

Institute of Hazrat Mohammad SAW
Zakat Based Solutions to Food
Security

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Zakat-based Solutions to Food Security

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Abstract

The Right to Food is a basic human right. Currently 963 million people are malnourished and living in dire poverty across the world. This includes millions of children who may never enjoy a healthy life thanks to stark deficiencies of essential nutrients. Food security is undoubtedly a problem of mammoth proportion and it calls for an integrated solution with the dedicated involvement of the Government, non-government and private institutions.

The world witnessed a unprecedented food crisis in 2008. A number of factors have been attributed to this which includes systematic phase-out of agricultural subsidies in developing countries, production of organic materials for biofuels in place of food grains through politically promoted subsidies, increased prosperity in India and China, resurgence of natural disasters, spiraling fuel prices, lack of good governance and reduction in arable land with an ever-growing population. While the share of primary causes may vary from country to country, natural disasters, lack of food stock and lack of policy support on agriculture and support for small productions growers may have been the prime initiator of food crisis in the worst-hit countries.

Food issues are of grave importance to developing countries. The poor usually spend nearly 70% of their daily income on food. The 2008 food price hike is said to have pushed over 150 million people to poverty. For there teeming poor, even one meal a day is a daily struggle.

According to a recent World Bank report a 60 percent increase in the price of rice alone erodes nearly one-fifth of the income of a poor household. Increases in prices of other key food items compounded this loss in real income of the poor. While measures such as government's expansion of open market sales, introduction of 100-day Employment Guarantee scheme, and augmentation of public food stocks can provide short term relief, in the long run the country needs to boost production and improve food management practices in order to feed its growing population.

This paper will propose the attainment of food security through the mechanism of Zakat. Zakat is an Islamic Financial Instrument. Simply put, it is a charity on accumulated wealth that is mandatory in the religion of Islam. It is a unique tool for mobilization of resources from haves to have-not. The paper will examine the utilization of zakat funds for building food reserves. It will discuss profit-and-loss partnerships among small-scale agro producers and zakat institutions which facilitates sourcing, training and creating market access. The paper will draw on proven historical examples as well as on recent

empirical data on the utilization of zakat as an effective tool for combating social and economies challenges.

Each country has a unique set of contributing factors and it is imperative governments take this into consideration in devising innovative solutions to the important issue of food security. The zakat-based approach to food security provides a unique means for empowerment of the poor, systematic transfer of knowledge and know-how, built-in safeguards against unforeseen natural disasters and progressive financial independence and empowerment of the poor.

Introduction

The world today had been plagued by an unprecedented food crisis lead by food shortages and spiraling food prices. The problem has been acute in developing countries with high levels of poverty as the poor spend as high as 80% of their income on food. Food riots have erupted in different parts of the world and destabilized the stability of many economies.

A number of factors have been attributed to this which includes biofuels production, increased prosperity in India and China, resurgence of natural disasters, spiraling fuel prices, lack of good governance, shift of policy focus away from agriculture and reduction in arable land with an ever-growing population. While the share of primary causes may vary from country to country, natural disasters, lack of food stock and lack of policy support on agriculture and support for small productions growers may have been the prime initiator of food crisis in the worst-hit countries.

In Bangladesh, the food price hike had plunged 4 million people into abject poverty putting intolerable pressure on poor urban and rural households, forcing them to lower consumption of protein and micronutrient rich foods and causing concerns about the risk of rising malnutrition rates. It has raised poverty by 3% points from 35% to 38% and raised the prevalence of undernourishment to 45 percent. The latest data reported inflation at 10.14 percent for the month of June. However, many financial experts say the actual figure is about 20 percent.

One of the most pressing concerns currently is the global food crisis. In 2005, one out of six countries faced food shortages due to natural disasters, climate change and of course poverty. Today, acute food shortages plague most parts of Africa. As long as climate change continues to cause droughts and floods, food shortages will continue to inflict us.

The poor, defined as people living on less than a dollar a day, get most of their calories from rice which accounts for as much as a quarter of the total household budget of an average Bangladeshi household, while a poor household spends nearly one-third. According to a recent World Bank report a 60 percent increase in the price of rice alone, as has happened in the last 12 months, erodes nearly one-fifth of the income of a poor household. Increases in prices of other key food items compounded this loss in real income of the poor. While measures such as government's expansion of open market sales, introduction of 100-day Employment Guarantee scheme, and augmentation of public food stocks can provide short term relief, in the long run the country needs to boost production to feed its growing population.

For a country where every year 2 million people are added to the population every year, the main concerns with regard to boosting production and attaining food security are:

- Reduction in arable land compared to its growing population.
- Failure to optimize cultivation
- Major bottlenecks in the distribution
- Scope for improvement in crop management practices
- Scope for improvement in distribution and market access

Economists predict the food price hike in Bangladesh is particularly complex owing to the country's huge population and population density when compared against arable land and it being one of the most vulnerable countries in terms of climate risks. In view of its ratio of high population density compared to arable land, poor distribution and weak governance structure, Bangladesh has grave food security concerns.

Concept of Zakat

Zakat is one of the five pillars of faith. It is a unique, spiritually charged filtering device primarily designed to cleanse one's possession or wealth necessary to protect the owners. Muslims are obligated to pay zakat. The Quran itself sheds light on the economic importance of Zakat. The commandment to establish Zakat is mentioned more than 100 times, usually in conjunction with salah(prayer), as two means of purification. God commands Muslims to pay Zakat on their total wealth in excess of nisab (minimum wealth), to the poor for benefit of the society's social and economic welfare. The following Quranic verses, among others, emphasize that all resources belong to God and that these resources are thus a trust that must be used to satisfy the basic needs of all those who, for no fault of their own, cannot afford the basic necessities of life in a humane and dignified manner.

“(so that) wealth does not circulate only among your rich” (Holy Quran 59:7)

“And(would assign) in all their wealth and possessions a due share (zakat) unto such as might ask (for help) and such as might suffer privation” (Holy Quran 51:19)

The Main objectives of zakat are:

- (1) the promotion of stable economic growth through investments, employment and balance consumption, and
- (2) the achievement of greater income equality through an equitable distribution of wealth, thereby eliminating poverty and extreme disparities of wealth between the rich and the poor.

Zakat is a cornerstone of the values that govern Islamic economics. Being directional and normative, zakat defines the norms of economic activity and, through its effects on economic variables, determines the direction along which the economy should move. On the revenue side, it specifies the manner in which revenue (zakat) is to be raised and who pays it, and on the expenditure side, it sets forth the uses (recipients) of the revenue. Like any modern budget, it describes the economic order that it attempts to establish and express the ideals and aspirations of society.

Can the institution of zakat achieve its objectives of establishing economic justice and general well being of all members of society through equitable distribution of wealth in today's economic environment?

Since there is no contemporary empirical data, this question can be answered only through simulation or extrapolation of the cumulative economic impact of a redistribution of wealth. To test if it is as valid as it was fourteen centuries ago, let's go through a simple accounting exercise. It is a known fact that the collective wealth of 1% population of the Middle East lying in the Western Banks is conservatively estimated to be in the region of over 800 Billion dollars, and earns \$80 Billion annually in net profits (10% rate of return of equity) a 2.5% Zakat on this wealth would produce an annual Zakat of approximately 20 Billion dollars. Mind well this is only 1% population of the Middle East. If some one estimates the total wealth of the 1.25 Billion Muslims and measures the Zakat we can well imagine what an economic impact it can have on the lives of the Muslims alone. If we were to distribute this money among various categories of recipients of zakat as prescribed in the Quran over, say, every year for the next ten years, the cumulative result of this annual redistribution of wealth will substantially reduce unemployment, expand investment base, eliminate poverty and extreme disparity of wealth between rich and poor by the end of the tenth year. This projection is however based on the premise that this goal is achievable in a reasonable length of time provided the system of collection and distribution of zakat is credible, cost-effective, loophole-free and supported by strong accountability mechanisms to assure its integrity.

Zakat-based Food Security Solutions

In simple words zakat is a mandatory, annual charity payment of 2.5% of one's wealth to the poor. It is aimed towards mobilization of resources from the haves to the have not. Zakat when diligently implemented can lead to wide scale uplifting of the poor from the vicious shackles of poverty.

This is a proposal for a zakat based boosting of food supply and thereby ensuring food security for the country. In the Muslim system, Zakat functions as a means to reduce inequalities and eradicate poverty. Zakat means growth, extension, and purification. An estimated 7.5 Million adults (representing 5% of population) in Bangladesh would fall in the minimum wealth bracket to pay zakat. Assuming a minimum annual zakat payment of BDT 250/ person/ year sums up to an annual zakat fund of BDT 1.9 Billion (approx. USD 27 Mn). In a developing country, an organized collection of zakat can play a very strong role towards contributing to the country's food security.

Ensuring food security through safety net programs

The World Bank states that the first best options to address food insecurity include targeted cash transfers to vulnerable groups. These support the purchasing power of the poor without distorting domestic incentives to produce more food, and without reducing the incomes of poor food sellers. Examples include cash or near-cash transfers that are conditional upon meeting a requirement such as low income, location or occupation or engaging in a mandated behavior such as sending children to school. Bangladesh, has been using self-targeted & food-for-work programs, while others, including Afghanistan and Angola, use emergency food aid distribution to ensure food security for vulnerable groups. The food-for-work program in Bangladesh has been expanded recently due to both natural disasters and the rise in food prices.

The zakat fund is to be administered through a Zakat Board. The Board will monitor the way the funds are utilized and distributed. Moreover, surveys must be conducted to see if these projects are reducing food insecurity. The Zakat board must also oversee that no corruption takes place in the process. Since zakat money is the right of the poor, there must be transparency and accountability of the funds. The Zakat board must show accountability by creating a website where all the expenditures and distributions of the funds are listed. This way, people can make sure that their zakat is being used fairly and given to the poor. This system of zakat will strengthen other institutions as well by ensuring social justice, whilst tackling corruption by ensuring honesty through transparency.

The Zakat fund can be utilized through two channels – the Ministry of Social Welfare and Ministry of Finance. Firstly, the government should create a Zakat board through which the funds can be given and then be distributed for the various projects that must be implemented by the government. The funds

may be utilized for safety-net programs, boosting agriculture and improving storage and transportation infrastructure. The Social Welfare Ministry would be engaged for distribution of food grains imported through the zakat fund. This will include the import of basic foods such as rice, grain, salt, sugar and lentils and may be distributed through existing food-for-work programs in the country.

Boosting food supply through agro-support

Bangladesh government is striving to achieve self-sufficiency in food production. In a recent report the Food Minister said all steps are underway to augment domestic food output as dependency on food import or food aid is no more an option. Food aid is now dwindling to an all time low while volatility of food prices in international market has also made it difficult for any developing country to depend on import option. On a positive note, Global Hunger Index (GHI) released by the International Food Policy Research Institute (IFPRI) has states Bangladesh has improved from “highly alarming” at 35.9 to “alarming” at 24.7 in 2009.

Nearly 40 percent of Bangladesh's over 150 million people live on less than \$1 a day and spend 70 percent of their income on food. The population density of Bangladesh is currently over 1200 people per square km with extremely low average land holdings. Zakat funds may be channeled through the Ministry of Agriculture to assist farmers to cultivate high yield varieties, multiple cultivation rotation and support with sourcing and irrigation. The Ministry can offer group training for these farmers on how to use these resources for maximum output and afterwards provide storage facilities and create access to the markets.

Sourcing

In agro-based production, volume pays. However, in Bangladesh with its high population density compared to arable land which prevents them from benefiting from economies of scale in sourcing of seeds, fertilizers etc. The Zakat Board under the Ministry of Agriculture will be serving multiple farmers and hence they will be in a position to obtain quality seeds, fertilizers, pumps and power tillers at competitive rates and distribute it among the agro producers. When needed the Board will provide assistance with formation of embankments for protections against floods and sourcing of climate resistant seed varieties

Training

Bangladesh has low levels of literacy and it is worst among the poor farmers. Owing to their small land holdings and limited scale of production, the often are unable to receive quality training from competent resources persons. The Zakat Board will support such farmers by organizing training sessions

on multiple crop production, soil quality and moisture retention, and hands on training on using power tillers, pest control etc. They will also be offered training on boosting crop yields, protecting harvests and management of climate risks.

Market Access

Supply chain system in Bangladesh is very poor and inefficient and regulatory function is not active. The middlemen, who control 40 percent of the price, can easily manipulate the market. The Zakat Board will facilitate market access for the small producers through shared transportation, access to information on market prices and institutional support in obtaining the best price.

Storage

The Major storage facilities in Bangladesh are government controlled. Many are mismanaged and have been involved in price fixing through hoarding of food grains. The Zakat Board is expected to partner with storage organizations for building and management of food reserves for ensuring food security while watching out for illegal hoarding and price fixations.

Economic Impact of Zakat

The concept of zakat originated in Islam. Islamic history is replete with examples whereby due to correct monitoring and utilization of zakat funds for poverty alleviation, there were years when there was a surplus in the zakat fund but no eligible recipients to receive it. Such examples are inconceivable in today's world but careful utilization of zakat funds for income generation and poverty alleviation is delivered in places like Indonesia, Malaysia and some countries.

The institution of zakat when fully operational would become a fountain of economic harmony and contentment. Income support provided to the poor and needy would result in a measured increase of the money supply in the economy causing upward shift in demand for goods and services. To support this upward shift in the demand for basic necessities of life such as food, clothing, shelter etc., the production facilities would gradually expand and begin to absorb the idle capital. To support the increased production, the economy would generate more jobs and new employment opportunities. This added employment in turn would generate more demand for goods and services, more room for additional investments, and finally, the growth cycle based on balanced consumption would contribute to a balanced economic growth.

Proposal

Each country has a unique set of contributing factors and it is imperative governments take this in consideration and call upon the participation of farmers, think tanks, civil society for dealing with this important issue. Food being a basic necessity, food crisis has the ability to destabilize economies and lead to large scale unrest. On the other hand, increase in food prices creates an opportunity for the global community to refocus on investments in agriculture and social protection. Hence innovative means of addressing the issues of food price increase by raising agro production from local resources through zakat may be researched further and implemented. In this regard, the government of Bangladesh and other low-income Muslim countries may commission a study on a pilot basis on zakat – based food security by non-government research organizations.

Conclusion

It may be reiterated that zakat is an Islamic charitable fund and therefore no form of interest or profit can be made from it. So far, this paper has defined zakat and the role it can play in terms of improving food security and alleviating poverty. Historically zakat has played a key role in alleviating poverty by mobilizing resources. It has helped in attaining social justice and empowering the poor. This research suggests an innovative means of utilizing zakat funds for contributing towards the attainment of food security. The principle drawbacks of the small agro-producers are the lack of institutional support in sourcing, training, market access and storage. The zakat based model shall address these issues and thereby boost agricultural output. Moreover various safety-net programs to provide food to the needy can be enhanced and expanded through zakat funds.

The impact of food security will improve other aspects of development. Once the basic needs of the people are taken care of, people can slowly come out of their poverty; the 70% of their income that was once used to buy food can now be utilized in other aspects of their lives such as education for their children. Moreover health risks such as malnutrition and disease will be lessened. This will improve child and maternal mortality.

On a social level, there will be a check on corruption that was done out of need. Reduced corruption will ensure economic stability and strengthen the institutions of the country especially the government. If the government can mobilize these idle funds towards social benefit, they will not only gain credibility as a welfare state but it will ensure political stability.

Once the nation has resolved the basic crisis of food insecurity, they can proceed to use zakat to provide free education and health care to its citizens in the future. Since zakat is an ongoing flow of money, it can ultimately create a state free of poverty.

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