

DROPLETS OF MERCY ZAKAT POLICY

About Us

Droplets of Mercy is a global grassroots organization that emerged in 2018 with a transformative vision to reduce people's dependency on aid through sustainable solutions. Headquartered in Canada with offices in the USA, UK, Malaysia, Kenya, and Turkiye, this faith-inspired organization has distinguished itself through its unique approach which is guided by the principles of honesty, agility, and transparency.

Aspiring to become the global charity of choice, at Droplets of Mercy, we believe in building strong relationships - with our donors, field partners, as well as the people we serve. In this light, we believe that every project should be an open book and every contribution should count toward lasting change.

Our mission is to reduce people's dependency on aid. We accomplish this by empowering individuals with the necessary resources to chart their own path out of challenging circumstances. Our vision is to create oceans of change. We will accomplish this in partnership with yourself, as your droplets of mercy will help us drive these oceans of change.

Zakat Policy

Droplets of Mercy Zakat policy has been reviewed and approved by Shaikh Navaid Aziz.

What is Zakat?

Droplets of Mercy accepts and distributes Zakat funds. Zakat is a pillar of Islam and is mentioned in the Qurān along with prayer in 26 places.

As per the hadith where the Prophet (saws) said 'Islam is built on five pillars: testifying that there is no deity worthy of worship except Allah and that Muhammad is the Messenger of Allah, establishing prayer, paying the Zakat, making the hajj, and fasting in Ramadhan' (Bukhari & Muslim).

Muslims who own wealth equal to or above the Niṣāb (pre-defined threshold) are obliged to pay 2.5% of their wealth to eligible recipients. Its spiritual objective is to please Allah. Additionally, Zakat purifies the heart and wealth of the payer. It is a means of success in this life and next.

The 2.5% rate is mentioned refers to one's personal or business wealth (e.g., cash, gold/silver, merchandise). Other forms of wealth e.g., agricultural produce, livestock etc have different percentages but are not highlighted due to not being as common.

Zakat ultimately serves as a social and economic tool that can reduce economic inequality in society. The distribution of Zakat ultimately encourages empathy between Muslims to help those in need.

From a charitable perspective, Zakat is an integral source of society to empower individuals to remove financial difficulty, while providing for the needy.

Our Approach

Due to the diversity amongst our global donor base, the multiple locations where we implement our projects, and the modern nature of finance and poverty, this policy is designed to be as encompassing and accommodating as possible from a Islamic legal perspective. This policy seeks to adopt scholarly positions that would be readily accepted by most Islamic scholars in the majority of scenarios and circumstances.

The approach to Islamic law lies within the framework of the understanding of the four schools of jurisprudence. The common denominator between the schools is preferred as a position where possible. Where there is a difference between the schools on a particular issue, Droplets of Mercy adopts the safest opinion being mindful of Allah's right and then seeking to help safeguard the Hereafter of His slaves.

At the heart of this policy is Ijma' (consensus of scholars), which guides every step. While scholars may differ on defining the Fuqara (poor) and Masakin (needy), the policy remains committed to serving them with care and precision, mindful of the trust placed in its hands.

As a further step, when necessary, we have recourse to consider what further fulfills the following: the highest aims of the Shariah to please Allah, that which maintains the unity of the ummah the most and that which promotes the greatest benefit within society. It is worth noting that the jurisprudence of Zakat, as with all laws, must be contextualized. This can be achieved by understanding the causative effects (ilal) of

classical rulings and then applying them contextually, considering the circumstance at hand.

As a result, the positions taken below have been formulated with the following criteria in mind:

- 1) To ensure adherence to the will of the Lawgiver, Allah and his Prophet (peace be upon him) as close as possible, based on classical, orthodox Islamic scholarship. This is the priority and that which everything else is based upon.
- 2) In line with the pragmatic need, situation and challenges of those suffering from poverty and the nuances of delivering charitable interventions in current times.
- 3) Attempting to fulfill the letter and spirit of the law (in this case, the edicts of the Shari'ah).

Who Qualifies to Receive Zakat?

Zakat-eligible beneficiaries are classified into eight categories as per the Quranic injunction.

إِنَّمَا الصَّدَقَاتُ لِلْفُقَرَاءِ وَالْمَسْكِينِ وَالْعَامِلِينَ عَلَيْهَا وَالْمُؤَلَّفَةِ قُلُوبُهُمْ وَفِي الرِّقَابِ وَالْغَارِمِينَ وَفِي سَبِيلِ اللَّهِ وَابْنِ السَّبِيلِ فَرِيضَةً مِّنَ اللَّهِ وَاللَّهُ عَلِيمٌ حَكِيمٌ

“Zakat expenditures are for the poor, the needy, those employed to collect it, those whose hearts are subject to reconciliation, those in captivity, debtors, those in the cause of Allah and the traveller – an obligation by Allah. Allah is Knowing and Wise.” (9:60)

The below provides a brief definition and analysis for each category:

1 and 2. The Poor and the Destitute (al-Fuqarā Wa-l-Masākīn)

This is someone who fulfils one of the following conditions:

- i) A person who has no property or income
- ii) A person whose wealth and income only partially satisfy their essential needs.

The position Droplets of Mercy adopts with regards to the length of time determining satisfaction of need is up to one year. Zakat eligibility criteria is detailed in a section below

Scholars differ on the definitions of the Fuqarā (poor) and Masākin (needy), as well as which of the two are 'needier'. Though this policy does not cover these intricacies, this distinction is not consequential as both would fall under the remit of deserving beneficiaries.

This is as per the Hanbali and Maliki schools of law:

الموسوعة الفقهية الكويتية- 23- 313 وقال المالكية: الْفَقِيرُ مَنْ يَمْلِكُ شَيْئًا لَا يَكْفِيهِ لِقَوْتِ عَامِهِ ((

3. Zakat workers (al-Amilīna Alayhā)

This primarily refers to those collectors or administrators of Zakat. Their roles are broken down into two major functions: i) Collecting Zakat and ii) distributing Zakat.

The collection function refers to identifying Zakat-liable individuals, collecting Zakat and storing Zakat funds.

The distribution function is the identification of Zakat recipients, assessment of their current state and the efficient distribution of Zakat funds to them.

After consideration, charities are considered 'agents' as opposed to 'Zakat administrators' (al-Amilīna Alyahā) in the traditional sense. They are however permitted to take costs similar to Zakat administrators in order to implement a project. More details are available in a section below. Storing includes cash held safely in banks but also physical storage in cases where Zakat is collected in the form of livestock, fruits etc.

4. Those whose hearts are being reconciled (al-Mu'allafati Qulubuhum)

This category has a number of variations primarily detailing the ruling of giving Zakat to Muslims or non-Muslims.

The default understanding of this category refers to those Muslims who would become firmer in the religion. Zakat can be paid towards this group who include those who have newly embraced Islam, or Muslims whose faith have been shaken.

The position of Droplets of Mercy regarding Zakat to non-Muslims is one of impermissibility (as it is a religious directive). There is a valid scholarly difference of opinion on giving Zakat to other faith groups on one condition; if there is a clear hope or evidence that indicates they will be inclined to Islam. However, as Droplets of Mercy is not involved in proselytizing, this would not be applicable.

The majority of scholars hold this category is still applicable and permit donations of Zakat towards it. This is the opinion of the 3 schools of thought – the Mālikī's, Shāfi'is and Hanbali's. The Hanafi School opines this category is inapplicable today.

If diligence shows that they are closer to leaving the religion than embracing the religion, and that Zakat funds will achieve the desired outcome. Also, those who are hungry or needy should be prioritised.

This does not mean we should not assist non-Muslim beneficiaries. Islam promotes poverty alleviation and kindness to all regardless of religion, though the appropriate vehicle is through normal charitable donations (ṣadaqah). Ibn Qudāma cites an approach stating that this category is split between two: believers and non-believers. Regarding the non-Muslim category, he states one eligible category being 'the one who's Islam is hoped, so he is given to strengthen his resolve to accept Islam and incline towards it.' (Al-Mughni, 6/476)

In the situation where Zakat has inadvertently been distributed to non-Muslims mistakenly, this can be retrospectively funded from Sadaqah.

5. Emancipation of slaves (Fi al-Riqāb)

This refers to those who are in bondage or considered slaves. In current times, this can include bonded labor where poor families are forced into slavery due to family debts that have spanned generations. This type of slavery and others can be given Zakat either under the category of freeing slaves (Fi al-Riqāb) or those who are in debt (al-Ghārimīn).

6. Those in debt (al-Ghārimīn)

These are individuals who are in debt and according to the majority of scholars, those in debt due to i) personal reasons and ii) social external reasons.

The following conditions must be present for those with debts for personal reasons;

- i) They must be Muslim
- ii) They should not be from the descendants of the Prophet (peace be upon him)
- iii) They do not have sufficient wealth to repay the debt
- iv) The debt must have been taken for something permissible in Islam and to fulfil their basic needs

The latter type refers to debts incurred by people involved in communal activities of goodness. The majority of scholars separated this type due to certain flexibilities of paying these debts off. Fiqh al-Zakat, Qaradāwī (1/398) and al-Mawṣu'ah al-Fiqhiyyah (23/321).

If, however one from descendants of the Prophet (peace be upon him) is in need, and the charity does not have sufficient Sadaqah for this group – then Zakat can be passed on as per the view of Abu Yusuf, some Shafi'is, al-Birzānī and Ibn Taymiyyah. Kashmiri was of the view that giving them Zakat is better than letting them beg for non-Zakat charity.

Wealth here does not include the necessities such as shelter, clothing, furniture, transportation etc. If they own assets above this, they would be obliged to sell them to repay the debt before being eligible for Zakat. The Hanafi school classifies this as one who does not own the nisāb above what is needed to pay the debt.

7. Those in the path of Allah (Fi Sabili 'Ilah)

This category primarily refers to a Muslim state's military personnel. In the case of Droplets of Mercy, this is not applicable.

Zakat funds cannot be spent on interventions that do not empower individuals with ownership for the Zakat funds. As such, Droplets of Mercy adopts the prudent view that this may take the form of amending financial allocations on the charity's financial software, by assigning Sadaqah to the expenditure on non-Muslim beneficiaries and re-filling the spent Zakat fund.

Restricting the category of 'fī sabīllillah' to its agreed purpose is the position of the majority of scholars across the Four Schools. The expansion of this category to 'all forms of good' or 'supporting the religion of Allah' and hence including the building of infrastructure, schools, building mosques, establishing schools, paying third parties for skills training etc.. is a minority view. It is impermissible to use Zakat money due to two main reasons: i) there is no ownership by the Zakat beneficiary to dictate the way funds are spent, and ii) the restrictions as set by the 8 categories.

Recent scholars who allowed Zakat to be used unreservedly for public interest include Rashid Rida, Qaradawi and others. The below quote references examples of activities that do not fall under the 8 categories and cites the first reason to be lack of ownership.

جِهَاتُ الْخَيْرِ مِنْ غَيْرِ الْأَصْنَافِ الثَّمَانِيَةِ: ذَهَبَ الْفُقَهَاءُ إِلَى أَنَّهُ لَا يَجُوزُ صَرْفُ الزَّكَاةِ فِي جِهَاتِ الْخَيْرِ غَيْرَ مَا تَقَدَّمَ بَيَانُهُ، فَلَا تُنْشَأُ بِهَا طَرِيقٌ، وَلَا يُبْنَى بِهَا مَسْجِدٌ وَلَا قَنْطَرَةٌ، وَلَا تُشَقُّ بِهَا ثُرَعَةٌ، وَلَا يُعْمَلُ بِهَا سِقَايَةٌ، وَلَا يُوسَّعُ بِهَا عَلَى الْأَصْنَافِ، وَلَمْ يَصِحَّ فِيهِ نَقْلٌ خِلَافَ عَنِ مُعَيَّنٍ يُعْتَدُّ بِهِ، وَظَاهِرُ كَلَامِ الرَّمْلِيِّ أَنَّهُ إِجْمَاعٌ، وَاحْتَجُّوا لِذَلِكَ بِأَمْرَيْنِ: الْأَوَّلُ: أَنَّهُ لَا تَمْلِكُ فِيهَا؛ لِأَنَّ الْمَسْجِدَ وَنَحْوَهُ لَا يُمْلِكُ، وَهَذَا عِنْدَ مَنْ يَشْتَرِطُ فِي الزَّكَاةِ التَّمْلِيكَ وَالثَّانِي: الْحَصْرُ الَّذِي فِي الْآيَةِ، فَإِنَّ الْمَسَاجِدَ وَنَحْوَهَا لَيْسَتْ مِنَ الْأَصْنَافِ الثَّمَانِيَةِ، وَفِي الْحَدِيثِ الْمُتَقَدِّمِ الَّذِي فِيهِ: إِنَّ اللَّهَ جَعَلَ الزَّكَاةَ ثَمَانِيَةَ أَجْزَاءٍ وَلَا يَنْتَبُتُ مِمَّا نُقِلَ عَنْ أَنَسٍ وَابْنِ سِيرِينَ خِلَافَ ذَلِكَ (1) فتح القدير ٢ / ٢٠، وابن عابدين ٢ / ٦٢، ونهاية المحتاج ٦ / ١٤٩، والشرح الكبير والدسوقي ١ / ٤٩٧، والمغني ٢ / ٦٦٧

(الموسوعة الفقهية الكويتية- 23- 328)

ونذكر مما ذكر أن المذاهب الأربعة قد اتفقت على دخول الجهاد في سبيل الله ومشروعية الصرف من الزكاة لأشخاص المجاهدين وعدم جواز صرف الزكاة في جهات الإصلاح العام من بناء السدود والقناطر وإنشاء المساجد والمدارس وإصلاح الطريق وتكفين الموتى ونحو ذلك وإنما عيب ذلك على موارد بيت المال الأخرى وذلك لعدم التملك فيها أو لخروجها عن الطريق (المصارف الثمانية) مجلة مجمع الفقه الإسلامي - 3- 50

There are however exceptions to 3.7.2 above if a project is considered to be a necessity. This will only be enacted through a formal process with guidance from the designated Shariah Panel. More details in the section below..

8. Travellers (Ibn al-Sabil)

This category refers to those who are travelling from one location to another and have no or limited access to a means of expenditure to suffice their needs.

The traveler must be in some form of need and in today's climate, this would also include refugees who are in a state of travel from one location to another. Under this category, it would be permissible to give Zakat to a refugee, even though he may have wealth in his hometown or is unable to access it.

There are cases where refugees may actually have assets which exceed the Nisāb. However, due to extenuating circumstances, they may not have the ability to access that wealth. In this case, they will be Zakat eligible as 'ibn al-sabīl, even if they are rich.

How does one calculate Zakat?

The basic method of calculating Zakat is to calculate the total zakatable assets of an individual, minus the total liabilities (over the coming lunar year) the individual has. This figure is then compared to the current Nisāb value. If it is over the Nisāb and has been for a lunar year, then Zakat is due (2.5%). If it is below, then no Zakat is due.

In some cases, one's zakatable wealth may dip below the Nisāb throughout the year. In such cases of uncertainty, it is preferable for one to take the value of one's zakatable assets at the beginning and end of the ḥawl (lunar year). If both values were above the Nisāb then Zakat would be due.

According to all schools of law except the Ḥanafis, if the zakatable wealth goes below the Nisāb, then that year is cancelled and a new ḥawl will start once the Nisāb is reached again. Though this is a strong opinion, it is preferred to err on the side of caution and not consider fluctuations throughout the year.

Droplets of Mercy's Zakat calculator and online Q&A materials provide additional information on more specific scenarios and specific details of how to account for long-term liabilities, Zakat on shares, valuing business assets etc.

The Nisāb threshold that obligates the payment of Zakat is either based on 87g gold or 612g silver.

If one's wealth consists of only gold or silver, then that particular measure would be used.

In the event of mixed assets (e.g., gold, silver and cash), then Droplets of Mercy's policy uses the value of 612g of silver as the measure to determine the Nisāb value. The actual monetary figure can be calculated by determining the market value of silver and taking the most up to date valuation.

Scholars differed on the use of silver or gold as the standard to define the Nisāb. Due to the high price of gold today, this means the Nisāb would be reached by fewer people.

Determining Zakat eligibility

Zakat can only be given to people who fall under one of the categories mentioned in the Quranic injunction. In order to be Zakat eligible (as per the most frequent categories of the poor and needy) a beneficiary must fill the following criteria:

- Be a Muslim
- Whose essential needs are not satisfied.
- Must fall under one of the 8 categories.

Droplets of Mercy has a responsibility to ensure the target beneficiaries are Zakat eligible.

The following scenarios detail to what extent they will investigate Zakat eligibility:

If the target population is not clearly Zakat eligible (e.g. a mix of Muslim/non-Muslim beneficiaries, common areas of rich and poor individuals etc), then an assessment is automatically triggered. This will include an individual/household needs assessment, which will confirm the target beneficiary is a) Muslim, b) possesses less than the Nisāb OR whose essential needs are not satisfied, and c) falls under one of the categories of Zakat.

This is to be confirmed by one or more of the following:

The Hanafi School opines the Nisāb to be the criteria of whether someone is considered Zakat eligible or not. The other three schools of law consider satisfaction of 'essential need'. This is subjective and it is advised the local office/implementing partner exhibits reasoned judgment in this regard based on the location of operation.

The neediest, where accessible, should be prioritized ahead of others less needy.

The partner should conduct a needs assessment and investigate each individual's eligibility of Zakat.

Imam al-Nawawi said those who distribute Zakat should 'identify the relevant beneficiaries, be aware of the total number, and the extent of their need....in order to fulfill their rights and to confirm the discharge of the wealth collated by them' (Rawḍatul-ṭālibīn 2 / 337).

- i) Document review – financial statements, government ID (e.g., categorisation of an IDP, refugee etc.)
- ii) Observation – state of one's abode, number of dependents, etc.
- iii) Evidence of debt
- iv) Evidence of dependents (if applicable)

If the target population is clearly Zakat eligible (i.e., refugees, IDP's in a camp, following a natural disaster in a Muslim country etc). In this case, if it is clear or extremely likely that the beneficiaries are Zakat eligible (as per the conditions above), then Zakat may be distributed without thorough assessment.

Zakat cannot be given to the following categories of people:

- The rich
- Those capable of earning a livelihood, but are not willing to work
- Those who attack or undermine Islam and Muslims

- The children, parents and wives of Zakat payers
- Descendants of the Prophet (peace be upon him) unless there is a dire need (refer to footnote under 3.6.2)

The default approach for Zakat distribution is to transfer the cash or goods to the recipient (as it was collected), rendering the recipient the owner.

Providing money (naqd) to the beneficiary is the default rule due to the ability of the recipient to spend as personal needs dictate. This is also in line with preserving the dignity and reputation of the individual. Methods include mobile payments, cash vouchers, bank transfers, ATM access and cash (with stricter controls).

Though the priority is money, non-monetary items such as food parcels, agricultural tools or even livelihood projects such as sewing machines etc. are permissible exceptions as per the needs of the individual or local circumstances in the country. This would be according to the Shāfi'i and Hanbali schools. This is because they are the priority of the Zakat giver, and it is obligatory to support them as per need. Ownership (or tamlik) is a condition according to the scholars from the Shāfi'i and Hanafi Schools (see Radd al-Muhtaar 2/278-279 and al-Muhath-thab 1/551). This is due to their understanding of the lām in the quranic ayah to refer to 'ownership' and is specific to the first 4 categories: The poor, needy, Zakat administrators and those whose hearts are to be reconciled.

With the provision of owning the sewing machine, chicken farm etc. and managing it themselves or whoever has been delegated and thereby distributing the profits.

Provision of items of equivalent value (e.g., in-kind) is not generally accepted by the majority of the scholars with exception to the Hanafi school who allow it unreservedly. Ibn Taymiyyah generally prohibits the giving of value but does permit it when there is a need, or a particular interest is to be served (Al-Majmu' – 25/82). This is more conducive, especially with challenges in volatile locations such as emergency situations or hostile environments where cash distribution is disadvantageous e.g., due to inflation, exchange rate fluctuations, lack of availability of staple goods in local markets applicable in the case of the organization genuinely a) finding it difficult to provide cash and/or b) they feel the beneficiary would be negatively impacted handling money due to the context of the situation. The following circumstances would permit in-kind donations:

- If local products are expensive (e.g., >20% fluctuation)
- Hyperinflation
- Lack of access to bank accounts

- Fear of life in emergency situations (e.g., threat to life to leave home)
- Lack of available essential goods (e.g., certain foodstuffs, medicines etc)
- Logistical difficulty of distributing cash (e.g., high risk of theft, inability to discharge cash separately to beneficiaries i.e., when congregated)
- Genuine fear that certain people or groups will misuse the monies.

Ownership of the Zakat funds is to be transferred to the recipient (whether as cash or in-kind).

In addition, Zakat funds must be disbursed and received by the beneficiary as soon as reasonably possible upon receipt of funds, whilst at most before the next lunar year (within 355 days from when Droplets of Mercy received the donation). Only in the case of exceptions out of the control of Droplets of Mercy would delays to the Zakat distribution be permitted, e.g., inability to discharge funds due to war or government restrictions.

Zakat therefore cannot be spent on infrastructure (such as schools/buildings), third-party services or skills training etc. due to the absence of the condition of human ownership of Zakat funds. There is an exception to this (7.1 below), if the project is considered to be a necessity for the local beneficiaries and scholarly approval has been sought.

In the event a project is deemed a necessity by the organization and does not fall under the traditional categories of Zakat or does not entail 'ownership', then it may be permitted by exception with two conditions:

- 1) Presence of a confirmed necessity
- 2) Scholarly approval

The standard protocol would be:

Based on a needs assessment on the ground, if a project is considered to be a necessity and Zakat funds are available, the implementers will submit an 'exception request' to the organization's Shariah Panel (with accompanying narrative).

The scholar oversight board will review and then approve or reject the request, based on the need and other factors. If rejected, the organization does not continue with the project.

e.g., due to inflation, exchange rate fluctuations, lack of availability of staple goods in local markets etc.

Examples include the need of a medical clinic where a disease has spread, a refugee camp having no school for children, digging a well for a community with no access to clean water etc.

The amount to be distributed to the recipient of Zakat is at the discretion of the field office or implementing partner. The amount differs based on the circumstance of the recipient, needs, stability/volatility of local markets and no. of dependants.

However, it is recommended in normal circumstances to aim to provide up to one year's sufficiency of essential sustenance.

Essential sustenance according to the majority of scholars includes their food, drink, accommodation and anything else required in light of their situation whilst not being stingy or extravagant. This refers to the beneficiary himself and those who he is responsible for looking after (i.e., dependents).

Zakat can be given to any number of categories, without requiring or equally splitting Zakat donations across them. However, Droplets of Mercy should aim to prioritise the most vulnerable and allocate based on community needs.

It is not necessary to inform the beneficiary that the amount disbursed is from Zakat though if they do, there is no problem. In some cases, it may provide an additional verification stage of Zakat eligibility.

There are two predominant views regarding the amount to be disbursed. The first is enough for one year's sustenance and the second is whatever is required to alleviate poverty from the beneficiary. (Majma' al-Fiqh al-Islāmi: 3/43). This is the position of the Māliki school and most Hanbali scholars amongst others. This view is also favoured by other jurists such as al-Ghazali from the Shāfi'i's based on the hadith of the Prophet (peace be upon him) where he would store food for his family for a year. It is worth noting some schools, such as the Shāfi'i school do not place a limit, preferring to provide whatever is required to remove the recipient from poverty in entirety. This would not be financially feasible for Droplets of Mercy due to the extensive need in the locations with which Droplets of Mercy operates.

الكفاية المعتبرة عند الجمهور هي للمطعم والمشرب والمسكن وسائر ما لا بد منه على ما يليق بالحال من غير إسراف ولا الكفاية المعتبرة عند الجمهور هي للمطعم والمشرب والمسكن وسائر ما لا بد منه على ما يليق بالحال من غير إسراف ولا نفقة (Rawḍatul-tālibīn: 2/311 and al-Mawṣu'ah al-fiqhiyyah (23/316)

There is discussion on this point with contemporary development scholars defining it as a minimum level of human needs as a measurement of the poverty line. The Hanafi, Maliki and Hanbali Schools do not require distribution of Zakat equally to all available categories.

In cases where Zakat funds are plentiful, it would be better to allocate Zakat across the available categories as urged by some scholars. Some scholars prefer that recipients are not told they are receiving Zakat, to maintain their dignity.

Droplets of Mercy will follow guidance by the Fiqh Council of North America regarding Zakat policy and its own panel of scholars. More information can be found at www.fiqhcouncil.org.

They will also audit the Zakat framework (including its implementation) on an annual basis, which will involve document reviews, project spot-checks and, in applicable cases, visits to the field of operation. Updates will be provided as necessary to the public.

Droplets of Mercy is committed to deducting no more than 12.5% of Zakat funds for administration or project expenses related to the collection and distribution of Zakat funds.

This is in line with scholarly recommendations to restrict administration expenditure to 1/8, by analogy on the category of 'Amilīn alayhā (Zakat administrators). This will be reviewed with the Shariah advisor to ensure adherence and feasibility and may be modified as necessary under scholarly supervision. Actual cost attribution will also be reviewed by the advisor at the end of each financial year.

Administration expenses are required in order to contribute to the collection, administration and implementation of the relevant Zakat projects. This includes costs relating to fund transfers, staffing, transportation etc. Examples of eligible costs are detailed in appendix A.

As Droplets of Mercy is authorised to retain up to 12.5%, donors are not required to increase their Zakat donation to cover the amount taken as administration by Droplets of Mercy. However, the donor should be made aware of this deduction where appropriate in communications.

Field offices/partners will be responsible for the effective administration and distribution of Zakat in the relative locations.

They must ensure the following:

- Appropriate segregation of Zakat funds from other funds.
 - Must not deduct any additional administration (additional expenses, variances to pre-defined %'s etc.), except what has been agreed within funding agreements.
 - Verify beneficiaries are Zakat eligible (in line with the section above).
 - Discharge the Zakat funds as soon as possible and no later than 6 months of receipt (unless otherwise stated by HQ/scholarly board).
 - Report on Zakat distribution in line with the relevant reports as detailed in the manual.
- The 12.5% administration amount is not fixed, but instead a maximum permitted as long as Zakat eligible costs are incurred. If the organization can function with a lower administration percentage (e.g., 8 or 10%), then this would be binding. This would be determined as part of a yearly audit.

It is worth bearing in mind that the restriction to 12.5% for Zakat collectors (or in the current environment, charities) is not a definitive legal ruling from the Quran or sunnah, but actually an Ijtihad by scholars (Judai', 2017). It seems to be a position of the Shafi'i school due to the schools' insistence on equally dividing Zakat across the 8 categories and Allah knows best.

ثُمَّ قَالَ الشَّافِعِيُّ: لَا يُعْطَى الْعَامِلُ مِنَ الزَّكَاةِ أَكْثَرَ مِنْ ثَمَنِ الزَّكَاةِ، فَإِنْ زَادَ أَجْرُهُ عَلَى الثَّمَنِ أَتَمَّ لَهُ مِنْ بَيْتِ الْمَالِ. وَقِيلَ مِنْ بَاقِي السَّهَامِ.
قَالَ الْحَنْفِيُّ: يَدْفَعُ إِلَى الْعَامِلِ بِقَدْرِ عَمَلِهِ فَيُعْطِيهِ مَا يَسَعُهُ وَيَسَعُ أَعْوَانَهُ غَيْرَ مُقَدَّرٍ بِالثَّمَنِ، وَلَا يُزَادُ عَلَى نِصْفِ الزَّكَاةِ الَّتِي (يَجْمَعُهَا وَإِنْ كَانَ عَمَلُهُ أَكْثَرَ) (الموسوعة الفقهية الكويتية 318-23)

The 12.5% administration amount is not fixed, but instead a maximum permitted.

This is due to the need to discharge Zakat before the following lunar year (ḥawl). Time is required from the HQ level to receive, process and disburse the funds (maximum 6 months) and then 3 months is given to the field office/implementing partner. The final 3 months is slack to cater for any extenuating circumstances.

In some cases, the scholarly board may permit extensions due to extenuating circumstances.

- Highlight any exceptions to the above immediately to the Droplets of Mercy HQ.

Additional details surrounding standard operating procedures (SOP's) and implementing best practice are available in the Droplets of Mercy Programmes manual.

Droplets of Mercy commits to reporting on Zakat collection and distribution activities via the following:

1. Annual financial statements
2. Annual report
3. Trustee reports
4. Project completion reports
5. Financial fund availability reports
6. Monitoring and evaluation reports
7. Annual Zakat disbursement report (for donors)
8. Zakat audit report (internal and external)
9. Other reports deemed necessary by the organization.

Droplets of Mercy commits to monitoring and evaluating Zakat projects as per their normal M&E Plan. This will be remotely as well as via project field visits by the Droplets of Mercy programs team.

The external Shariah advisor will also monitor and evaluate select processes, policies and projects (within the Canada, US, UK and field) as per the Terms of Reference (TOR).

The external Shariah board will also be responsible to review financial costs at the end of the year to vet that the administration costs have been attributed correctly in line with the Zakat guidance in this document.

Those who breach the policy knowingly and intentionally, whether HQ staff, field offices or implementing partners may be disciplined. This can include a verbal or written warning, or in serious cases a dismissal.

The Zakat policy was prepared by the Policies Committee of the Board of Droplets of Mercy. It will be reviewed on an annual basis to ensure continuing appropriateness.

In the event of significant operational changes or divergence from any Islamic guidelines in the document, this must be reported to the accredited Shariah council to re-evaluate the policy.

This appendix deals with the different types of costs incurred by charities and to what extent they can be attributed to Zakat income.

Appendix A

This appendix deals with the different types of costs incurred by charities and to what extent they can be attributed to Zakah income.

The Shariah board strongly advises that if an organization can subsidize administration and project support costs through Sadaqah or other sources of income alone, that is preferable.

However, more realistically and if required, the organization should utilize Zakat contributions for the below administration and support costs, in accordance with calculated percentages of the Sadaqah/Zakat income ratio. For example, if an organization's annual income of \$1,000,000 is split by 40% Zakat and 60% Sadaqah, the Zakat contributions to costs such as governance, bank charges etc. should reflect 40%.

A more specific example would be an organization's governance costs of \$13,000 for the year. In the above case, the maximum Zakat contribution to this cost should not exceed 40% of \$13,000 which is \$5,200.

The premise here is to ensure a clear separation of Zakat/Sadaqah and prevent front-loading Zakat funds to supplement admin costs primarily supporting Sadaqah-funded projects.

General guidelines on eligible/non-eligible costs

Costs which would be eligible to take from the Zakat are:

- Most direct costs – costs which are directly attributed to delivering the project.
- A percentage of the project support costs which facilitate the delivery of the project. E.g., in-country finance staff, stationary, equipment etc. However, the contribution from the Zakat should be in line with the overall Zakat/Sadaqah ratio as highlighted above.
- A percentage of the HQ administration costs which facilitate the delivery of the project. E.g., case workers, bank charges, systems etc. However, the contribution from the Zakat should be in line with the overall Zakat/Sadaqah ratio as highlighted above.

Costs which would not be eligible* to take from the Zakat are:

- Fundraising costs e.g., Event sponsorship, influencer fees etc.
- Marketing costs e.g., google ads, campaigns etc.
- Advocacy and campaigns

In cases, it could be deemed mandatory to abstain from taking administration from the Zakat if an organization has multiple unrestricted forms of income to cover their admin costs.

Direct costs on delivering the Zakat project can of course be attributed 100%.

- Project feedback costs e.g., cost of videographers, banners etc.

* It is important to note the costs above are ineligible as the Zakat is the right of the Zakat beneficiaries and these costs are not integral to the intervention.

Appendix B

This appendix deals with the due diligence of Droplets of Mercy with regards to partner selection

- 1- An organization profile is created with all relevant information with regards to its registration and location.
 - 1.1- A list of all of the directors, trustees and senior management is gathered.
 - 1.2- Their policies are requested and studied. Including but not restricted to: financial, HR, risk, anti-laundering, anti-terrorism, anti-bribery, and protecting children and vulnerable adults.
 - 1.3- A detailed layout of their capacity and structure which includes: income, expenses, staff, due diligence, auditors, and partners (and how they are vetted)
 - 1.4- A list of their major institutional donors
 - 1.5- A list of their current and completed projects and interventions.
 - 1.6- A gathering of their support documents
- 2- Partner selection

A partnership may be established in areas where the Charity does not have staff to implement projects. This partnership will be governed by an MOU, and each project will be governed by a legal agreement.

A- Partner will submit a completed organizational profile to the Charity.

B- The Charity will review the profile, and carry out the required background checks on the organization, Board members, and senior staff.

C-Upon satisfactory results, the Charity will sign an MOU with Partner to confirm the partnership.

Project Initiation

- A- The Charity will request partner to send a proposal. The proposal will be filled out on the template provided by the Charity. A proposal includes, but may not be limited to:
- Project details
 - Budget and BOQs
 - Quotations from at least 3 different vendors that support the budget

- Risk assessment
- Work plan
- M&E Framework
- Disbursement schedule

B- The Charity will review the proposal and complete internal approvals. During this phase, we may ask additional questions and/or ask for meetings to get further clarity on the proposal.

C- A legal agreement will be signed between the Charity and Partner.

D- The Charity will send the first instalment of the project.

Project Monitoring

- A- The Charity will monitor the project using a live work plan that will need to be updated on an agreed upon frequency (e.g., weekly).
- B- The Charity staff/board/volunteers/influencers may make visits to the site to verify the delivery of aid to the beneficiaries, participate in the aid, and/or to check the books and records of the project.

Project Closing

- A- Partner will submit a completion report once the project is completed OR an update report to signal the release of the 2nd instalment. The completion or update report will be filled out on the template provided by the Charity. The report includes, but may not be limited to:
 - A) Project implementation details and challenges
 - Partner will provide a list of beneficiaries and proof that beneficiaries received the payment.
 - B) Explanation of any budget revisions
 - C) Proof of payment to vendors:
 - If payment is made by cash**, Partner will submit a receipt from the vendor acknowledging payment and may be required to submit a bank statement.
 - If payment is made by cheque, Partner will submit a receipt from the vendor acknowledging payment and Partner will submit the cheque copy.
 - If payment is made by electronic transfer, Partner will submit a receipt from the vendor acknowledging payment and Partner will submit the electronic transfer receipt.

** Partner will sign contracts with anyone that is being paid with the Charity's funds.

**Cash payments should be used as an absolute last resort.

B- The Charity will review the completion report and complete internal approvals for closing. During this phase, the Charity may ask additional questions and/or ask for meetings to get further clarity on the implementation.

C- Once approved, the Charity will send an official email to close the project or release the 2nd instalment of the project.

3- Due Diligence and Social Media Review.

Droplets of Mercy will conduct a due diligence and social media review using open-source intelligence. Followed by a video call with cameras on to verify all personal and projects.

4- A thorough risk assessment will be conducted to consider all risks including but not limited to: Legal, financial, political, social, religious.

5- Before finalizing a thorough open source background screening will also be conducted.

Have a question about our zakat policy? Send an e-mail to info@dropletsofmercy.org. Our team will reply back within 3 business days insha Allah.