can act as effective and responsible managers of the asset.
- Once completed, ownership and management of the asset is transferred to the local community (e.g. to a local community management committee compromising of an inclusive group of people), with an agreement to protect the asset's intended usage for communities and individuals in need. It should explicitly state no person in need will be refused.
- The communal asset should always remain a not-for-profit property and for general welfare.
- The asset shall not be owned by any one person or a single group of people.

1.6.2 ZZF will use some zakat funds to fund essential service providers – such as teachers, doctors, health workers, disaster recovery personnel, trainers, and agriculture specialists – where these people provide vital services directly to rightsholders, specifically addressing their needs or deprivations, with the following conditions:

- The service provider is not an employee who provides general operational support and management, but someone who works on direct project delivery.
- An assessment and consultation of the rightsholder community has been conducted, demonstrating the need for the service in question (for protecting lives and alleviating poverty and deprivation).
- ZZF only pays essential service providers for a limited time (no later than the project end date).

1.6.3 Zakat funds can be used for education and training purposes to directly teach people about issues and skills that will allow them to lift themselves out of poverty. For example, learning how to start a home-based enterprise, farming methods, tailoring, animal rearing, health issues, hygiene and sanitation awareness, and other livelihood options.

1.6.4 Any costs which are *specific and limited* to the *distribution* or *implementation* of zakat goods/projects (e.g. petrol for delivery of goods, short-term hiring of transportation/ storage space, etc) and are *not part* of ZZF's *long-term assets or costs* may be covered by zakat.

1.6.5 Zakat funds can be utilised in peacebuilding and governance projects that seek practical solutions that bring peace to communities, leading to a significant reduction in levels of hardship faced by people living in those areas.

1.6.6 However, under this category ZZF will not fund communications or advocacy work such as media information campaigns and cultural awareness-raising activities due to the difficulties in establishing and measuring the direct benefit of these initiatives to those in actual need.

1.7 Ibn as-sabeel (travellers)

1.7.1 ZZF and ZZF UK/SRDF define travellers as people who are at least 48 miles away from their home and unable to reach their destination – including refugees and internally displaced people (IDPs) – and who have been cut off from their wealth, assets, or source of income.

1.7.2 This would apply to IDPs who have not re-settled and are not in the category of *fuqara* and *maskin* (poor and needy).

1.7.3 ZZF may use zakat funds to provide sufficient food, clothing, shelter, transportation, education, healthcare and any other needs.

Matters relating to the allocation and distribution of zakat

1.7.4 ZZF must and will continue to conduct needs assessments to identify the level of poverty in the communities it serves across Somalia. Where poverty or need is identified in UK communities, and when ZZF UK/SRDF has reached an established level of income, in future years we will develop a strategy to utilise a portion of zakat funds domestically. This amount will be determined in a way that is based on the environment in which ZZF UK/SRDF operates and the extent of need.

1.7.5 ZZF UK/SRDF and ZZF will not allocate funds to each of the categories of zakat in an equal measure, as some categories do not directly apply to our shared mission.

1.7.6 ZZF UK/SRDF and ZZF may allocate as much zakat to each category as is relative to the needs of rightsholders and ZZF's capacity in each geographical location.

1.7.7 ZZF UK/SRDF and ZZF will aim to allocate zakat funding within one year of receiving it and use it as quickly as possible.

1.7.8 ZZF UK/SRDF and ZZF will not use zakat funds for any type of endowment or similar investment projects.

1.7.9 ZZF UK/SRDF and ZZF take the view that zakat cannot be given for loans or for Islamic microfinance products such as murabaha/ mudarabah.

1.7.10 Zakat funds can be used on projects that are both short term (e.g. immediate humanitarian response) and long term (such as multi-year livelihood programmes).

1.8 Free reserves

The term 'reserves' is used to describe that part of a charity's funds that is freely available for its operating purpose not subject to commitments, planned expenditure and spending limits. Reserves do not include endowment funds, restricted funds and designated funds.

Zakat funds held have a direct impact on calculating free reserves.

The zakat funds (less than 12.5% of total zakat funds) should be excluded in calculating the free reserve position of ZZF UK/SRDF.

8. Processes

Several principles guide the decision-making process for allocating zakat, which is internal to ZZF UK/SRDF and ZZF:Zakat fund allocations to projects can be made throughout the year, as and when zakat is collected, as opposed to waiting until the end of the financial year to allocate these funds.

c) There should be a formal procedure for allocating zakat funds to projects that is overseen by ZZF UK management and senior ZZF programmes and finance representatives, who together may determine which projects should be funded by zakat.

a) All funding agreements must clearly state which funds are being used for a project (e.g. % zakat, % general funds etc). It is the responsibility of ZZF UK/SRDF as the funding office to ensure that the ZZF Head of Programmes is aware when ZZF is receiving zakat funds.

b) Similarly, it is the responsibility of the ZZF Head of Programmes to ensure that ZZF programme teams are fully aware when they are receiving zakat for a given project.

c) The Head of Programmes and programmes teams must ensure that projects funded by zakat are delivered in compliance with the principles of zakat, as outlined in this policy.

PROCESS: Project concept notes eligible for zakat

Responsible body	Activity
ZZF Head of programmes/programme leads	• Indicate on project concept notes whether projects are fully or partially eligible to receive zakat or not (utilising the principles outlined in this policy). • Zakat funds can be used to fill gaps if projects have a funding shortfall and if the project meets the criteria of the Zakat Policy.
ZZF UK/SRDF	• Select which projects to fund with zakat (collective decision between Head of UK Development and Communications, Head of Finance and Governance Advisor, and Chair of Trustees) utilising the principles outlined in this policy, marking against the Zakat Programmes Checklist provided by ZZF. • Inform ZZF Head of Programmes of intention to fund project with zakat funds.
Programme leads	• Develop project proposals in adherence with principles outlined in this policy. • Submit detailed project budget to ZZF UK/SRDF. • Secure other sources of funds to cover projects costs that are not covered by zakat (e.g. support costs above 12.5%) *if necessary.*
ZZF UK/SRDF	• State sources of funding on SLA (% Zakat, % general funds etc) • State which project deliverables zakat is intended to cover (if relevant).
ZZF Head of Finance and ZZF UK Finance and Governance Advisor	• Review SLA (before signing) and ensure that total support costs (including % taken for administration does not exceed the 12.5% allowed under this policy).
ZZF programme leads	• Provide reports on the expenditure of zakat funds for relevant projects.
ZZF MEAL team	• Monitor to ensure zakat is aimed at those most in need and to evaluate its impact.

Controls for support costs:

- ZZF and ZZF UK/SRDF should ensure that all staff engaged in working with zakat receive adequate training on the rulings, legislation and policy related to zakat.
- ZZF and ZZF UK must collaborate to develop a formula to determine how the administrative allocation can be distributed fairly between various functions within ZZF, in accordance with their respective needs.
- ZZF programme leads should indicate on project concept notes and/or budgets the total amount from the project costs that will be spent on support cost elements. ZZF programme teams must track the utilisation of zakat and zakat components in a project budget and the accounting system for each project.
- Where the total support costs of a project exceed the agreed allocation which ZZF is entitled to receive, ZZF and ZZF UK/SRDF must work together to identify other means through which to fund the excess support costs. This would involve allocating non-zakat funds to cover the remaining cost of the project.
- ZZF programme auditors will conduct 'mini-audits within project audits' to ensure that ZZF is delivering best practice in terms of zakat and has the appropriate policies, procedures, systems and assurance mechanisms in place to verify the 'end use of zakat funds' and ensure appropriate costs eligible to zakat have been charged.

9. Implementation and Assurance Plan

This identifies objectives, activities or methods involved, timescales and individuals responsible for the roll-out of the policy. This can be submitted separately on the implementation plan template available in the policy approval process document.

Reporting zakat

Developing regular reporting mechanisms is a vital means to ensure greater internal and external transparency and accountability regarding Islamic Relief's Zakat activities. The reporting obligations are outlined below:

ZZF UK/SRDF	**Internally** • Providing reports on the amount of zakat funding secured annually. • Providing reports outlining which projects have been funded by zakat annually. **Externally** • Reporting publicly to donors via the Annual Report and the ZZF UK website how much zakat is raised annually, and which projects have been funded by zakat
ZZF programmes	**Internally** • Providing reports on zakat-funded projects on an annual basis.