



# Beyond Charity - the transformative power of *zakat* in humanitarian crises

How *zakat* support from Malaysia helped communities in Kenya recover from drought

August 2018

## THE TRANSFORMATIVE POWER OF INTERNATIONAL ZAKAT: How zakat support from Malaysia helped communities in Kenya recover from drought

The gap between humanitarian needs and humanitarian funding is widening every year. Aid agencies are searching for new approaches to reduce this gap, including searching for new partners.

A Red Cross pilot project in one of the poorest districts in Kenya has demonstrated the remarkable and as yet untapped contribution that Islamic Social Financing can make. For the first time ever, it shows how funds raised through the zakat mechanism can make a real and lasting difference for people of all faiths and backgrounds.

### I. Executive Summary

#### Background:

One of the worst droughts in Kenya's history reached a crisis point in early 2017. At its peak, an estimated 2.7 million people needed relief assistance. The International Federation of Red Cross and Red Crescent Societies (IFRC) and the Kenya Red Cross joined other aid groups in launching international emergency appeals. Their goal: to provide people with access to water, food and health care before helping them to recover and rebuild their lives.

Recognizing the growing difficulties involved in raising emergency funds, IFRC approached the Zakat Council of the Malaysian State of Perlis (*Majlis Agama Islam dan Adat Istiadat Melayu Perlis*, or MAIPS), an organization with a track record of using Islamic Social Finance instruments such as zakat<sup>1</sup> to benefit communities in need.

The MAIPS provided a substantial contribution of zakat funding to the drought assistance programme. That contribution was allocated to the county of Kitui, in southern central Kenya. This location was identified as the worst-affected parts of the country, according to an assessment by the Kenya Red Cross and the Red Cross Red Crescent Climate Centre. The location met the requirements for funding by the MAIPS on three levels:

- The population of Kitui showed a clear need for humanitarian assistance, qualifying them under the *asnaf*, or categories of people eligible for zakat distribution<sup>2</sup>.
- Funding the initiative was an opportunity to rewrite the narrative and demonstrate that zakat contributions can be used to help international humanitarian and development projects in need.
- It also showed that Islamic Social Finance can provide more than charitable disaster relief, but also create sustained impact and shared prosperity.

---

<sup>1</sup> zakat is an annual donation traditionally set at 2.5 per cent of a Muslim's wealth, and viewed as a religious obligation or tax under Islam. Some Islamic countries have centralized, state-sponsored collections, while many allow varying degrees of compulsion and discretion in the collecting and organizing of zakat funds.

#### Intervention:

The programme developed by the Kenya Red Cross used a two-pronged approach to tackle water access and cash crop issues simultaneously. It included the repairing of existing bore holes and pumps and the installation of new ones, to bring the total up to 30. These provide clean water to the county, as well as livelihood opportunities in selling and distributing water. The funds also allowed the purchase of certified green gram<sup>3</sup> seeds that were distributed to 175,000 subsistence farming families. The 2 kilogrammes given to each family were anticipated to yield around 180 kilogrammes of harvest, with a market value of around 1 US dollar per kilogramme.

#### Results:

As a result of the zakat-supported intervention, access to clean water and sustainable cash crops was now made possible for more than 1 million people across the county of Kitui. Water kiosks and distribution businesses are providing both employment and funding for the ongoing maintenance of the water pumps. The sale of green gram at market has provided not only for the welfare of the community in terms of food, health care and education, but has also provided cash to buy more seeds for the next crop. Perhaps most significantly, the farmers of Kitui have agreed to pay back the cost of the initial 2 kilogrammes of seed they received. This makes those funds available again for investment in the neighbouring county of Garissa, which is suffering similar levels of hardship. In keeping with the zakat principles, the initial recipient has become a contributor.

**With the right partnerships, zakat from a state in Malaysia was able to help 1 million people half-way around the world in rural Kenya.**

---

<sup>2</sup> The *asnaf* cover eight categories of people, including some not selected by any religious criteria such as al *fuqara*, the poor who lack any means of livelihood, and al *masakin*, people who are unable to meet basic needs.

<sup>3</sup> Green gram is a type of mung bean and a regional staple, known locally as *ndengu*



Photo by Emil Helotie/Finnish Red Cross

## II. Context

More than 80 per cent of Kenya is categorized as arid or semi-arid, with a pattern of recurrent drought and floods. There is evidence that climate change has made this pattern more pronounced; influencing more than 70 per cent of all disasters in the region and contributing massively to poverty.

Below-average rainfall in 2016 and 2017 worsened the expected drought. At the peak of the drought, approximately 2.7 million people needed relief assistance. In addition, around 69,000 hectares of farming land was affected by an African armyworm infestation, devastating crops and disastrously affecting the small-scale subsistence farmers who form the bulk of the agro-pastoralist population.

As a result, the price of basic food commodities such as maize soared, while at the same time livestock prices declined drastically due to the poor condition of animals. People started reducing the amount they ate, with many families limited to one meal per day. Malnutrition rates steadily climbed among children and adults as food insecurity spread across the country.

## IV. Role of the Kenya Red Cross Society

The Kenya Red Cross Society is a public institution established under the laws of Kenya as auxiliary to the government in the humanitarian field. As such, it is mandated to support communities' response to humanitarian situations through prevention, response and recovery measures. The Kenya Red Cross is also a member of the IFRC.

When the drought intensified in 2017, the Kenya Red Cross and IFRC together launched an appeal for 25 million Swiss francs (26 million US dollars) in humanitarian aid to support Kenya's nationwide response and recovery.

On the local level in Kitui, the Kenya Red Cross made use of its ample experience in organizing, manag-

ing and mobilizing logistics to ensure efficiency and effectiveness. Teams under Kenya Red Cross management were formed to tackle the restoration and refitting of boreholes. In addition, 500 Kenya Red Cross volunteers also worked over a four-week period to register more than 175,000 families to receive their allocation of green gram seed. The distribution of the seed to all the families required 14 trucks which covered more than 45,000 kilometres to get the job done.



## V. The role of Islamic Social Finance, and the leadership of Zakat Council of the Malaysian State of Perlis

The role of Islamic Social Finance (ISF) in economic development has already unlocked tremendous potential. In its social dimension, it offers a greater opportunity to bridge the gap in financing needed to meet the Sustainable Development Goals. The principles of ISF provide a shared foundation of social and economic justice that can contribute to prosperity through the principles of inclusive participation and risk sharing. The commonality of purpose with the humanitarian sector is apparent. However, most international development organizations have not engaged with ISF, largely overlooking the potentially

significant contribution that this growing field offers in alleviating poverty and supporting communities affected by humanitarian crisis.

Fortunately, recognizing this potential, the ISF initiative within IFRC's Innovative Finance portfolio explores opportunities together with National Red Cross and Red Crescent Societies to apply ISF instruments to fulfil the Sustainable Development Goals financing gap, as well as to address the needs of communities faced with development challenges and humanitarian crises. This attracted the interest of the Zakat Council of the Malaysian State of Perlis (*Majlis Agama Islam dan Adat Istiadat Melayu Perlis*, or MAIPS), which has been at the forefront in Malaysia of innovative sourcing and application of the Islamic tithe known as *zakat*. In particular, the MAIPS has demonstrated that these funds can be used by anyone who is in need in their own local environment. However, as needs have largely been met locally at a state level, they wanted to extend the range of their impact, and regarded the opportunity with IFRC and the drought project in Kenya as a timely blessing.

#### The Malaysian state Mufti said:



MAIPS “have been good at collecting *zakat* money but are working to improve and develop the right skill sets to do good development programmes, so that we can transform from supporting sustenance to creating sustainable impact. Through our partnership with the IFRC, we can get more involved, and build our experience and knowledge to create greater impact.”

While visiting the project and the people of Kitui, the Mufti further added “We see this as a pilot to demonstrate to the world how *zakat* can be transformative in its impact locally and internationally.”

In response to the need, 1.17 million Swiss francs (1.2 million US dollars) of *zakat* financing was pledged in support of the drought assistance programme, also underlining the critical element of trust with the IFRC and the proven track record of the Kenya Red Cross in delivering high impact programmes and services. The partnership between IFRC, Kenya Red Cross and the MAIPS emphasises the principles of ISF, that giving goes beyond short-term charity is smart and effective, ensuring inclusive participation, risk-sharing and sustained socio-economic impact.

**International development is an opportunity for Islamic Social Financing to extend its impact worldwide, on the simple basis of shared humanity.**



## VI. The intervention

In partnership with the County Government of Kitui and with support from MAIPS delivered through the IFRC, the Kenya Red Cross distributed seeds to 175,000 selected households in Kitui County. Dubbed the “*Ndengu Revolution*”, the project aimed to support communities in overcoming their immediate needs in access to clean water, while at the same time supporting early recovery initiatives that strengthen livelihoods through support to subsistence farmers. The operation sought to distribute the high-quality green gram seeds at village level, providing 2 kilogrammes to each selected household directly. The yields were to be sold through a pooled market both locally and internationally, cutting off the brokers and middlemen. In addition, the project also included the restoration and installation of bore holes to a total of 30, to provide clean water for the communities through local pumping stations and water retail kiosks.

With this plan, the County Government of Kitui estimated that each household planting its 2kg would harvest two bags of 90kg. With a market price estimated at 80-100 Kenyan Shillings (0.80 – 1.00 US dollars) then the sales per household would be 18,000 Kenyan Shillings (180 US dollars) which will generate sales of 3.6 billion Kenyan Shillings (36 million US dollars) in the county after the harvest and selling. This return on an investment of 1.2 million US dollars means a very successful programme with potential to be made sustainable.

To facilitate this intervention, the Kenya Red Cross used their formidable organizational experience and skills in managing community-based programmes, including: the registration of 175,000 families, which has provided useful census-like data for future initiatives; the distribution of the seed to all the families and advice on planting and growing; establishing local feedback groups to improve processes and to provide advice on the marketing of the crop, and identifying opportunities for local employment in the maintenance and distribution of water operations.

## VII. Achievements



**US\$1.2 MILLION**  
the *zakat* contribution  
to the project



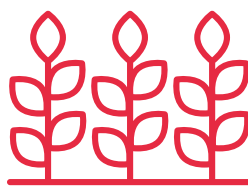
**175,000 FAMILIES**  
with livelihood strengthening and  
water supply



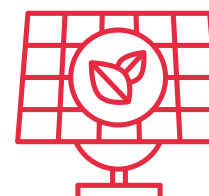
**US\$20 MILLION**  
the total return to the selected  
families from crop sales



**20,000 METRIC TONES**  
of green grams  
harvested



**245,000 ACRES**  
planted in Kitui county



**30 BOREWELLS**  
rehabilitated with low-maintenance  
solar-powered pumps

The key milestones achieved were the restoration and establishment of 30 borewells in the county and the efficient and effective distribution of 2kg of certified green gram seed to each of the 175,000 families in Kitui for planting in readiness for the October-December 2017 rains. The project increased the total land planted in Kitui from 133,000 to 245,000 acres.

Around 1.2 million people were provided with improved access to clean water and a saleable cash crop that would provide for reinvestment in the next crop as well as providing food, education and health care. This reduced the need for hand-outs and provided for increased sustainability and self-reliance in communities.

In material terms, the crop harvested amounted to 20,000 metric tonnes of green gram, with a total market value of 20 million US dollars. This was below the targeted harvest of 36,000 metric tonnes because of lower rainfall than anticipated, but still sufficient to provide food and sustainability for the 1.2 million people in the county.

The 26 restored bore holes and pumping stations allow for clean water distribution to the community and their livestock. Through a network of distribution kiosks water is sold at 2 Kenyan Shillings per 20-litre jerrycan. Money from sales is being used for maintenance of the bore holes and for irrigation and is creating employment at kiosks for local water distribution. General health and safety in the county has been significantly improved.



*“In the past, our people including women and children would walk a 14-kilometre round trip to collect water in the nearest river, which was crocodile-infested,” a local village leader said. “I no longer have to worry if my children will come back alive if I send them to fetch water! During the drought, we were thirsty and hungry, but the crocodiles were hungrier.”*

To ensure ongoing sustainability in the county and foster a cycle of continuous improvement, the Kenya Red Cross will continue to collect and track data to monitor crop yields and productivity. Local communities and local government, with the assistance of the Kenya Red Cross, are analysing the data collected from family registration, to use it for targeting improvements in health care and education. Continued assistance is being provided to local communities for the establishment of self-help cooperatives to maintain and enhance the momentum of this project and reduce the need for outside intervention in future.



## VIII. What has been the transformative impact?

The transformative impact of this project goes beyond simple outputs and falls into three main areas: firstly, the innovative use of ISF in a new environment; secondly, the application of long-term sustainable support rather than short-term charitable support to a community, and; thirdly, the effective application of forecast-based financing.

**The transformative impact of ISF in the international development environment:** The innovative use of *zakat* contributions for drought and famine relief in another country, with an emphasis on the shared humanity of those in need, is a significant demonstration of *shariah* principles applied to international development. *Zakat* is for the benefit of all humanity in need, and is usually distributed with the aspiration that at some point in the future the recipients will be empowered will be enabled to offer *zakat* themselves. The fact that the farmers of Kitui have already agreed to repay the cost of the donated seed, and pay it forward to needy communities in the neighbouring county of Garissa, is a clear endorsement of the transformative impact that this project is having. It may also be used as a role model for similar initiatives all over the world, as an injection of *zakat* that just keeps on giving.

**The longer-term, sustainable impact:** The sustainable support of this project is also transformative in its impact as it is not merely about a short-term charitable handout. It is much more about solving a challenge with the community not just by the provision of external financial resources but using those resources to provide sustainable solutions, such as a supply of clean water and a cash crop yield that can provide food, livelihood, health and education in the community. The model could achieve impact at scale through replication in other arid or semi-arid areas, particularly in Africa.



*“We no longer need handouts,” said women farmers who received the green gram seeds. “With this project, we have enough to buy a cow or goat, save for another planting season and we can keep going for a while. Our aim now is to help our neighbours who have less.”*

**The application of forecast-based financing:** The third transformative impact is through the application of data, technology and futures analysis in the form of forecast-based financing. This application identified the district that was likely to be hardest hit and also identified the most successful crop to grow in difficult circumstances. Green gram was the only successful crop, with no other planted crop surviving that season.

## IX. Challenges

Challenges to Kenya Red Cross and the implementation of the project were predominantly around communication and logistics. For example, it was necessary to overcome the natural reluctance of subsistence farmers to provide basic data, particularly during the presidential election. Promotion and communication of the initial registration process continues to be part of the project. There was an assumption made that the farmers knew about green gram growing, although many had never grown this crop. Distribution and cultivation of the green gram seed was severely hampered by the poor road infrastructure, and the poor state of repair of many pumps at bore holes which had been neglected because of the lack of funds.

Challenges to MAIPS and the funding aspect were fundamentally about awareness of development programmes beyond their local line of sight and having the necessary capacity needed to programme *zakat* financing towards sustainable development programmes that go beyond one-off handouts.

## X. Key lessons learned

These challenges were met by the Kenya Red Cross by applying their wide-ranging skill and experience in similar situations. They built up trust by working with the community and setting up regular dialogue and exchanges. They provided resources to educate and train subsistence farmers on the planting and nurturing of green gram. They overcame logistical issues through sheer perseverance and they repaired many pumps by replacing them with low-maintenance solar-powered pumps.

MAIPS, through their collaboration with IFRC, discovered a partner who could not only draw their attention to relevant projects but also was prepared to share their knowledge and skills on development issues. This demonstrated and emphasised the value of partnerships between Islamic financiers and development organizations that can help yield the most impact from ISF for people in need.



## XI. Recommendations

The Kitui project's use of Islamic Social Finance in the form of *zakat* demonstrates the transformative power and reach that can be applied to sustainable humanitarian efforts anywhere in the world. With more than 1 million people supported in a sustainable way on this project, and more to come, awareness should be raised to harness the power of ISF in doing good for all humanity.

Through this intervention there has been a commitment from the recipients to pay back the cost of the green gram seeds from the sale of the crop. These funds can then be used to strengthen the social infrastructure of the community further and

perhaps go towards the purchase of next season's certified seeds. The project has also allowed local government to collect vital data on citizens which can be used to improve health, education and social services at no cost to themselves. This data and subsequent analysis should be built upon to increase impact and effectiveness.

The current financial model has generated revenue through the water supply that created jobs for maintenance of machinery and distribution networks through the sale of clean water at prices that the market can afford. The cash crop of green gram, or *ndengu*, has allowed the subsistence farmers to trade their crop for the purchase of essential foodstuffs and to make some small savings for use in the next growing season. Local community organizations have been enhanced to review how a co-operative, risk sharing approach can be used to promote healthier crops and get better process at market while cutting out the middlemen brokers, who are simply working to maximise their own margins, not to improve the community. The collective bargaining power of the community organizations with the use of digital financial services through M-Pesa<sup>4</sup> will help enhance the benefits and sustainability for the entire community. It is recommended that further support and guidance be provided to the local communities to build up these skills to develop a complete value chain model without the need for intervention from outside parties.

The profits made from water distribution and the sale of cash crops are generating employment and providing income, some of which is being used for food, some for education and health care and some for savings for future crops. It is hoped that this case study is used as an example for how this type of project can create sustained impact using ISF.

More work needs to be done in the communities with the support of the Kenya Red Cross to ensure the efficiency of the market regarding the sales of the green gram crop. Better information and price discovery will allow for better crops getting a higher price in the market with the possibility of a guaranteed minimum price per kilo. One lesson learned from this project was the importance of organizing the communities better with regards to the operation of markets, transparency on price and basic financial literacy criteria in an environment of trust and dignity.

---

<sup>4</sup> M-Pesa (M for mobile, and the Swahili *pesa* meaning "money") is a money transfer system based on mobile phones and not attached to any branch or bank, first established in Kenya and Tanzania.

## XII. What was the value of the project and the timeframe?

The investment in the project overall was 1.2 million US dollars, with 1 million US dollars of the resources split evenly between the purchase of seeds and the rehabilitation of water points. Registration and distribution took place during October 2017, and the crop was sown shortly afterwards, before being harvested a few months later largely during January and early February 2018. On average the 2kg of certified seed planted produce a 90-fold return with an average of 180kg being harvested. Price per kilo at market varied between 70-100 Kenyan Shillings (or 0.70–1.00 US dollars) allowing for a value of between 126–180 US dollars per household.

## XIII. Who was involved in the project

The project involved the following parties:



*The Government of the County of Kitui*



*Kenya Red Cross Society*



*International Federation of Red Cross and Red Crescent Societies*



*The Zakat Council of the Malaysian State of Perlis*



*500 volunteers*

*Most importantly, the good people of Kitui with the help of the good people in Malaysia.*

## XIV. Conclusions and next steps

The project has been successful: human need has been alleviated, and capital has been generated for further sustainable activity. Islamic Social Finance can be used for humanitarian and development purposes. The MAIPS has established a great example of how the duty of one community in providing contributions have been put to good use to restore dignity in another part of the world that was in need. This highlights the infinite possibilities when ordinary people do extraordinary things and serves as an invitation for others to do the same and to make a difference in a humanitarian, sustainable and caring way.

The real differentiator on this project was the local skills and experience of the Kenya Red Cross that could be applied to the challenge, the global skills of IFRC in knowing and understanding modes of alternative finance (including Islamic Social Finance), and the open-minded willingness and trust of the Islamic Financier. Overall, this project illustrated the effective and efficient mobilisation of resources for the benefit of humanity and the real economy. This model has significance as it can be replicated anywhere, and particularly in the drought-ridden areas of sub-Saharan Africa, to provide sustainable relief and economic development with dignity and care.

The next phase of the project includes:

1. Collection of the initial investment of 500,000 Swiss francs from farmers and the County Government of Kitui for further reinvestment.
2. Implementation of water and food security projects in two sites in Garissa county.
3. Creating awareness about the success of the Kitui project and rewriting the narrative of Islamic Social Finance.
4. Wider implementation of similar projects globally to achieve impact at scale.