

Economic and Social Commission for Western Asia (ESCWA)

**SOCIAL PROTECTION IN MOROCCO: THE ROLE OF ZAKAT**



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## **Disclaimer:**

Views and positions expressed in this report are the responsibility of the author and do not necessarily reflect the positions of the United Nations Secretariat.

## Acronyms and Abbreviations

ADS	Agence de Développement Social
AMEREI	Association Marocaine des Études et Recherches en Économie Islamique
AMERZ	Association Marocaine des Études et Recherches sur la Zakat
AMO	Assurance Maladie Obligatoire
ANAPEC	Agence Nationale de Promotion de l'Emploi et des Compétences
CMR	Caisse Marocaine de Retraite
CNOPS	Caisse Nationale des Organisations de Prévoyance Sociale
CNSS	Caisse Nationale de Sécurité Sociale
GDP	Gross Domestic Product
HCP	Haut Commissariat au Plan
IDB	Islamic Development Bank
ILO	International Labour Organization
INDH	Initiative Nationale pour le Développement Humain
MDGs	Millennium Development Goals
NEP	New Education Program
ONDH	Observatoire National du Développement Humain
PAGER	Programme d'Approvisionnement Groupe en Eau Potable
PERG	Programme d'Électrification Rurale Globale
PJD	Party for Justice and Development
RAMED	Régime d'Assistance Médicale
RCAR	Régime Collectif d'Allocation de Retraite
SDGs	Sustainable Development Goals
SPF	Social Protection Floor
UNESCWA	United Nations Economic and Social Commission for Western Asia

## I. INTRODUCTION

### A. SOCIAL PROTECTION AND THE ROLE OF ZAKAT IN ARAB COUNTRIES

Social protection is an essential instrument for promoting inclusive, sustainable development. It provides tools for poverty reduction, employment and social services that can help ensure decent living standards and enhanced equity among populations. In this way, social protection plays an important role in the Sustainable Development Goals (SDGs), (where it is included as a specific target (1.3)) and the Post 2015 Development Agenda adopted in September 2015. The principle of the social protection floor (SPF), discussed in Box 1, provides a valuable framework for implementing a comprehensive social protection system.

#### **Box 1. The Social Protection Floor**

In 2012, the International Labour Organization (ILO) adopted the principle of the social protection floor (SPF), which was later adopted as a UN-wide policy. An SPF comprises nationally-defined social security guarantees that seek to prevent or alleviate poverty, vulnerability, and social exclusion. To do so, a country's SPF should be structured to provide access to essential health care, basic income security including access to employment, and access to necessary goods and services. It is important to consider the unique requirements for different populations, including those at different stages of the life cycle and persons with disabilities. For example, this includes access to nutrition, education, and care for children and income security and care for persons with disabilities or older persons. A comprehensive SPF can address multiple dimensions of poverty and help reduce disparities in poverty and development within the population. Further, it provides a framework for a coordinated strategy that can help integrate a variety of different programs and institutions related to social protection.

Countries across the world continue to face challenges with implementing comprehensive social protection systems, particularly in the context of growing populations and limited resources. This is the case in much of the Arab world. Recent estimates suggest that only 30 to 40 per cent of Arab populations benefit from formal social protection systems. Large swaths of the population, including those working in the informal sector, agricultural workers, the self-employed, and the unemployed are often excluded from formal insurance systems. Such populations are thus more vulnerable to shocks associated with health crises, natural disasters, armed conflict, or other factors.<sup>1</sup>

In such countries, a wide array of actors, including civil society and informal actors, contribute to social protection systems. This is true of Morocco, where civil society plays an important role in the provision of social assistance, training and local development, and where informal and community assistance serve as an essential safety net for a substantial portion of the population. Part of this informal assistance is the religious duty of zakat.<sup>2</sup> Zakat is a deeply established practice in Arab and Muslim societies and represents one of the main forms of social support in many countries. The practice of zakat, which is grounded in the Qu'ran, is one where a person dedicates a portion of their wealth (usually 2.5 percent) for charitable purposes under the guidance of religious authorities.

Zakat has played an important role in social protection throughout the Arab world for centuries, in a variety of formal and informal ways. Prior to the twentieth century and the fall of the Ottoman Empire, zakat was collected and distributed through a variety of centralized and decentralized systems. These systems were disrupted during the socio-political shifts associated with the first half of the twentieth century.<sup>3</sup> In the latter half of the twentieth century, several Arab countries established official institutions for collecting and distributing zakat.<sup>4</sup> Over the past two decades, the number of official zakat institutions has grown significantly. In some Arab countries, it is obligatory to pay at least a portion of one's zakat to official institutions. This is the case in Saudi Arabia, Sudan, Yemen, and Libya.<sup>5</sup> In many other Arab countries, official institutions exist,

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<sup>1</sup> Jawad, 2014, pp. 7-8.

<sup>2</sup> Ibid., p.7.

<sup>3</sup> Ali, 2002, pp. 10-14.

<sup>4</sup> Ibid., pp. 14-15.

<sup>5</sup> Shirazi, 2014, p. 80.

but payment to them is voluntary. This is the case in Kuwait, Egypt, the United Arab Emirates, Lebanon, Palestine, and Jordan.<sup>6</sup> Some other countries, like Oman, have no official Zakat Fund; instead, individuals manage zakat themselves. In recent years, however, some countries in this latter category have taken steps towards establishing official zakat institutions. This is the case in Tunisia and, to a lesser extent, Morocco.

This study seeks to further explore the diverse mix of systems that contribute to social protection in the Arab world by focusing on the current role that zakat plays in social protection in Morocco. This assessment will include current discussions around the creation of a formal zakat fund, and the future prospects for zakat in Morocco.

Zakat assistance has a long and varied history in Morocco. Government collection and distribution of zakat was prominent throughout Moroccan history, up to the twentieth century. From the arrival of Islam through the eleventh century, local rulers tended to collect and distribute zakat at the local level.<sup>7</sup> However, with the arrival of the Almoravid dynasty in the twelfth century, zakat collection and distribution was centralized. Later dynasties largely preserved this centralized system, including the Alaouite dynasty which took control in the seventeenth century and remains in power today. While the majority of zakat payments were sent to the central government, rulers did often allow a portion of zakat to remain within the province for a specific purpose. Others allowed *zawiyas* – religious brotherhoods that sometimes exerted considerable power and influence in Morocco – to distribute zakat themselves, without first paying it to the state.<sup>8</sup> However, official zakat collection ended in 1901 when Morocco adopted a series of administrative and tax reforms supported by Europe and which served as a precursor to formal European control in Morocco through the French and Spanish protectorates. While zakat practice became unofficial after this point, it has remained highly important in Morocco, both as a practice and as a principle inspiring charitable activity more generally.<sup>9</sup>

There have been numerous discussions around re-establishing a formal zakat system in Morocco. These discussions have been revived in recent years, particularly under the current government of the Party of Justice and Development (PJD). This is a particularly pertinent time to discuss an official zakat institution, as Morocco is currently engaged in significant reforms of its social protection system. The government is in the early stages of developing a coordinated social protection strategy that seeks to consolidate its various social assistance, social security, social service, and poverty reduction programs. While Morocco has taken important steps to reduce poverty and improve social development in the past several years, like many other countries in the region, it continues to face many challenges. To fully understand the current role of zakat and social protection in Morocco, and the potential role that an official zakat fund may have, it is necessary to first understand the current social protection system and ongoing reforms, and to consider how gaps and challenges in that system may relate to – and be addressed by – zakat.

## B. STUDY OBJECTIVES AND METHODOLOGY

In the context of ongoing social protection reforms and continued discussion around the creation of an official zakat fund, this study seeks to review the existing social protection landscape and role of zakat, as well as the potential benefits and challenges of an official zakat fund. This study also reviews current discussions on the creation of an official Zakat Fund and assesses the future prospects for such a fund. This structure facilitates an analysis of how a zakat fund might be integrated into – and contribute to – the existing social protection landscape and ongoing reforms. The issue of integration is important given existing fragmentation of social protection programs and the potential for zakat institutions to become isolated from other social protection programs due to their unique nature.<sup>10</sup>

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<sup>6</sup> UNESCWA, forthcoming.

<sup>7</sup> Tigani, 2002, p. 61.

<sup>8</sup> Ibid, pp. 62 -63.

<sup>9</sup> Ibid., p. 68.

<sup>10</sup> UNESCWA, forthcoming.

Research for this study was conducted through a review of existing literature and a desk study of widely available documents, as well as 2.5 weeks of primary data collection through interviews with relevant government officials, civil society actors, politicians, and researchers.

The report begins with an overview of the current social protection landscape in Morocco, including governmental, civil society, and informal systems. This leads to an assessment of the current role of zakat in social protection, as well as ongoing discussions on the creation of an official Zakat Fund. Finally, the report considers future prospects for a Zakat Fund in Morocco, including risks and challenges for such a fund. The report concludes with a list of key policy recommendations related to a Zakat Fund specifically and social protection more generally.



## II. SOCIAL PROTECTION IN MOROCCO

### A. POVERTY AND SOCIAL DEVELOPMENT IN MOROCCO

Morocco has made major strides in poverty reduction and social development, particularly over the past fifteen years. Based on recent reporting, it has met or is close to meeting most of the eight Millennium Development Goals (MDGs), although gaps persist in the areas of women's empowerment and maternal health.<sup>11</sup> Especially important is the near-elimination of extreme poverty in the country, defined as those living on less than one US dollar per day (in purchasing power parity, or PPP). According to the Haut Commissariat au Plan (HCP), extreme poverty dropped from 3.5 per cent of the total population in 1990 to 0.3 per cent in 2011 (see Table 1).<sup>12</sup> Relative poverty also decreased substantially during this period, dropping from 15.3 per cent in 2000 to 6.2 per cent nationally in 2011.<sup>13</sup>

In addition to reducing income poverty, Morocco registered significant improvements in access to some basic infrastructure and services. Access to potable water reached 93 per cent in rural areas in 2012, compared to 85 per cent in 2007 and 14 per cent in 1994. National programs, including the Programme d'Approvisionnement Groupé en Eau Potable des populations rurales (PAGER) as well as considerable efforts from local development associations contributed to these gains.<sup>14</sup> Also important were improvements in primary school enrolment, which increased from 87 per cent in 2004 to 99.5 per cent in 2013.<sup>15</sup>

**Table 1: Examples of progress towards development goals**

Progress Towards Development Goals				
<b>Poverty</b>	<b>1990</b>	<b>2001</b>	<b>2007</b>	<b>2011</b>
Extreme poverty	3.5	2.0	0.6	0.3
Relative poverty	..	15.3	8.9	6.2
<b>Access to infrastructure</b>	<b>1994</b>	<b>2000</b>	<b>2007</b>	<b>2012</b>
Rural access to potable water	14	43	85	92
Urban access to potable water	81	88	100	100
<b>Access to services</b>	<b>1994</b>	<b>2004</b>	<b>2007</b>	<b>2014</b>
Primary school enrolment	60.2	87	..	99,1

Source: HCP, 2013. Data from 2014 provided by the Ministry of Finance in Morocco.

Note: \* indicates that data is from 1996.

Despite these improvements, many challenges remain. While relative and absolute poverty have decreased, 13.3 per cent of the population remains vulnerable to poverty (i.e. those living just above the poverty line), making roughly one-fifth of the population either in or at risk of poverty.<sup>16</sup> Also worrisome are disparities between different segments of the population, particularly between rural and urban areas and among different regions of the country. Three regions have poverty rates 40 percent higher than the national average.<sup>17</sup> While rural residents make up approximately 42 per cent of the population, they represent two-thirds of the country's poor.<sup>18</sup> These disparities are evident in the fact that, despite important progress in poverty reduction, Morocco's Gini coefficient<sup>19</sup> has remained unchanged for the past twenty years. If anything, it has increased slightly, moving from 0.39 in 1991 to 0.41 in 2011.<sup>20</sup> These persistent disparities are worrisome and may be linked to

<sup>11</sup> United Nations Statistics Division, 2015; HCP, 2013.

<sup>12</sup> HCP, 2013, p. 9.

<sup>13</sup> Ibid., p. 15.

<sup>14</sup> Ibid., p. 63.

<sup>15</sup> Ministère de l'Education Nationale, 2014, p. 49.

<sup>16</sup> World Bank, 2014, p. 2.

<sup>17</sup> Ibid., 2014, p. 2.

<sup>18</sup> World Bank, 2014, p. 3 and 104.

<sup>19</sup> A Gini coefficient measures income distribution in a population, where a coefficient of zero suggests perfect equality while a coefficient of one suggests absolute inequality.

<sup>20</sup> HCP, 2013, p. 17.

some of the challenges Morocco has faced in improving access to and quality of services in key sectors such as health and education – especially in rural areas – as well as high unemployment rates among certain segments of the population.

The government has taken steps to improve health insurance coverage in Morocco. However, there are issues with the supply and quality of care,<sup>21</sup> as well as access to care in rural areas. Almost one-quarter of rural households live at least 10 kilometers from basic health services and do not have direct access to roads.<sup>22</sup> In 2010, private payments still accounted for 54 per cent of health financing.<sup>23</sup> For many poor households, such costs are a major burden, if not prohibitive.

While important gains have been made in primary school enrolment, gains in educational achievement, particularly at higher levels, have been more elusive. Enrolment rates begin to drop substantially before the end of primary school, with only 86.2 per cent finishing their final year of primary school.<sup>24</sup> These effects are most dramatic in rural areas and among girls; by upper-secondary school (age 15-17), enrolment rates drop to 39.5 per cent in rural areas and to just 29.4 per cent among rural girls. While these rates have improved over the past five to ten years, they remain low. This helps explain why 32 per cent of the Moroccan population is still illiterate, including 41.6 per cent of women (a figure that climbs to 60.4 per cent in rural areas) and 47.7 per cent of rural residents.<sup>25</sup>

These persistent challenges with the public education system are closely tied to the issue of unemployment in Morocco. Morocco has registered some improvements in recent years, bringing national unemployment to 9.9 per cent in 2014 (with 14.8 per cent in urban areas and 4.2 per cent in rural areas).<sup>26</sup> However, this number jumps to 22 per cent among young males and 38 per cent among young females.<sup>27</sup> It is important to note that labour force participation rates are also low; female participation in the labour force is at just 25.3 per cent<sup>28</sup>, which may partly also reflect the difficulty to capture marginal labour (especially of women in agriculture) with standard labour force surveys. Taken as a whole, this means that 90 per cent of young women and 40 per cent of young men who are not in school are either unemployed or out of the labour force.<sup>29</sup> Ongoing protest movements among unemployed youth and unemployed graduates, which reached a peak during the 2011 protest movements, underline the major challenges that this poses to social stability and population well-being in Morocco. Unemployment generally – and youth unemployment in particular – remain key issues in Morocco.

As mentioned previously, Morocco has launched a number of efforts to address these issues outlined above, including significant reforms to its social protection system. The development challenges faced by Morocco are linked to underlying infrastructural, social, and economic policy issues that demand comprehensive reforms and efforts to strengthen social protection, of which zakat assistance can only play one part. However, several of the issues and gaps in Morocco's social protection system are relevant to zakat assistance. The next section explores some of these issues and gaps, with a focus on those areas with implications for zakat assistance and the potential creation of an official Zakat Fund.

## B. SOCIAL PROTECTION FRAMEWORK: GOVERNMENTAL SYSTEMS

Morocco has made substantial changes to its social protection system in the last fifteen years, including an array of institutional changes and new initiatives. Two of the major bodies responsible for social protection were established during this period; the Agence de Développement Social (ADS) in 1999 and the Ministry of

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<sup>21</sup> Rugers and Kress, 2007, p. 2.

<sup>22</sup> World Bank, 2014, p. 3.

<sup>23</sup> Benali 2013, p. 6

<sup>24</sup> *Activité, emploi et chômage, rapport annuel, 2014, HCP*

<sup>25</sup> *General Population and Housing census, 2014.*

<sup>26</sup> *Activité, emploi et chômage, rapport annuel, 2014, HCP.*

<sup>27</sup> La Cava and others, 2012, pp. 1-2.

<sup>28</sup> *Activité, emploi et chômage, rapport annuel, 2014, HCP.*

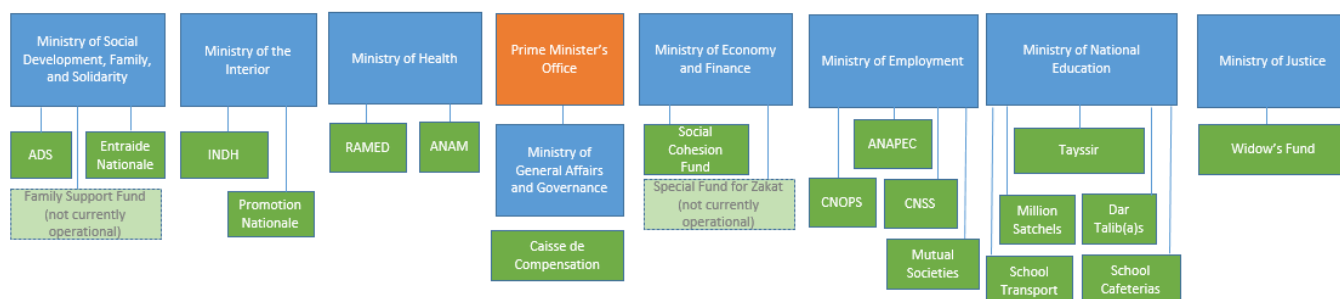
<sup>29</sup> La Cava and others, 2012, pp. 1-2.

Social Development, Family, and Solidarity in 2004. Additionally, Morocco launched its flagship poverty reduction program, the Initiative Nationale pour le Développement Humain (INDH), in 2005. Other major initiatives include the rural electrification and potable water programs mentioned above, PAGER and the Programme d'Électrification Rurale Globale (PERG), as well as the reform of the social security and healthcare system beginning in 2002. Many other reforms are ongoing, including the elaboration of a broad Social Protection Strategy, the expansion of a conditional cash transfer program for education (Tayssir), reform of the targeting and information systems of various social programs, and the launch of both new cash transfer programs for specific vulnerable populations and a Social Cohesion Fund. The government was due to release a new employment strategy at the end of 2014 but publication has been delayed, reportedly to facilitate fuller consideration by all partners.<sup>30</sup> This list of initiatives and reforms belies the dynamic nature of Morocco's social protection system. In order to help clarify this system, the following sections briefly describe institutional framework for social protection before highlighting some of the most relevant social protection programs and reforms.

### *Institutional Framework, Government Social Protection*

Figure 1 provides a visual representation of the government's institutional framework for social protection. As this figure demonstrates, Morocco's social protection landscape is highly complex, which in turn poses challenges to coordination. While the Ministry of Social Development, Family, and Solidarity is the institution whose mission is most closely linked to social protection, it is not necessarily the dominant or most important actor. The Ministry of Social Development, Family and Solidarity is charged with providing social assistance to marginalized populations, but primarily exercises a strategic and regulatory role. The two institutions under its supervision, the Entraide Nationale and the ADS, are more active on the ground. Entraide Nationale is one of the oldest social protection institutions in the country; it provides care and assistance to high-need populations like orphans and persons with disabilities. It works closely with associations in this activity. The ADS, on the other hand, focuses on capacity building, training, and women's empowerment, also in coordination with associations.<sup>31</sup>

**Figure 1: Institutional Framework for Government Social Protection Programs**



*Source: Adapted and Updated from World Bank, 2012a and 2012b (compiled by the author).*

The Prime Minister's Office has a prominent role in the country's social protection framework, particularly through the Ministry of General Affairs and Governance. This Ministry oversees the Caisse de Compensation, which administers Morocco's subsidy program that has traditionally dominated social assistance expenditures in the country. This Ministry also oversees the elaboration of Morocco's new social protection strategy. Although still in the planning processes, these are all highly important reforms. The Ministry has spent several months assessing existing social protection programs. They are also working with

<sup>30</sup> The strategy was due to be released in December 2014, however at the time of writing it has not been made public. See Maroc Hebdo International, 2015.

<sup>31</sup> Interview with Abdellatif Bouazza, Director, Agency for Social Development (ADS), Rabat, Morocco, 11 December 2014; Interview with Program Manager, Ministère de la solidarité, de la femme, de la famille et du développement social, Rabat, Morocco, 11 December 2014.

international actors to evaluate existing social policies in Morocco. Once they complete this evaluation stage, they will begin work on a social protection strategy and the institutional reforms necessary to implement this strategy. This may take the form of a single body headed by the Prime Minister's office that can oversee all social protection activities.<sup>32</sup> As Morocco moves forward with these efforts, it may be beneficial to consider how such reforms may relate to the potential creation of an official Zakat Fund.

Another important component of these reforms is the development of a comprehensive registry of beneficiaries of social protection programs. This is an important but difficult task in Morocco given the current state of information systems. The Ministry of General Affairs is in the process of identifying all repositories of beneficiary information. As of the date of writing, they do not have a target date for finalizing this registry, or details on what body will manage the registry. However, officials suggest that because the Ministry of Interior's *État Civil* has the most extensive existing database on households and previous experience with managing such information systems, they may take a lead role.<sup>33</sup> The Ministry of Interior is already an important actor in a range of other social protection programs. Its network of local authorities is stronger and more widespread than most other government bodies, even in the most marginalized areas. This network is used to justify the prominent role the Ministry of Interior has in the implementation of social assistance programs, despite the fact that its mission has more traditionally been linked to security goals.<sup>34</sup> The Ministry of Interior is responsible for overseeing implementation of the INDH and plays a large role in the *Régime d'Assistance Médicale (RAMED)*, as discussed below.<sup>35</sup> It also oversees also *Promotion Nationale*, a public works program that is one of the oldest social protection programs in Morocco.<sup>36</sup>

In addition to these institutions, the Ministries of Health, Employment and Training, Education, and Agriculture all manage social protection programs within their sectors. The Ministry of Economy and Finance also manages some special funds related to social protection, namely the new Social Cohesion Fund. The Ministry of Justice also oversees the new Family Unity Fund, discussed below.<sup>37</sup>

## C. GOVERNMENT SOCIAL PROTECTION PROGRAMMES

### *1. Poverty Reduction Programs: The INDH*

In addition to the above income support and social service programs described below, Morocco launched the INDH to address poverty reduction among marginalized populations. A royal initiative launched in 2005, the INDH is one of Morocco's most prominent social programs. It provides multi-sectoral development programs for areas with high poverty rates and for vulnerable populations. It has also stressed a 'participatory' model. Key to this model was the creation of regional and local councils made up of a variety of official and civil society actors. Additionally, the INDH provides co-financing to local associations and cooperatives, which are then responsible for implementing revenue generating and/or development projects. The current, second tranche of the INDH (2011-2015) has a total budget of 17 billion MAD, or approximately 1.75 billion USD.<sup>38</sup>

The INDH represents an important, high-profile initiative that has registered some concrete success in poverty reduction, primarily in rural areas, and provided a valuable source of financing for associations engaged in local development and social assistance. However, recent evaluations of the first tranche of INDH

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<sup>32</sup> Interview with Mohamed Mahdad, Director of Governance, Ministère des Affaires Générales et de la Gouvernance, Rabat, Morocco, 27 November 2014.

<sup>33</sup> Ibid.

<sup>34</sup> Interview with Houssine Ihnach, Head of Social Policy Impacts, Direction des Etudes et des Prévisions Financières, Ministère de l'Economie et des Finances, Rabat, Morocco, 21 November 2014 ; Interview with Mohamed Mahdad, Director of Governance, Ministère des Affaires Générales et de la Gouvernance, Rabat, Morocco, 27 November 2014.

<sup>35</sup> Interview with Houssine Ihnach, Head of Social Policy Impacts Department, Rabat, Morocco, 11 December 2014.

<sup>36</sup> However, a non-transparent process for beneficiary selection has troubled this program and reduced its effectiveness as a social protection tool.

<sup>37</sup> Ibid.

<sup>38</sup> Calculated according to the UN operational exchange rate for October 2015 where 1 USD = 9.71 MAD. For more information on the budget for the INDH, see: <http://www.indh.gov.ma/index.php/fr/gouvernance-et-financement/cadrage-budgetaire>.

also reveal a number of weaknesses and challenges in the program, some of which are relevant for Morocco's social protection system as a whole. Most important was an impact evaluation conducted by the Observatoire National du Développement Humain (ONDH). This evaluation revealed some evidence of positive impacts on poverty in rural areas; average household incomes increased by 20.3 per cent in targeted rural communes, which was double the increase registered during the same period in non-targeted rural communes. However, household incomes actually increased more in *non-targeted* urban quarters than in targeted urban communes.<sup>39</sup> Even with the gains in household incomes in rural communes, it is not clear how effective INDH was in actually addressing poverty; in all areas, the evaluation found that INDH primarily benefited middle-class rather than poor households. The evaluation also failed to find evidence of any improvements in enrolment, child health, or access to basic services and infrastructure, although it noted that this may be due to the relatively short period (five years) of the intervention and the confounding effects of ongoing national initiatives that worked in both INDH-targeted and non-targeted areas.<sup>40</sup>

A number of issues may have contributed to these results of the first tranche of the INDH. First, the geographic targeting system suffered from some weaknesses including allocation of resources *across* targeted areas as well as distribution of resources *within* the populations of targeted areas.<sup>41</sup> Additionally, one of the hallmarks of INDH – participation of local communities and associations – was weak, which can have implications on the sustainability of projects.<sup>42</sup> A combination of limited capacity of local actors and associations as well as problems of coordination between local authorities, elected officials, and associations negatively affected the participatory nature of projects and left the under-resourced Division of Social Affairs with the bulk of the responsibility for project implementation.<sup>43</sup>

Another weakness of INDH is the lack of integration of its activities with larger sectoral policies. This is in part linked to the fragmentation of social protection programs generally in Morocco and the need for more comprehensive and coordinated social protection policies. However, it is also linked to the unique nature of the INDH as a limited-term, cross-sectoral, royal initiative under the authority of the Ministry of the Interior. As such, it risks being divorced from the existing programs and policies of established social protection institutions of the government.<sup>44</sup> Integrating the INDH into social protection strategies is further complicated by the fact that other social protection actors do not know what shape the INDH will take (if it continues at all) after 2015.<sup>45</sup>

Additionally, revenue-generating activities, which were supposed to represent a prominent part of the INDH, often suffered from poor economic viability. A lack of project diversity, access to markets and value chains, as well as the limited capacity of local development associations and cooperatives managing such activities minimized the effectiveness of many projects.<sup>46</sup> The capacity of associations is part of a larger issue of the INDH and Morocco's social protection system generally. As discussed in the section below, associations play a prominent role in local development and provision of social assistance. The INDH helped reinforce this role through its participatory strategy and funding mechanisms for associations. However, many of these associations did not have the sustainability of funding or the capacity to play such a large role, which can have significant repercussions on the effectiveness and sustainability of projects.<sup>47</sup>

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<sup>39</sup> ONDH, 2013, p. 6.

<sup>40</sup> *Ibid.*, p. 8.

<sup>41</sup> *Ibid.*, pp. 6-7.

<sup>42</sup> *Ibid.*, p. 8.

<sup>43</sup> Conseil Économique, Social et Environnemental, 2013, p. 38; ONDH, 2013, p. 5.

<sup>44</sup> *Ibid.*, 2013, p. 40.

<sup>45</sup> Interview with Program Manager, Ministère de la solidarité, de la femme, de la famille et du développement social, Rabat, Morocco, 11 December 2014.

<sup>46</sup> ONDH, 2013, p. 7; Conseil Économique, Social et Environnemental, 2013, p. 40.

<sup>47</sup> Conseil Économique, Social et Environnemental, 2013, p. 40; Interview with Program Manager, Ministère de la solidarité, de la femme, de la famille et du développement social, Rabat, Morocco, 11 December 2014; Interview with Abdellatif Bouazza, Director, Agency for Social Development (ADS), Rabat, Morocco, 11 December 2014; Interview with Moulay Ismail Alaoui, President of the National Commission for Dialogue on Civil Society and President of Association Pour le Développement du Monde Rural (ADMR), Rabat, Morocco, 3 December 2014.

The INDH provides some valuable insights for a potential Zakat Fund. Should Morocco move forward with such a fund, policymakers may want to consider whether or not a Zakat Fund could address or learn from some of the challenges related to the INDH, particularly related to targeting, local engagement, coordination with other social protection systems, and viability of income-generating activities. Additionally, they may want to consider areas for coordination or risks of duplication between the INDH and a Zakat Fund, especially given similarities between their target beneficiaries, activities, and structure, as will be discussed in Section III.

## 2. Social Security

Morocco's social security system is made up of four main bodies. Table 2 provides an overview of these bodies and their beneficiary groups. They primarily cover government employees and a segment of private sector employees. The Caisse Nationale de Sécurité Sociale (CNSS) and Caisse Nationale des Organisations de Prévoyance Sociale (CNOPS) are the primary two social security bodies. CNSS covers some private sector employees, while CNOPS serves as an oversight body for mutual societies covering most public sector employees. Both CNSS and CNOPS are contributory systems. The other two social security bodies, the Régime Collectif d'Allocation de Retraite (RCAR) and the Caisse Marocaine de Retraite (CMR), cover much smaller populations.<sup>48</sup>

**Table 2: Social Security Bodies in Morocco**

	<b>Caisse Nationale de Sécurité Sociale (CNSS)</b>	<b>Caisse Nationale des Organisations de Prévoyance Sociale (CNOPS)</b>	<b>Le Régime Collectif d'Allocation de Retraite (RCAR)</b>	<b>Caisse Marocaine de Retraite (CMR)</b>
<b>Beneficiaries</b>	Private sector employees	Public Sector Employees	Temporary or occasional employees state at the local level	Select populations including old resistance fighters and civil and military disabilities
<b>About</b>	Contributory scheme covering sickness, maternity, disability, retirement and death (including family benefits)	An oversight body for a series of mutual societies providing various income support benefits, also contributory	Contributory scheme; considerably smaller than CNSS/CNOPS with similar benefits	A small, non-contributory pension scheme; is currently being phased out

Source: Falsy, 2012; CNSS, 2010; and ISSA, 2013(compiled by the author).

This system excludes much of the economically active population, including the self-employed and those that work in the informal sector, such that only roughly 26 per cent of the economically active population (2 million people) benefit from social security.<sup>49</sup> Pensions provided through these bodies also tend to be quite small, with 73 per cent of pensions below the minimum wage.<sup>50</sup> Recent health insurance reforms are partly based on these existing social security systems. Given the gaps in social security coverage and limited value of pensions, it is likely that many people turn to other sources for safety nets, supplementary income support, and other assistance. As discussed in part D and Section III below, informal assistance including zakat may be an important source of such assistance.

<sup>48</sup> ISSA, 2013; Falsy, 2012.

<sup>49</sup> ISSA, 2013.

<sup>50</sup> Ibid, 2013.

### 3. Healthcare and Health Insurance

Prior to 2005, all Moroccans had access to public hospitals for a subsidized fee. Low-income households could get fees waived by getting a *Certificat d'Indigence* from the local authorities. However, poor quality of services, overcrowding and limited resources meant that many were forced to seek care in private establishments, explaining the consistently high proportion of health financing shouldered by households.<sup>51</sup> In 2005, Morocco initiated *Assistance Médicale Obligatoire* (AMO) (although legislation for AMO passed three years earlier), which sets standards for healthcare provided through the existing social security regimes described above, CNSS and CNOPS. This was phased in gradually and then expanded in 2007 to pensioners within a certain pension bracket (those receiving between 500 and 1,289 MAD per month, or roughly 50 to 135 USD).<sup>52</sup> By establishing requirements for private employers to contribute to employee health insurance and reduce reliance on subsidized hospital services, the AMO seeks to shift health-financing costs in Morocco from the government to private insurers.<sup>53</sup> In 2013, 2.9 million people were covered via CNOPS, while 5.1 million were covered via CNSS,<sup>54</sup> leaving 81.2 per cent of the population uncovered by formal health insurance in 2010.

Given the largely informal nature of Morocco's economy, a health insurance system that relies on the existing social security framework will leave out the majority of citizens, including the most vulnerable. Morocco tried to introduce a contributory health insurance system for self-employed and other professionals not covered by CNOPS or CNSS, called *Inaya*. However, this program faced a variety of challenges and was abandoned.<sup>55</sup> The Ministry is planning to slowly rollout a different program in the coming years, beginning with professions that already benefit from effective coordination through professional groups.<sup>56</sup> For other low-income populations, the government launched RAMED.

Implementation of RAMED experienced a number of delays; it was first launched as a pilot in the Tadla Azilal region in 2008, and then was expanded nationally in 2012. RAMED provides free care and discounted medicines from public institutions as well as emergency hospitalization. Beyond expanding health insurance to low-income populations, RAMED is important because of its beneficiary targeting process. In a country where most social programs rely on geographic targeting – as with the INDH – or categorical targeting – as with the Widow's Fund and Fund for Family Unity<sup>57</sup> – this is an important achievement that could help improve the efficacy of social programs.<sup>58</sup>

In order to benefit from RAMED, the head of household must submit an application and personal identity documents to the local branch of the Ministry of the Interior, often referred to as the local authorities, who visits the household to verify information. A local committee headed by the local authorities then designates the individuals in the household as “poor” – meaning they pay no fees for care – or ‘vulnerable’ meaning that pay nominal fees.<sup>59</sup> Applications must be renewed every three years.<sup>60</sup>

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<sup>51</sup> Rutgers and Kress, 2007, p.2.

<sup>52</sup> This contributory health insurance includes hospitalization, maternity, and childcare, illnesses of long and short duration, and (after 2010) ambulatory care (CNSS, 2010, p. 17-18). It covers 70% of costs for private hospitals and 90% for public hospitals but it has a cap of 40,000 MAD (approximately 4,450 USD) per person per illness (with certain exceptions). Health insurance costs are split between the employee and employer.

<sup>53</sup> Rutgers and Kress, 2007, p. 4.

<sup>54</sup> Rapport annuel ANAM, 2014.

<sup>55</sup> Interview with Manager, RAMED Division, Ministère de la Santé, Rabat, Morocco, 4 December 2014.

<sup>56</sup> Ibid.

<sup>57</sup> I.e. selecting beneficiaries based on aggregate socio-economic information of an area, often at the province level, or targeting of specific categories of the population.

<sup>58</sup> World Bank, 2011; Doudich and others, 2008.

<sup>59</sup> Interview with Manager, RAMED Division, Ministère de la Santé, Rabat, Morocco, 4 December 2014.

<sup>60</sup> Although only one application is needed per household, RAMED technically targets at the individual level, as certain members in a household may benefit from RAMED even if others in the household already have access to health insurance.

As of July 2015, 8.78 million benefited from RAMED, exceeding the targeted population of 8.5 million beneficiaries (this goal represented a rough estimate of the total number of poor and vulnerable individuals who would qualify for RAMED, based on existing poverty data).<sup>61</sup>

The implementation of RAMED is an important achievement that will hopefully reduce the burden of household financing for healthcare and make care more financially accessible for low-income households.<sup>62</sup> However, RAMED has faced a number of challenges. Some of the biggest challenges are related to supply of care. With the rapid expansion of beneficiaries, there have been complaints of a lack of availability of medicines, equipment, and requested services. While a full evaluation of RAMED has yet to be conducted, similar issues were present in the pilot phase of RAMED.<sup>63</sup> These challenges are rooted in ongoing deficiencies with the supply and quality of public health care and highlight the fact that improvements in demand through expanded health insurance coverage must also be accompanied by improvements in supply. Beyond registered beneficiaries who suffer from limited supply of care, it is important to also consider those households in marginalized rural areas who feel that they have not incentive to apply for RAMED due to highly limited access to formal healthcare.<sup>64</sup> In this way, while RAMED provides positive momentum in expanding access to health care, additional support is needed, particularly in terms of supply of care and access to care in rural and marginalized areas.

#### *4. Education Programs*

Improving access to and quality of education is another major challenge in Morocco's social protection system. Some key issues include access to education (particularly among rural populations at the secondary level), quality of education at all levels, and linkages between the education system and the job market.<sup>65</sup> Addressing these issues will require significant resources and well-coordinated reforms related to infrastructure, curriculum, management, and social programs. Towards these goals, Morocco has launched a number of initiatives in recent years, with varying results. Morocco's New Education Program (NEP), to be finalized in 2015, will seek to address some of the difficulties faced by earlier programs, particularly regarding equity of enrolment, quality of training opportunities, and governance of the education system. An important focus of the NEP will be expansion of school infrastructure, including construction of 341 new institutions for the 2015-2016 school year.<sup>66</sup>

Morocco has introduced a number of social programs to encourage student enrolment, particularly in rural areas. Table 3 provides basic information on these programs and their beneficiaries. They include the Million Satchels Initiative, which provides primary and lower-secondary level students with school supplies, books and bags. This program reached 95 per cent coverage of students in rural areas. Other programs include provision of school transport, construction of school cafeterias, and the construction of boarding facilities – called Dar Talib/Dar Taliba, or student houses – where children from rural areas who have to travel far from home to attend secondary school, can stay. This latter program is particularly important and helps overcome a major obstacle to secondary education for some rural households.<sup>67</sup> However, continued low secondary enrolment rates among rural populations – especially for female students – suggests that more work is needed in this arena.

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<sup>61</sup> Ministère de l'Économie et des Finances, Rapport Economique et Financier 2016.

<sup>62</sup> Unfortunately the most recent data on healthcare financing is from 2010, so we cannot yet determine the impacts of health insurance reforms on household financing.

<sup>63</sup> Institut National d'Administration Sanitaire, 2012, p. 1.

<sup>64</sup> Interview with Manager, RAMED Division, Ministère de la Santé, Rabat, Morocco, 4 December 2014.

<sup>65</sup> Interview with M. Kinani, Tayssir Division Manager, Rabat, Morocco, 9 December 2014 ; Interview with Florencia Devoto, Senior Research Manager, Abdul Latif Jameel Poverty Action Lab, Rabat, Morocco, 27 November 2014 ; Interview with Houssine Ihnach, Head of Social Policy Impacts Department, Rabat, Morocco, 21 November 2014.

<sup>66</sup> Ministère de l'Économie et des Finances, 2014, p. 100-102.

<sup>67</sup> UNFPA and ECA 2012, p. 15.



**Table 3: Data on Education Programs (2013-2014 School Year)**

	Dar Talib(a)	School Supplies	School Canteens	Scholarships	School Transport
<b>Number</b>	573	N/A	6935	N/A	N/A
<b>Number of Beneficiaries</b>	48803	3735421	1267109	130253	39939
<b>Percent Rural Beneficiaries</b>	73.3%	61.5%	88.5%	50.4%	82.0%
<b>Percent Female Beneficiaries</b>	46.2%	46.3%	48.6%	41.6%	42.1%
<b>Rural Coverage</b>	1.4%	91.8%	44.8%	2.6%	1.3%

Source: Ministère de l'Éducation Nationale, 2014 (compiled by the author).

Morocco's new cash transfer program for school enrolment – Tayssir - has received considerable attention recently as an innovative and important new component of the country's social protection framework, despite the fact that it is currently only in operation in a portion of the country. Tayssir provides a relatively small monthly cash transfer to parents per student aged six to fifteen, depending on their grade level (60 MAD for grades one to two, 80 MAD for grades three to four, 100 MAD for grades five to six, and 140 MAD for lower-secondary school, i.e roughly 7 to 16 USD). 812,000 students from 494,000 families benefitted from Tayssir during the 2014-2015 school year.<sup>68</sup> The original pilot of the program included an experimental evaluation on conditionality. The evaluation found that a so-called “labelled cash transfer” provided by the schools and with a message encouraging school enrolment was just as effective – if not more effective – than a cash transfer that was conditional upon continued attendance of the student.<sup>69</sup> Despite these results, senior-level officials decided to continue with a conditional cash transfer as Tayssir moves forward.<sup>70</sup>

Tayssir originally targeted students in 600 communities that had been previously identified as the poorest and most marginalized through the geographical targeting of the INDH. All families within the targeted communities were eligible for the transfer regardless of their income level. However, officials realize that these targeting methods will not work when expanding the program to other, more mixed-poverty areas. Instead, they will need to shift to a household or individual targeting system based on socio-economic characteristics. For this reason, officials have decided to pursue a full evaluation and review of past and potential targeting methods before expanding Tayssir to new communities.<sup>71</sup> Tayssir officials are working with officials from RAMED in these efforts to explore the effectiveness of RAMED's targeting methods and their potential to be expanded to Tayssir. After evaluating both programs' targeting mechanisms, officials hope that they can develop some sort of coordinated targeting process between Tayssir and RAMED. This might include a shared card-based system like the one currently used by RAMED.<sup>72</sup> Such a system would be a marked improvement for Morocco both in terms of rigorous targeting mechanisms and coordination across social protection programs. However, it is important to note that these efforts are still at the planning stages; officials still need to run the evaluations, hold consultations on the results, develop new criteria, and establish effective information-sharing procedures before they can realize these goals. Currently, coordination is limited even between the different social programs *within* the Ministry of National Education.<sup>73</sup> Officials estimate that it will be at least another two years before Tayssir is expanded to new communities. When Tayssir does expand, they will continue to prioritize regions with high poverty and low enrolment rates, rather than covering the entire country.<sup>74</sup>

<sup>68</sup> Ministère de l'Économie et des Finances, 2014, p. 120.

<sup>69</sup> Benhassine and others, 2014, p. 26; Interview with Florencia Devoto, Senior Research Manager, Abdul Latif Jameel Poverty Action Lab, Rabat, Morocco, 27 November 2014.

<sup>70</sup> Interview with M. Kinani, Tayssir Division Manager, Rabat, 9 December 2014.

<sup>71</sup> Ibid.

<sup>72</sup> Ibid.

<sup>73</sup> Ibid.

<sup>74</sup> Ibid.

The household transfer provided by Tayssir itself is relatively small, equivalent to roughly five per cent of households' annual expenditures (compared to similar cash transfer programs in other countries that range from six to 25 percent of household annual expenditures).<sup>75</sup> However, it was highly effective in reducing dropout rates, with a 75 per cent reduction across all implementation methods.<sup>76</sup> Interestingly, the evaluators and other officials concluded that this was because the transfer increased the perceived value of education, despite the fact that the program did not actually address education quality.<sup>77</sup> Although the sustainability of such effects are not clear, it does suggest the value of more visible, direct enrolment support programs.<sup>78</sup> In the future, it will be important that Tayssir is coordinated with efforts to improve school quality and other strategies to increase enrolment rates.

Morocco's experience with Tayssir is highly relevant to considerations of a potential Zakat Fund, given that cash transfers are typically one of the dominant activities of Zakat Funds in other countries in the region. In Palestine's West Bank, cash transfers and other direct assistance to poor households and households of children without a male parent account for roughly 72 per cent of all activity expenditures.<sup>79</sup> Additionally, the attempt to coordinate targeting systems between Tayssir and RAMED can provide a valuable model for a variety of other social protection systems with similar or complimentary beneficiary groups and/or types of assistance, including a Zakat Fund.

### 5. *Employment Programs*

Morocco's unemployment rates are closely intertwined with the challenges Morocco faces in education. As discussed previously, unemployment rates are particularly high among youth, with 22 per cent unemployment among young men and 33 per cent unemployment among young women, compared to 9 per cent unemployment nationally.<sup>80</sup> The consequences of low enrolment rates for secondary education are evident in the profile of unemployment: the vast majority of unemployed youth - 80 per cent - have not achieved secondary education and some have no education at all.<sup>81</sup> At the same time, unemployment rates actually *increase* with higher levels of education; 17.1 per cent among those with basic education are unemployed, compared to 20.2 percent among those with a secondary education diploma and those with a professional degree, and 21.9 percent among those with a university degree.<sup>82</sup> These figures demonstrate the challenges that young people face in translating the skills and knowledge they attain in school to the job market, and help explain perceptions about the limited value of public education.

The Agence Nationale de Promotion de l'Emploi et des Compétences (ANAPEC) manages most of the government's employment support programs. ANAPEC focuses on active labor market training programs that primarily benefit unemployed graduates.<sup>83</sup> While such efforts are important, there are a number of concerns with the targeting, public awareness and perceived quality of these programs. By focusing primarily on graduates, these programs do not sufficiently address the needs of the majority of unemployed youth that do not have a degree and who often come from more disadvantaged backgrounds.<sup>84</sup> A recent survey also found that only 14 per cent of youth and 25 per cent of unemployed youth were aware of ANAPEC, and half of those unemployed youth who had heard of ANAPEC did not know what it did. In addition to lack of awareness, a third implementation challenge relates to supply, given that 18 per cent who had heard of ANAPEC said they did not use its services because they were not available where they lived. In sum, only 8 per cent of unemployed

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<sup>75</sup> Benhassine and others, 2014 ,p. 4.

<sup>76</sup> Ibid., p. 20.

<sup>77</sup> Ibid., pp. 24-25.

<sup>78</sup> Interview with Florencia Devoto, Senior Research Manager, Abdul Latif Jameel Poverty Action Lab, Rabat, Morocco, 27 November 2014.

<sup>79</sup> UNESCWA, forthcoming.

<sup>80</sup> HCP, 2012, p. 38; World Bank, 2012a, pp. 1-2.

<sup>81</sup> La Cava and others, 2012, p. 1.

<sup>82</sup> HCP, 2012, p. 40.

<sup>83</sup> Ministère de l'Emploi et de la Formation Professionnelle website, <http://www.emploi.gov.ma/index.php/fr/emploi/politique-de-l-emploi.html> and ANAPEC website <http://www.anapec.org/sigec-app-rv/>.

<sup>84</sup> La Cava and others, 2012, p.3.

youth who had heard of ANAPEC actually used its services.<sup>85</sup> A variety of other government institutions provide other, often sector-specific training opportunities, but these are generally under-resourced, not coordinated with ANAPEC or other government programs.<sup>86</sup>

While additional resources and efforts are needed for employment programs, it is also important that coordination of existing programs also be improved to prevent duplication of efforts and to maximize the impact of limited resources. Additionally, the targeting of these services should be reviewed to improve access to services among lower income and more marginalized populations, and to ensure more equal distribution across regions. Finally, employment programs cannot function independently of the formal education system. Curriculum reform and other efforts to improve linkages between public schools and the private sector will be critical to realizing more sustainable, long-term improvements in youth employment. Given that the ideal of zakat is to transform zakat beneficiaries into zakat payers, employment programs are typically one component of Zakat Fund assistance. An understanding of the gaps and limitations of ANAPEC's employment programs and coordination with other government programs could help make any related activities of an official Zakat Fund more effective.

## 6. Subsidies

As is the case in many countries in the region, subsidies on key household goods have dominated Morocco's social spending for decades. In 2008, they peaked at 85 per cent of Morocco's total expenditures on social assistance.<sup>87</sup> Subsidies on petroleum products (including gas, diesel, fuel oil and liquid petroleum gas), sugar and flour accounted for 6.6 percent of GDP in 2012. Studies have found that, while the subsidies are important for low-income households (the poorest quartile of households spends 13 per cent of their monthly income on subsidized goods), the richest quartile benefits much more in terms of absolute dollar value of subsidies. This is particularly true of gasoline and diesel, which are not an important item for low-income households (for direct consumption).<sup>88</sup>

High public debt rates and evidence of the regressive nature of subsidy benefits contributed to Morocco's decision to implement major reforms of the subsidy system in 2013. The body responsible for subsidies, the Caisse de Compensation, introduced a partial price index system that allows the price of petroleum products to vary with international prices. In 2015, it plans to eliminate subsidies on premium gasoline and fuel oil, bringing the cost of subsidies down to roughly 33.5 billion MAD (including subsidies on flour and sugar) compared to almost 57 billion MAD in 2012, before the reforms. Morocco has not announced any plans to adjust subsidies on other goods that are of greater importance to lower income households, including butane gas used for cooking and heating.<sup>89</sup> The introduction of the reforms coincided with a drop in international prices, particularly for petroleum, which has helped mitigate the effects of the reforms and minimize popular protest.

These reforms are highly important and will open up considerable resources for other, more effectively targeted social programs. However, it is important that the reforms be complemented by efforts to monitor price changes and coordinate with social programs that minimize the consequences for poor and vulnerable households. The World Bank recommended using resources previously dedicated to subsidies for a cash transfer program for poor households, finding that such a program could drastically reduce expenditures while neutralizing impacts on the poverty rate.<sup>90</sup> However, actually implementing such a large-scale cash transfer program faces both political and practical constraints. It is not clear that there is support – either among decision-makers or the general public – for an unconditional cash transfer program. Additionally, officials do not feel that Morocco has the information systems and capacity necessary to fully and effectively implement

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<sup>85</sup> World Bank, 2012a, p. 26.

<sup>86</sup> World Bank, 2012a, p. 61; La Cava and others 2012, pp. 2-3.

<sup>87</sup> World Bank, 2011, p. xiii.

<sup>88</sup> Verme and others, 2014, p. 2.

<sup>89</sup> Interview with Head of Compensation, Ministère de l'Économie et des Finances, Rabat, Morocco, 25 November 2014.

<sup>90</sup> Verme and others, 2014, p. 4

a national, household or individually targeted cash transfer program.<sup>91</sup> However, it is important to note that RAMED represents an important step forward with individual targeting, and the aforementioned efforts to improve information systems related to social protection beneficiaries will support future improvements. It is worth considering how an official Zakat Fund may contribute to these discussions given that cash transfers are one of the dominant activities of other Zakat Funds in the region, as mentioned previously. Given the religious and cultural importance of zakat, such transfers may not be subject to the same stigmas as unconditional cash transfer programs.

### *7. Other Programs: Family Support Fund and Widows Fund*

Morocco has also developed new transfer programs targeting specific categories of vulnerable populations. The first of these is the Family Support Fund (Fonds d'Entraide Familiale). Financed by court fees, this fund provides a small monthly transfer to poor divorced women and their children who do not yet receive an alimony payment from their former spouses. Its budget for both 2014 and 2015 was fixed at 160 million MAD (17.8 million USD).<sup>92</sup> The transfer provided to each household is relatively small, at 350 MAD per child per month with a limit of 1,050 MAD per family (roughly 39 USD per child and a maximum of 117 USD per family). In order to benefit, the mother must submit an application including a Certificate of Indigence, her divorce declaration, a document fixing her alimony, birth information on her children, and any other proceedings from her divorce. The application process has been criticized as prohibitively complex.<sup>93</sup>

A similar fund is also being developed for widows, but is not yet operational.<sup>94</sup> Both of these funds would likely involve some overlap with assistance from an official Zakat Fund, making it important that policymakers consider any potential overlap or opportunities for coordination with such a Fund.

### *8. Challenges in the Public Social Protection System and Implications for Zakat*

As is evident from the discussion above, Morocco has a number of important social protection programs. However, a variety of persistent issues may be limiting the effectiveness of some programs. One of the overarching challenges for Morocco's social protection system is the need to improve the social protection strategic framework and coordination mechanisms both within sectors and across social protection institutions as a whole. The efforts that the Ministry of General Affairs and Governance is currently leading in this vein are significant, particularly in the development of a comprehensive social protection strategy. However, it is not yet clear whether these reforms will lead to the long-term institutional changes to truly support sustainable, effective coordination across different ministries, agencies and programs. Currently, few institutions have established protocol for sharing information with other institutions, particularly regarding beneficiaries. Such information sharing may not even occur *within* the same ministry. Developing a shared, digitized database of program beneficiaries – with necessary privacy safeguards – could help to support more effective information sharing and coordination practices. Enhancing information systems and developing a database of program beneficiaries will also help Morocco take important steps towards improving its targeting processes, including through the use of household and individual targeting. In the context of limited resources, more effective targeting mechanisms are essential to successful social protection programs.

Another underlying issue in a variety of social protection programs is the ongoing challenge of expanding the professional cadre of social workers. Currently, there is only one school offering a social work program in the country.<sup>95</sup> This program is overseen by the Ministry of Solidarity and can accommodate roughly 50 students per year. This is far from sufficient given the array of social protection programs in Morocco. In

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<sup>91</sup> Interview with Mohamed Mahdad, Director of Governance, Ministère des Affaires Générales et de la Gouvernance., Rabat, 27 November 2014; Interview with Houssine Ihnach, Head of Social Policy Impacts Department, Rabat, Morocco, 21 November 2014; Interview with Florencia Devoto, Senior Research Manager, Abdul Latif Jameel Poverty Action Lab, Rabat, Morocco, 27 November 2014; Interview with M. Kinani, Tayssir Division Manager, Rabat, Morocco, 9 December 2014.

<sup>92</sup> Ministère de l'Économie et des Finances, 2014, p.122 and Annexe 4.

<sup>93</sup> Boumahrou, 2013.

<sup>94</sup> Interview with Houssine Ihnach, Head of Social Policy Impacts Department, Rabat, Morocco, 11 December 2014.

<sup>95</sup> Interview with Abdellatif Bouazza, Director, Agency for Social Development (ADS), Rabat, Morocco, 11 December 2014.

lieu of trained social workers, social protection programs rely on officials from unrelated sectors or those with informal experience.<sup>96</sup> This is the case with the INDH and RAMED, which rely heavily on the Ministry of Interior for outreach and distribution of assistance, as discussed previously. A larger cadre of trained, professional social workers could help to ensure effective implementation of Morocco's growing number of social assistance programs, especially those that involve outreach with households and other vulnerable populations.

Finally, one of Morocco's most significant challenges will be addressing the persistent inequalities that continue to characterize the socio-economic development of the country, across regions, rural/urban areas, gender and persons with disabilities. To do so, it is important that the country continues to strengthen its efforts to promote inclusive development. While Morocco has taken important steps in recent years, including through the INDH's focus on marginalized populations and the adoption of a gender policy, the implementation of such efforts could be strengthened, particularly in the areas of education, health, and economic opportunities.

Several of these challenges and reform efforts, as well as the challenges and lessons learned from individual programs, could have significant implications on the creation of an official Zakat Fund. Additionally, the challenges and lessons learned of some programs – including the INDH – can provide valuable lessons learned for a potential Zakat Fund. In other cases, such as access to healthcare and education and cash transfer programs to offset the effects of subsidy reform, it may be worth considering whether an official Zakat Fund could help address gaps and challenges in existing social protection systems. These implications, lessons, and potential contributions will be explored in more depth in Section III.

#### D. SOCIAL PROTECTION FRAMEWORK: CIVIL SOCIETY

In Morocco, a review of the social protection system would be incomplete without highlighting the important role of non-governmental actors, including both civil society organizations and informal support systems. Within civil society, a variety of associations, foundations, cooperatives and mutual societies play an important role in local development and social assistance. It is difficult to provide comprehensive data on civil society contributions to social protection given their diverse, decentralized and often highly-localized nature. However, the data that does exist is illustrative of the increasingly prominent role of civil society organizations.

The role of civil society in social protection expanded considerably with structural adjustment policies in the 1980s.<sup>97</sup> During this time, the civil society landscape also began to shift from traditional institutions like the *Jmaa*, and *Touiza*, to the more modern, formal model of associations that provided advantages in terms of public funding and legal status.<sup>98</sup> The *Jmaa* refers to an assembly of community members that ensures the functioning of basic community infrastructure and social stability, while the *Touiza* refers to the pooling of work or resources for a project of collective or individual benefit, such as the construction of a community well or reconstruction of a family's house after a disaster.<sup>99</sup> Another traditional form of community support is the *Ouiza*, where a wealthy community member purchases and distributes foodstuffs among populations in need.<sup>100</sup> However, it is important to note that the *Jmaa* and *Touiza* model is still in use, especially in more rural settings.<sup>101</sup> The role of associations expanded again in the early 2000s as Morocco began to adopt a policy that led to increased formal involvement of associations and cooperatives in socio-economic development.<sup>102</sup> In particular, the INDH and its emphasis on implementation of projects by associations and cooperatives as well as the new funding sources it provided led to a proliferation of new associations, as seen in Figures 2 and 3.

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<sup>96</sup> Ibid.

<sup>97</sup> Ahmed-Zaid and others, 2013, pp. 94-95.

<sup>98</sup> Ibid., pp. 90-92.

<sup>99</sup> Ibid., p. 90; Soudi, 2010, p. 805.

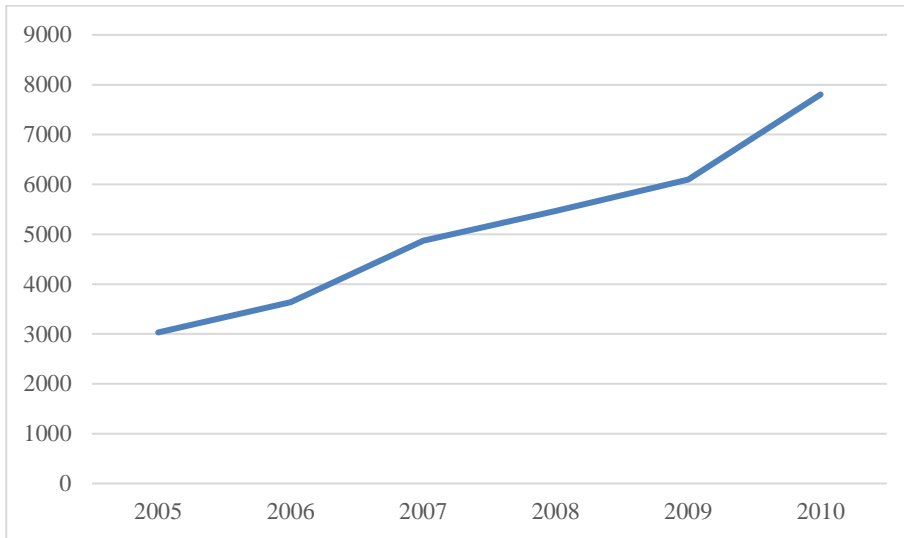
<sup>100</sup> Soudi, 2010, p. 805.

<sup>101</sup> Ibid., pp. 804-805.

<sup>102</sup> The key difference between an association and a cooperative is that a cooperative can distribute benefits among its members; while an association is a convention among two or more people towards a common goal that is not profit-seeking, a cooperative is an economic grouping of individuals engaged in some profit-earning activity, where benefits go exclusively to the members in an equal way see ODCO 2010, la loi n°24.83 fixant le statut général des coopératives.

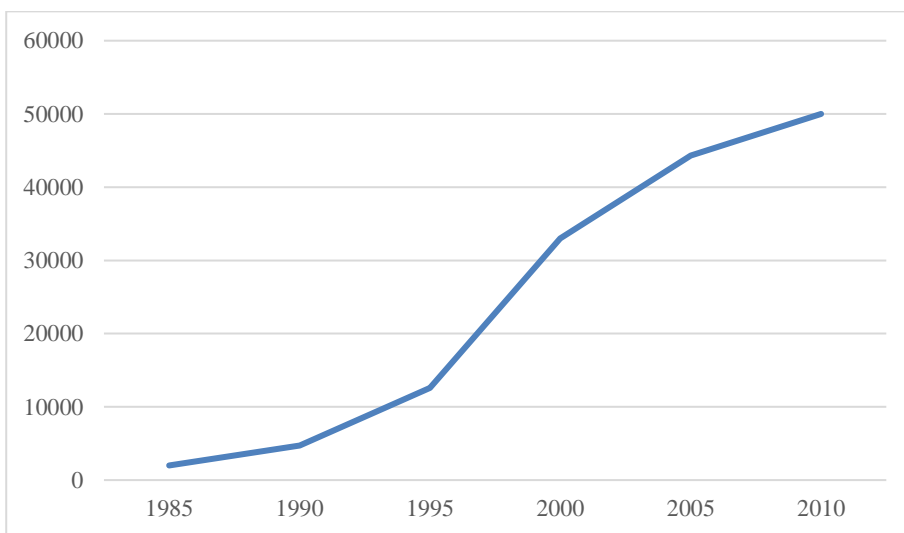
By 2010, Morocco had 7,804 cooperatives (15 per cent of which are inactive).<sup>103</sup> These cooperatives provide an important source of employment, especially for populations that have difficulty accessing the formal job market. In 2010, cooperatives employed roughly 3 per cent of the economically active population. This number doubled since 2004, largely due to support from INDH.<sup>104</sup> In 2010, Morocco also had 50,000 registered associations, 22 per cent of which are involved in local economic and social development. Another 21 per cent are social action associations.<sup>105</sup>

**Figure 2: Growth in the Number of Cooperatives over Time**



Source: Ahmed-Zaid and others, 2013 (compiled by the author).

**Figure 3: Growth in the Number of Associations over Time**



Source: Ministère de la solidarité, de la femme, de la famille et du développement social, 2012 (compiled by the author).

<sup>103</sup> Ahmed-Zaid and others, 2013, p. 99.

<sup>104</sup> Ibid., p. 99.

<sup>105</sup> Ibid., pp. 105-106.

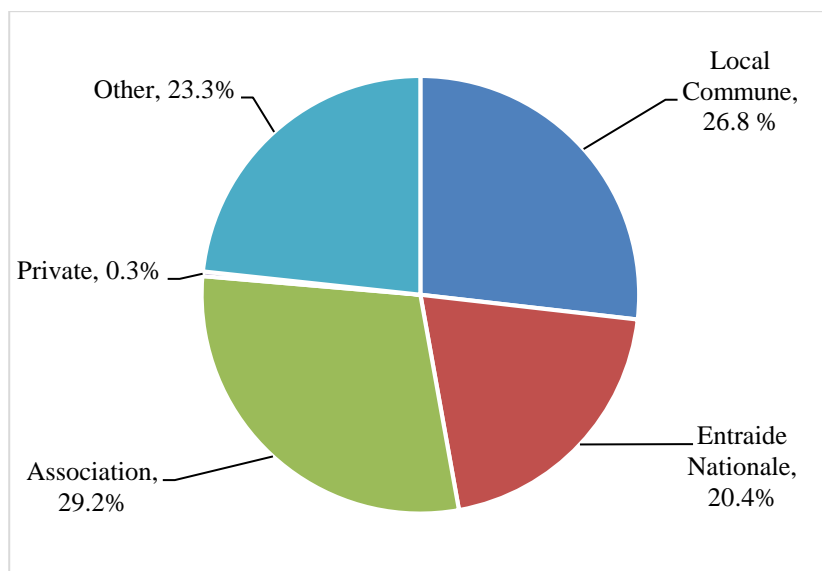
These associations play a dominant role in centres that provide care and assistance to populations in need (see Table 4). Associations tend to be more engaged in provision of services than provision of direct cash or in-kind services (non-governmental institutions provide only 5.5 per cent of transfers to households, compared to 15.2 per cent from governmental institutions and 79.4 per cent from family and community members).<sup>106</sup> As Figures 4 and 5 show, associations are more active in the management and ownership of such centres than local or national government institutions like the local commune or the Entraide Nationale. Such associations may enjoy unique advantages in this area given their proximity to the community.<sup>107</sup>

**Table 4: Social Protection Centers**

Type of Center	Number of Centers	Number of Beneficiaries	% Female
Childcare centers	774	33214	50.06
Literacy centers	739	36415	96.65
Education support institutions	1023	100451	41.53
Professional training centers	80	6961	40.86
Educational and training centers	1388	105145	88.71
Care centers for persons with disabilities	38	5713	45.95
Centers for those in difficulty	109	15006	56.46
Disability cooperatives and associations	150	4707	42.72
Centers for persons with disabilities	51	5951	42.45
Multifunctional centers	25	15043	82.99
Listening and support centers	29	6307	86.94
Educational support centers	54	26212	53.91

Source: *Entraide Nationale, 2014 (compiled by the author).*

**Figure 4: Ownership of Social Protection Centers (2014)**

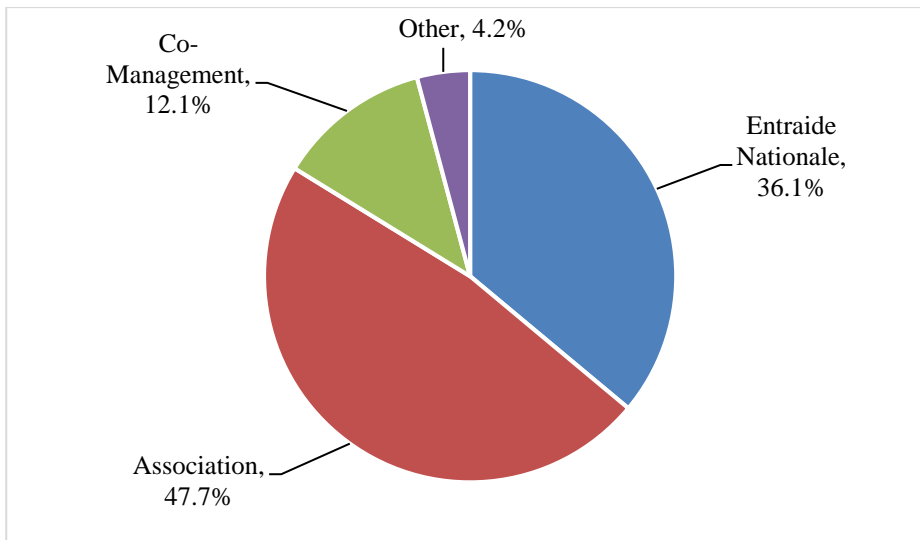


Source: *Entraide Nationale, 2014 (compiled by the author).*

<sup>106</sup> Soudi, 2010, p. 811.

<sup>107</sup> Ahmed-Zaid and others, 2013, p. 95.

**Figure 5: Management of Social Protection Centers (2014)**



*Source: Entraide Nationale, 2014 (compiled by the author).*

Due to this and the limited resources of the state, the role of associations has been increasingly institutionalized within the work of the Ministry of Solidarity, the ADS, and the Entraide Nationale. The Ministry relies on associations for the implementation of various social development projects. The Ministry regularly spends approximately 44 million MAD per year on contracts or other agreements with associations. The Entraide Nationale, on the other hand, provides regular subsidies to associations that manage social protection institutions that provide care and housing to populations in need.<sup>108</sup>

However, there are some issues with the increasingly large role of civil society organizations in social protection. These include concerns about the capacity of some associations, problems with the regulatory environment for associations engaged in social protection, and concerns about the insufficient and ineffective funding sources for associations. Particularly with the rapid creation of new institutions in the past ten years, two officials interviewed from the ADS and Ministry of Social Development indicated that many associations suffer from poor capacity, ambiguous missions, and unsustainable financial and human resources.<sup>109</sup> This was particularly problematic prior to 2006, as there were actually no regulations for associations providing social assistance.<sup>110</sup>

The Law 14-05 on Establishments of Social Protection set forth a series of requirements for such institutions.<sup>111</sup> Centres now regularly undergo inspections by the Entraide Nationale but also qualify for a small subsidy for their social protection activities. However, these regulations are currently undergoing revision, as many of them were not realistic in the current context.<sup>112</sup> A recent national dialogue on the role of civil society helped highlight how insufficient funding sources may threaten the ability of civil society organizations to effectively play a large role in social protection.<sup>113</sup> Civil society actors described how an over-reliance on voluntary work and unsustainable financing are major issues for almost all associations. Even for those associations that benefit from subsidies from the Entraide Nationale say that these represent a very small proportion (1 to 3 per cent) of their budget.

<sup>108</sup> Interview with Abdellatif Bouazza, Director, Agency for Social Development (ADS), Rabat, Morocco, 11 December 2014.

<sup>109</sup> Ibid.

<sup>110</sup> Ibid.

<sup>111</sup> See Entraide Nationale, 2006 [http://www.entraide.ma/loi14\\_05//article/menuview/15](http://www.entraide.ma/loi14_05//article/menuview/15)

<sup>112</sup> Interview with Abdellatif Bouazza, Director, Agency for Social Development (ADS), Rabat, Morocco, 11 December 2014.

<sup>113</sup> Interview with Moulay Ismail Alaoui, President of the National Commission for Dialogue on Civil Society and President of Association Pour le Développement du Monde Rural (ADMR), Rabat, Morocco, 3 December 2014.



Further, the associations struggle with the funding processes of the Ministry of Social Development and some other ministries, which often face significant delays, withholding of full funding until completion of the project, and lack of financing for administrative costs.<sup>114</sup> This leaves many associations dependent on irregular funding from local donations and benefactors. These donations often overlap with zakat practice, as will be discussed in later sections. However, only the very small number of associations that have been licensed as ‘serving the public good’ can actually legally conduct fundraising activities. Of the over 50,000 registered associations in Morocco, only 213 associations have gained this license.<sup>115</sup> The definition of ‘public good’ is broad; the association must simply “serve objectives of public interest at the local, regional, or national level.”<sup>116</sup> The 213 associations that currently registered represent a range of charitable, social protection, cultural and environmental groups.<sup>117</sup> Additionally, these associations must abide by general laws for association, maintain reliable records of its assets and financial situation, and provide necessary documents for an administrative review.<sup>118</sup> However, gaining this license can take years and requires considerable paperwork, which is prohibitive for many associations. For this reason, it is primarily urban-based associations and those with connections to the government that hold this license. All other associations can only collect donations informally.<sup>119</sup> International funding can help associations weather these funding difficulties, but very few associations actually have access to this funding, and it has come under increasing scrutiny by the government.<sup>120</sup>

Given the prominent role of civil society in social protection, an effective social protection policy needs to incorporate civil society and address these issues. The recent National Dialogue is an important step in this direction. Future reforms could focus on refining procedures for partnership with civil society, improving the regulatory framework for associations engaged in social protection, monitor and enhance the capacities of associations, and explore opportunities to improve the financial sustainability of associations. Such reforms will likely be relevant for both current zakat practice – which is conducted in part through civil society organizations and represents an alternative to governmental funding – and the potential creation of an official Zakat Fund. As will be discussed further in Section III, efforts could be taken to formalize the use of zakat as a source of financing or civil society, or a Zakat Fund could provide a valuable hybrid model of governmental and public participation.

## E. INFORMAL SYSTEMS FOR SOCIAL PROTECTION

In Morocco, formal social protection activities of both the government and civil society are built upon an extremely important, extensive system of informal social protection. Even as the state expands its social protection activities, support from family and community members is often the first and most important form of assistance for many people, especially those living in rural areas with less access to formal social protection programs.<sup>121</sup> This kind of support can be divided into family support and community support. The former occurs between immediate and extended family members and often takes the form of cash and in-kind

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<sup>114</sup> Interview with Latifa Aarsalane, Communications and Fundraising Manager, Association ANAIS, Bouskoura, Morocco, 8 December 2014; Interview with President, Association ANAIS, Bouskoura, Morocco, 8 December 2014; Interview with Sahar Mechbal, Director, Association Pour le Développement du Monde Rural, Rabat, Morocco, 3 December 2014; Interview with M. Sharaka, Vice President, Association Pour le Développement du Monde Rural, Rabat, Morocco, 3 December 2014; Interview with Moulay Ismail Alaoui, President of the National Commission for Dialogue on Civil Society and President of Association Pour le Développement du Monde Rural (ADMR), Rabat, Morocco, 3 December 2014; Interview with Béatrice Beloubad, National Director, SOS Enfants, Casablanca, Morocco, 8 December 2014; Interview with Finance and Fundraising Manager, SOS Enfants, Casablanca, Morocco, 8 December 2014.

<sup>115</sup> Secrétariat Général du Gouvernement, 2014.

<sup>116</sup> Secrétariat Général du Gouvernement, 2015.

<sup>117</sup> Secrétariat Général du Gouvernement, 2014.

<sup>118</sup> Secrétariat Général du Gouvernement, 2015.

<sup>119</sup> Interview with Béatrice Beloubad, National Director, SOS Enfants, Casablanca, Morocco, 8 December 2014; Interview with Sahar Mechbal, Director, Association Pour le Développement du Monde Rural (ADMR), Rabat, Morocco, 3 December 2014; Interview with Abdellatif Bouazza, Director, Agency for Social Development (ADS), Rabat, Morocco, 11 December 2014.

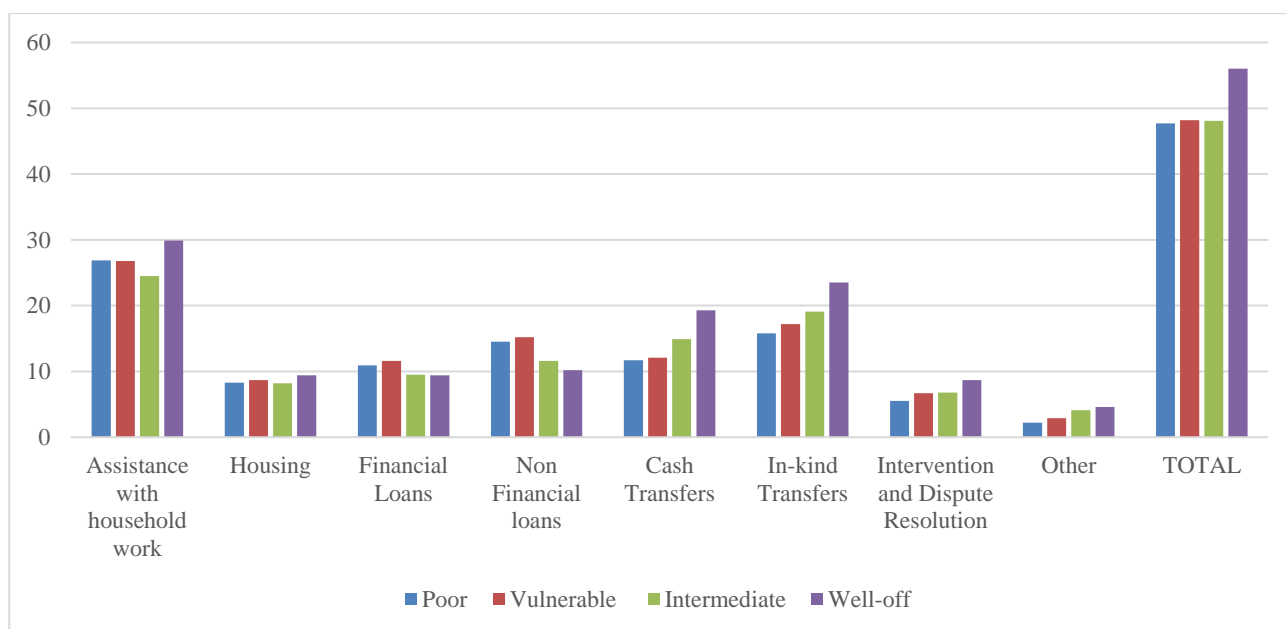
<sup>120</sup> Interview with Moulay Ismail Alaoui, President of the National Commission for Dialogue on Civil Society and President of Association Pour le Développement du Monde Rural (ADMR), Rabat, Morocco, 3 December 2014; Interview with Béatrice Beloubad, National Director, SOS Enfants, Casablanca, Morocco, 8 December 2014; Interview with Finance and Fundraising Manager, SOS Enfants, Casablanca, Morocco, 8 December 2014.

<sup>121</sup> Interview with Houssine Ihnach, Head of Social Policy Impacts Department, Rabat, Morocco, 21 November 2014.

transfers, services, provision of housing and dispute resolution. Community support typically takes the form of cash and in-kind transfers or assistance along the lines of the *Jmaa* or *Touiza*, mentioned previously. Both family and community assistance are also closely connected to current zakat practice in Morocco. While this section looks at comprehensive data on such assistance, the following section will focus in on cash and in-kind assistance that overlaps with zakat.

Data from household surveys on the provision of informal social assistance provide some valuable data on this kind of informal support. It helps highlight the importance of informal assistance as a social safety net, and its resilience even in the light of socio-demographic changes.<sup>122</sup> Data from 1999 – while outdated – sheds light on the most common forms of family support. Such family support includes assistance from immediate and extended family members living both in Morocco and abroad (including remittances). As seen in Figure 6, help with household work is the most common form of assistance, accounting for 25.7 per cent of family support. This was followed by in-kind transfers, cash transfers and non-financial loans. Both cash and in-kind transfers are more common in urban areas.<sup>123</sup> It is important to note, however, that such assistance is not limited to poor and vulnerable households. In fact, the data suggests that some forms of family support can be regressive in nature, with intermediate and well-off households receiving more assistance than poor and vulnerable households. As Figure 6 shows, this is the case with cash and in-kind transfers.<sup>124</sup> While this data suggests that family support is not specifically targeted at low-income households, it demonstrates that it is still widespread among low-income households; almost half of all poor and vulnerable households receive some kind of family support.

**Figure 6: Types of Informal Social Assistance (1999)**



Source: Soudi 2010 (compiled by the author).

Examining the financial value of cash and in-kind transfers (the only forms of assistance that can be easily monetized) further reinforces the importance of family support, especially in comparison to formal assistance. As seen in Figure 7, cash and in-kind transfers from family and community members accounted for 6.4 per cent of household expenditures of poor households in 2007 (5.4 per cent from family members and 1 per cent from community members). This is three times as much as poor households received from all

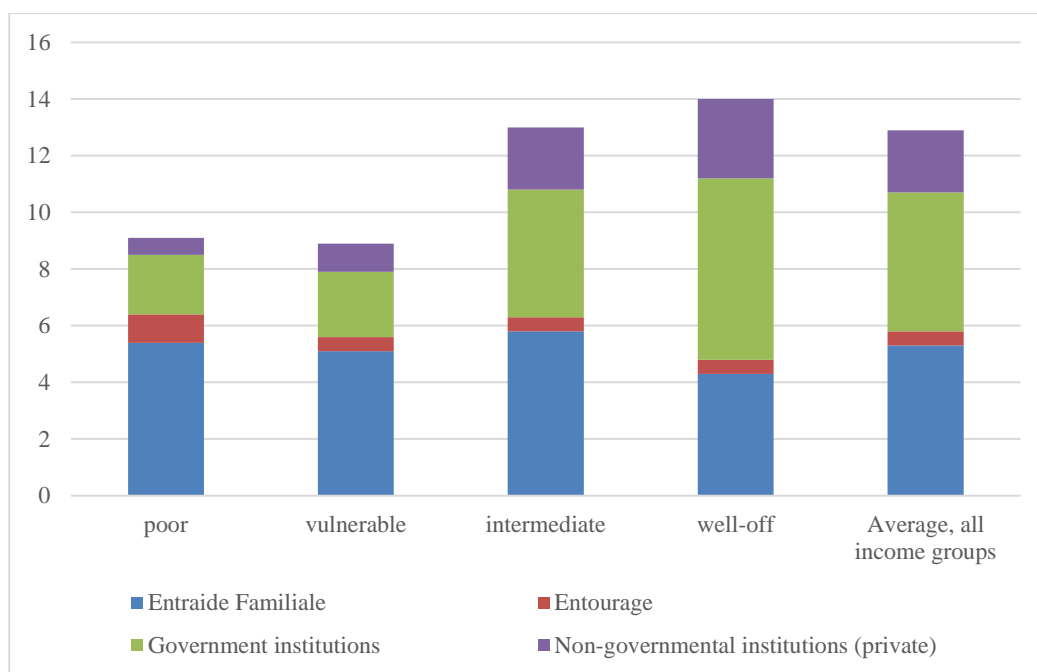
<sup>122</sup> Soudi, 2010; Teto, 2000.

<sup>123</sup> Soudi, 2010, p. 807.

<sup>124</sup> Ibid., p. 809.

governmental cash and in-kind transfers, and ten times as much as they received from non-governmental associations. A similar pattern is seen with vulnerable households.<sup>125</sup> Additionally, while the receipt of cash and in-kind transfers had a regressive trend, this trend is less evident when one looks at the value of transfers as a percentage of household expenditures. In fact, transfers from community and family members seem much better targeted than transfers from governmental and non-governmental institutions, which increase drastically among intermediate and well-off households, as seen in Figure 7. This suggests that, while family and community support is not exclusively used to assist poor and vulnerable households, it is actually more equitably distributed than governmental and non-governmental transfers.<sup>126</sup> Based off of this data, the HCP estimates that inter-family transfers alone kept at least 860,000 people (or 2.8 per cent of the population) out of poverty in 2007.<sup>127</sup> They also estimate that social solidarity (including both family and community support) contributed to a 37 per cent reduction in the severity of poverty in 2007.<sup>128</sup>

**Figure 7: Value of Transfers by Source and Income Group (as a percentage of household expenditures, 2007)**



Source: Soudi 2010 (compiled by the author).

While these figures help to underline the importance of informal assistance as a social safety net in Morocco, it is important to note that they do not fully capture the role of informal assistance. Most informal assistance comes in forms that cannot be monetized. Additionally, data from household surveys may not capture all of this assistance, as many households are wary to report expenditures or receipt of aid.<sup>129</sup>

Increasing urbanization of society and other demographic shifts have led to concerns that family and community assistance may decrease with increasing ‘modernization’ of society. However, inter-family assistance seems to be fairly resistant to such trends. Cash and in-kind transfers have increased both in terms of frequency and amount (as a percentage of household expenditures) between 2001 and 2007. This increase

<sup>125</sup> Ibid., pp. 816- 817.

<sup>126</sup> Ibid.

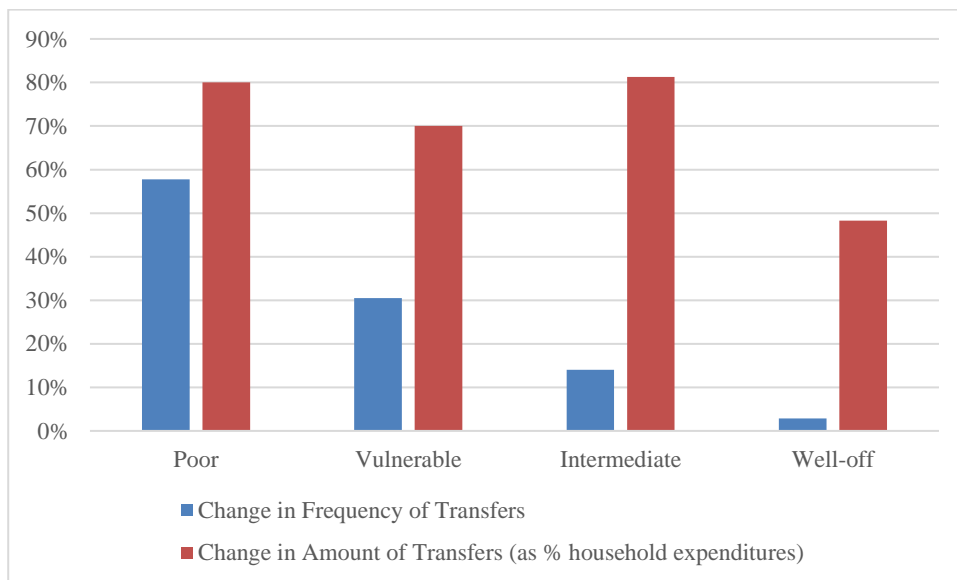
<sup>127</sup> Ibid., p. 820.

<sup>128</sup> Ibid.

<sup>129</sup> Interview with Houssine Ihnach, Head of Social Policy Impacts Department, Rabat, Morocco, 21 November 2014.

is particularly pronounced among poor households, with a 57.7 per cent increase in the frequency of family transfers among poor households and an 80 per cent increase in amount (See Figure 8).<sup>130</sup>

**Figure 8: Change in Transfers from Family Members (2001-2007)**



Source: Soudi 2010 (compiled by the author).

Given the prominence and resilience of informal social protection, it is essential that Morocco consider this form of assistance in its social protection strategy while also acknowledging that such assistance is a private choice. However, while it is important to acknowledge the role of informal social assistance, the government should not rely on such assistance in lieu of formal, rights-based social protection programs. Moreover, over-reliance on informal assistance can have negative consequences. For example, high unemployment and underemployment as well as low labour participation rates means that a small number of active family members often have to provide for a large network of immediate and extended family members.<sup>131</sup>

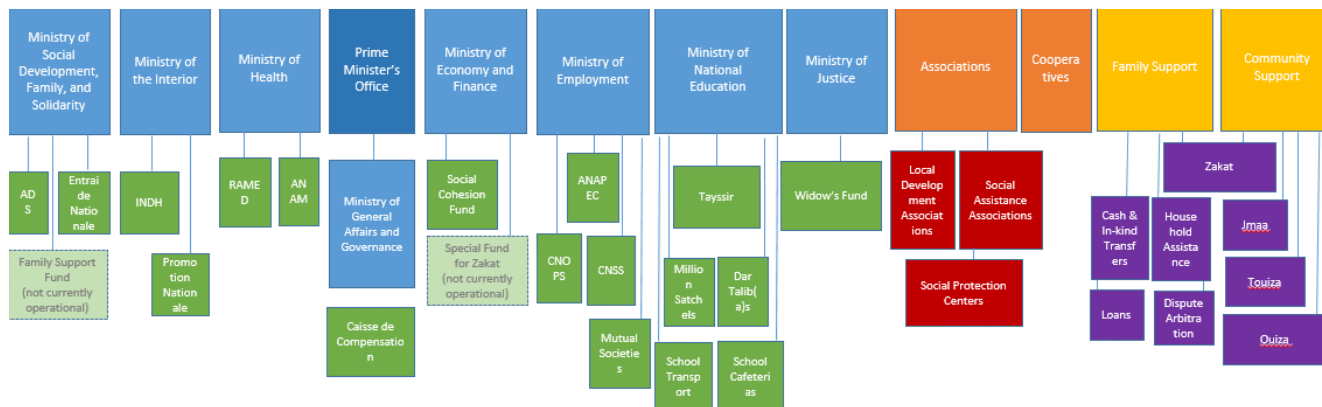
## F. SUMMARY

As this section has demonstrated, governmental institutions make up just one component of Morocco's current social protection system. Figure 9 presents a more comprehensive view of the current SP system including civil society and zakat. It is interesting to note that, while there is certainly duplication among governmental, non-governmental and informal social protection efforts, there is also some stratification of responsibilities. Many civil society organizations focus on local development and provision of services and care to high-need populations that are not sufficiently served by state programs. Informal systems instead mainly provide direct cash or in-kind assistance.

<sup>130</sup> Soudi, 2010, pp. 809, 816- 817.

<sup>131</sup> Interview with Houssine Ihnach, Head of Social Policy Impacts Department, Rabat, 11 December 2014; Interview with Mohamed Alaoui, Researcher in Islamic Finance and Zakat, Rabat, Morocco, 27 November 2014.

**Figure 9: Comprehensive Framework of Social Protection in Morocco**



Source: Adapted from World Bank 2011 and Soudi 2010 (compiled by the author).

An effective social protection strategy should consider the significant contributions of both civil society and informal social assistance. This is an important consideration as Morocco continues its efforts to develop a social protection strategy. At the same time, it is critical that the government exercises an appropriate monitoring and regulatory role of these diverse sources of social protection. The Ministry of Social Development has improved monitoring and regulation of civil society actors (particularly through law 14-05), but much work remains to be done, as evidenced by the major issues faced by associations engaged in INDH projects. It will be difficult for the government to exercise effective, comprehensive regulation of civil society organizations as long as its own social protection system is fragmented.

The extensive system of informal social assistance highlights the strong family and social bonds that continue to characterize Moroccan culture. However, it also highlights the gaps in formal social protection programs, and the importance of coordination with such assistance to promote complementarity. Poor households receive three times more in cash and in-kind transfers from informal systems than they do from governmental institutions, and these informal systems are better targeted.<sup>132</sup> This data suggests that Morocco may want to consider establishing broader formal transfer programs that can lessen the burden on informal sources of assistance. This is particularly important as the government moves forward with subsidy reforms that could raise the cost of living, especially if international prices even out. Cash transfer programs common in other developing countries will face both political and practical difficulties, as discussed in the context of Tayssir.

As discussions on the creation of an official Zakat Fund continue, it would be helpful for policy-makers to consider the potential role of such a Fund and its effects within the entirety of Morocco's social protection system, including governmental, civil society, and informal systems. This includes understanding the current role of zakat in social protection, which will be discussed in the next section.

<sup>132</sup> Soudi 2010, pp. 816- 817.

### III. ZAKAT IN MORROCO

#### A. CURRENT ZAKAT PRACTICE

##### *1. Patterns of zakat payment*

Experts on both zakat and social protection agree that it is an essential part of informal social assistance in Morocco as well as a source of financing for some social welfare associations.<sup>133</sup> However, these experts also acknowledge that reliable data on zakat is extremely difficult to come by. Interviews undertaken as part of this study indicated that there is a hesitancy to report zakat payments due to concerns about how the information might be used to ascertain total income, as well as a preference for anonymity when paying zakat.<sup>134</sup> The HCP did seek to collect information on household zakat payments during previous household surveys; however, they have not made this data public. The HCP reportedly felt that due to the above issues, the individuals surveyed were not providing reliable information on what expenditures were actually zakat. For this reason, they rolled the data on zakat into larger figures on household cash and in-kind transfers and only reported these cumulative figures (discussed below).<sup>135</sup> In lieu of comprehensive data on current zakat practice in Morocco, qualitative information on how zakat is practiced can be combined with the limited existing data to help provide a fuller picture of zakat in Morocco.

The idea of the family and community ‘entourage’ provides a useful framework for understanding how individuals pay their zakat in Morocco. The entourage can be described as a series of circles that demonstrate a hierarchy of zakat beneficiaries based on proximity (see Figure 10 below). The first two circles in this hierarchy include one’s family. Zakat cannot be paid to those for which one is already directly responsible according to Islam, such as parents and children.<sup>136</sup> However, this first circle would include other members of the immediate family, like siblings, followed by members of the extended family: cousins, nephews, nieces, etc. Next come members of one’s close community, particularly neighbors and other individuals with which one has close ties. This is followed by other members of the community with which one may or may not have direct contact. Following this, the circle extends to people of the same region, tribe, or social group. In the context of Morocco, this refers to one’s region of origin. With high rural-urban migration rates, it is common for people who have migrated to cities like Rabat and Casablanca or even abroad to send their zakat back to their home region, even if their families have moved away.<sup>137</sup> This framework also helps highlight why some individuals may resist paying to a formal zakat institution: the way such an institution distributes zakat may not adhere to this hierarchy of beneficiaries. For this reason, it is important that any future Zakat Fund consider how such priorities could be integrated into the structure and activities of the fund.

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<sup>133</sup> Interview with Houssine Ichnach, Head of Social Policy Impacts Department, Rabat, Morocco, 21 November 2014; Interview with Abdeslam Ballaji, Deputy in Moroccan Parliament, Deputy Mayor of Rabat, and Vice President of the Moroccan Association for Studies and Research on Zakat, Rabat, Morocco, 29 November 2014; Interview with Mohamed Alaoui, Researcher in Islamic Finance and Zakat, Rabat, Morocco, 27 November 2014; Interview with Abdellatif Bouazza, Director, Agency for Social Development (ADS), Rabat, Morocco, 11 December 2014; Interview with Program Manager, Ministère de la solidarité, de la femme, de la famille et du développement social, Rabat, Morocco, 11 December 2014.

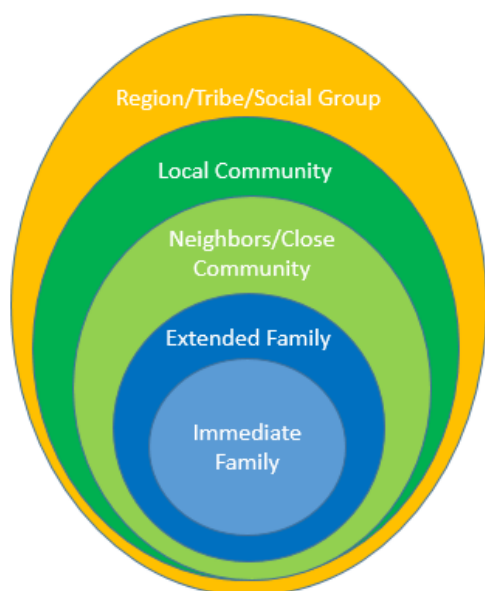
<sup>134</sup> Interview with Houssine Ichnach, Head of Social Policy Impacts Department, Rabat, Morocco, 11 December 2014 ; Interview with Mohamed Alaoui, Researcher in Islamic Finance and Zakat, Rabat, Morocco, 27 November 2014.

<sup>135</sup> Interview with Houssine Ichnach, Head of Social Policy Impacts Department, Rabat, Morocco, 11 December 2014.

<sup>136</sup> Interview with Mohamed Alaoui, Researcher in Islamic Finance and Zakat, Rabat, Morocco, 27 November 2014.

<sup>137</sup> Interview with Houssine Ichnach, Head of Social Policy Impacts Department, Rabat, Morocco, 11 December 2014.

**Figure 10: Framework for Understanding Patterns of Zakat Payment**



*Source: Interview with Mohamed Alaoui, Researcher in Islamic Finance and Zakat, Rabat, 27 November 2014 (compiled by the author).*

While much zakat is paid directly to individuals, local associations or other institutions may be integrated into this framework. If one does not directly know of eligible zakat beneficiaries, one may pay zakat to associations or other institutions that reach such beneficiaries. At the local level, individuals may pay their zakat to associations or associative actors – individuals who are prominent in local associations, particularly local development or charitable associations – that they know and trust. In urban areas, shifting social and family structures may affect this entourage, such that individuals have less direct contact with eligible beneficiaries.<sup>138</sup> In such cases, they may pay to national-level associations that work with eligible beneficiaries. However, even in these cases, the issue of trust and financial transparency is central to reassure individuals that their zakat is being used in appropriate ways.<sup>139</sup>

Some very wealthy individuals in Morocco prefer to distribute their zakat through foundations or other institutions that they have created themselves. One important example of this is the Miloud Chaabi Foundation. Miloud Chaabi is the founder of Ynna Holding, which comprises a variety of real estate, hotel, energy, industrial and agricultural companies. As his wealth accumulated, Miloud Chaabi decided to create his own charitable foundation, the Miloud Chaabi Foundation, rather than relying on existing associations or other institutions. In addition to his own personal zakat, Miloud Chaabi requires that each company within Ynna Holding donate 0.75 per cent of its revenues to the Foundation. According to the Secretary General of the

<sup>138</sup> Interview with Houssine Ihnach, Head of Social Policy Impacts Department, Rabat, Morocco, 21 November 2014; Interview with Mohamed Alaoui, Researcher in Islamic Finance and Zakat, Rabat, Morocco, 27 November 2014; Interview with Sahar Mechbal, Director, Association Pour le Développement du Monde Rural (ADMR), Rabat, Morocco, 3 December 2014.

<sup>139</sup> Interview with Houssine Ihnach, Head of Social Policy Impacts Department, Rabat, Morocco, 21 November 2014 ; Interview with Abdeslam Ballaji, Deputy in Moroccan Parliament, Deputy Mayor of Rabat, and Vice President of the Moroccan Association for Studies and Research on Zakat., Rabat, Morocco, 29 November 2014 ; Interview with Mohamed Alaoui, Researcher in Islamic Finance and Zakat, Rabat, Morocco, 27 November 2014; Interview with Sahar Mechbal, Director, Association Pour le Développement du Monde Rural (ADMR), Rabat, Morocco, 3 December 2014; Interview with M. Sharaka, Vice President, Association Pour le Développement du Monde Rural (ADMR), Rabat, Morocco, 3 December 2014 ; Interview with Finance and Fundraising Manager, SOS Enfants, Casablanca, Morocco, 8 December 2014.

Foundation, this rate represents the zakat due on the companies. The Foundation does not have any other funding sources.<sup>140</sup>

## 2. Nature of zakat assistance

The zakat that individuals pay directly to beneficiaries – without going through other institutions – takes the form of cash or in-kind transfers. This is intuitive, given that individuals do not typically have the capacity to enact more complex social assistance activities or programs. In-kind transfers are particularly common for those engaged in agricultural activities, who often take a portion of their yield during the harvest and immediately distribute it to those in need.<sup>141</sup>

Social welfare associations assisting specific vulnerable populations, including orphans, persons with disabilities, and poor and marginalized groups, are more likely to receive zakat than other associations. These kinds of associations align best with the eight beneficiary groups described in the Qur'an and popular perceptions of ideal distribution of zakat.<sup>142</sup> However, no social welfare associations interviewed reported adhering to any measures to ensure that any zakat donated would be used in accordance with religious regulations on zakat.<sup>143</sup> The Miloud Chaabi Foundation is unique in that zakat is its primary funding source and a guiding principle of the Foundation itself.<sup>144</sup> While the main activities of the Foundation are linked to education provision of housing to students, scholarships, construction of schools, the other activities of the Foundation closely resemble those of Zakat Funds in some other Arab Countries. These include provision of medical assistance and ambulances, a care center for older persons, food aid to poor families and funding for mosques.<sup>145</sup>

## 3. Estimating zakat

Estimates of potential zakat revenues in Morocco range from between 1.3 billion USD and 4.1 billion USD per year for different years.<sup>146</sup> This variation depends in part on the year used, but also the method of estimation. The 1.3 billion USD estimate was developed by a Senior Economist at the Islamic Development Bank (IDB) using 2007 data on national income accounts and the lowest estimated percentage of zakat in all IDB countries due on total income based on the opinions of different jurists (noting that while the general rate of zakat is 2.5 per cent of monetary wealth, different rates are levied on different kinds of wealth, and this applies only to wealth that remains in ones possession for a year *and* above the basic needs and assets). This same analysis also estimated potential zakat based on the *highest* estimate of zakat due and including remittances to that country, which was 3.2 billion USD for 2007.<sup>147</sup> This higher estimate – developed by two Moroccan researchers on Islamic finance and zakat – is based on Morocco's GDP by sector, rather than income. The researchers argue that GDP provides better estimates for Morocco given the extent to which

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<sup>140</sup> Interview with Abdessadek Belfqih, Secretary General of Fondation Miloud Chaabi, Counselor to the President of YNNA Holding, Group Chaabi, Casablanca, Morocco, 10 December 2014.

<sup>141</sup> Interview with Mohamed Alaoui, Researcher in Islamic Finance and Zakat, Rabat, Morocco, 27 November 2014; Interview with Abdeslam Ballaji, Deputy in Moroccan Parliament, Deputy Mayor of Rabat, and Vice President of the Moroccan Association for Studies and Research on Zakat, Rabat, Morocco, 29 November 2014.

<sup>142</sup> Interview with Mohamed Alaoui, Researcher in Islamic Finance and Zakat, Rabat, Morocco, 27 November 2014; Interview with Sahar Mechbal, Director, Association Pour le Développement du Monde Rural (ADMR), Rabat, Morocco, 3 December 2014; Interview with Latifa Arsalane, Communications and Fundraising Manager, Association ANAIS, Bouskoura, Morocco, 8 December 2014; Interview with Aicha Ech-Channa, President, Association Solidarité Féminine, Casablanca, Morocco, 10 December 2014; Interview with Béatrice Beloubad, National Director, SOS Enfants, Casablanca, Morocco, 8 December 2014; Interview with Finance and Fundraising Manager, SOS Enfants, Casablanca, Morocco, 8 December 2014.

<sup>143</sup> Interview with Sahar Mechbal, Director, Association Pour le Développement du Monde Rural (ADMR), Rabat, Morocco, 3 December 2014; Interview with Latifa Arsalane, Communications and Fundraising Manager, Association ANAIS, Bouskoura, Morocco, 8 December 2014; Interview with Aicha Ech-Channa, President, Association Solidarité Féminine, Casablanca, Morocco, 10 December 2014; Interview with Béatrice Beloubad, National Director, SOS Enfants, Casablanca, Morocco, 8 December 2014; Interview with Finance and Fundraising Manager, SOS Enfants, Casablanca, Morocco, 8 December 2014.

<sup>144</sup> Interview with Abdessadek Belfqih, Secretary General of Fondation Miloud Chaabi, Counselor to the President of YNNA Holding, Group Chaabi, Casablanca, Morocco, 10 December 2014.

<sup>145</sup> Ibid.

<sup>146</sup> Shirazi, 2014, p.86; Ouani and Ouani, 2014, p. 10.

<sup>147</sup> Shirazi, 2014, pp.81-82, 86.



income is not declared or placed in bank accounts in the country. Their estimate considers the different rates of zakat on different kinds of wealth – particularly agricultural and mineral wealth – for a total potential of 40 billion MAD, or roughly 4.1 billion USD.<sup>148</sup> For reference, even the lower estimate is over three times the yearly budget of the INDH, Morocco’s flagship poverty reduction program (the INDH has a total budget of 1.9 billion USD over five years, or 380 million USD per year). These estimates assume full payment of zakat from those who meet the nisab, or minimum wealth requirements of zakat. However, they also *do not* account for zakat revenues from abroad or additional sadaqa that are often an important source of funding for zakat institutions in other Arab countries, like Lebanon and Palestine.

As discussed previously, it is impossible to determine how close actual zakat assistance is to these estimates. Given the fact that much zakat is handled directly by individuals, household survey data would be the ideal source for such data. While the HCP has not reported data on zakat transfers specifically, cumulative data on cash and in-kind transfers from households can shed some light on current zakat flows, as was discussed previously in the section above on informal social protection. As mentioned, existing zakat assistance largely falls within systems of informal social protection.

The HCP disaggregates data on cash and in-kind transfers by those coming from family members and those coming from non-family members of the community. Within inter-family transfers, the HCP also disaggregates by the type of family member. Not all of these transfers are zakat. In particular, transfers between immediate family members do not qualify as zakat. However, a significant portion of transfers between both extended family members and other members of the community are likely linked to zakat, in line with the entourage framework discussed above.<sup>149</sup> Within inter-family transfers, 31.5 per cent come from extended family members, which has the potential to qualify as zakat, although with existing information it is impossible to determine what proportion was, in fact, zakat (that number jumps to 35.4 per cent in urban areas) (see Figure 11).<sup>150</sup> In other words, among the 41.8 per cent of poor people in Morocco that receive inter-family assistance, almost a third receive it from extended family members. An additional 22.6 per cent of poor people in Morocco receive assistance from other community members.<sup>151</sup> Thus, over 35 per cent<sup>152</sup> of those in poverty are receiving assistance that may qualify as zakat. In financial terms, the average annual value of inter-family assistance was 1,420 MAD per beneficiary in a household, and 324 MAD per beneficiary<sup>153</sup> from other members of the community.<sup>154</sup> The relatively small value of transfers from community members, despite the high frequency of such assistance, suggests that most assistance comes in small amounts or non-monetary forms. In 2007, combined, inter-family support and assistance from community members represented 6.4 per cent of the annual household expenditures per person among poor households (See Figure 7).<sup>155</sup>

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<sup>148</sup> Ouani and Ouani, 2014, p. 10.

<sup>149</sup> Interview with Houssine Ilnach, Head of Social Policy Impacts Department, Rabat, Morocco, 11 December 2014.

<sup>150</sup> Soudi, 2010 p. 813.

<sup>151</sup> *Ibid.*, p. 811.

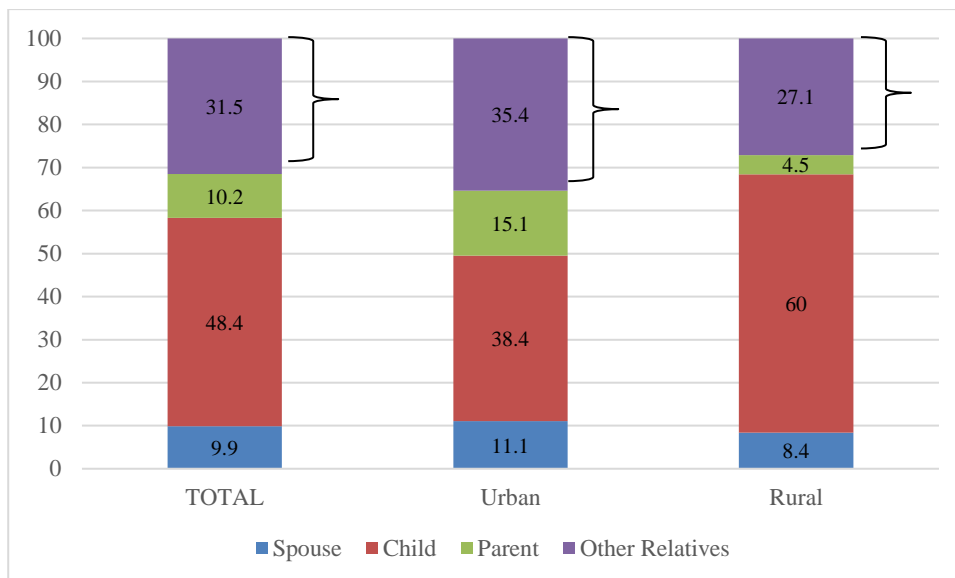
<sup>152</sup> Of the 41.8 per cent of those in poverty who receive interfamily transfers, 31.5 per cent receive them from extended family members; this amounts to 13.2 per cent of the total population in poverty. Combined with the 22.6 per cent of the population in poverty, 35.8 per cent receive transfers from community members, that could be qualified as zakat.

<sup>153</sup> This amounts to roughly 144 USD per household and 33 USD per beneficiary.

<sup>154</sup> Soudi 2010, pp. 817-818.

<sup>155</sup> *Ibid.*, p. 816.

**Figure 11: Distribution of Family Support by Relative Type**



Source: Soudi 2010 (compiled by the author).

As discussed in the previous section on informal social assistance, these transfers are an important safety net that reduces both total poverty rates and the severity of poverty in Morocco. These transfers are also often more easily and thus better targeted than transfers from public or non-governmental sources (which represent just 2.1 and 0.6 per cent of expenditures per person among poor households).<sup>156</sup> One worrying trend, however, has been the significant reduction in assistance from community members. Between 2001 and 2007, the frequency of such transfers to poor households decreased by 47.4 per cent. This decrease was actually much more dramatic among non-poor households, suggesting that such transfers are becoming more focused on those in need (the frequency of these transfers decreased by 83.9 per cent among intermediate income households and 85.3 per cent among well-off households). Interestingly, inter-family assistance did not register the same reductions and in fact increased substantially among poor households (with an 80 per cent increase in the frequency of inter-family transfers to poor households).<sup>157</sup> This marked decline in transfers from non-family members suggests that important shifts may be occurring with informal assistance. However, further data is needed to determine what may be contributing to this pattern. It is worth considering how this shift might be affecting informal zakat practice and, if it does signal decreased informal zakat assistance, how creating an official Zakat Fund may affect this trend.

It is highly difficult to estimate the proportion of associations that receive zakat or the percentage of their budgets that zakat represents. Only the relatively few associations that have been recognized as serving the public good can formally collect zakat, which makes some associations wary to report any zakat receipts. Additionally, most individuals do not specifically report their donations as zakat, and associations do not record zakat separately from other donations. Among social welfare associations that *are* recognized as serving the public good, estimates of zakat receipts ranged from the vast majority of their donations (Association SOS Enfants), to occasional receipts of zakat (Moroccan Association for Development of the Rural World, Solidarité Féminine), to no zakat receipts (Association Anais for Persons in Situation of Handicap and Solidarité Féminine, Association Bayti).<sup>158</sup> This variation is likely due to a number of factors, including the

<sup>156</sup> Ibid., p.816.

<sup>157</sup> Ibid., p. 811.

<sup>158</sup> Interview with Sahar Mechbal, Director, Association Pour le Développement du Monde Rural (ADMR), Rabat, Morocco, 3 December 2014; Interview with Latifa Arsalane, Communications and Fundraising Manager, Association ANAIS, Bouskoura, 8 December 2014; Interview with Aicha Ech-Channa, President, Association Solidarité Féminine, Casablanca, Morocco, 10 December 2014; Interview with Béatrice Beloubad, National Director, SOS Enfants, Casablanca, Morocco, 8 December 2014; Interview with

activities, discourse and fundraising efforts of the association. For example, Association SOS Enfants – which assists orphans and precarious households where children are at risk of being abandoned – emphasizes the principle of zakat in its fundraising efforts. The association regularly publishes an advertisement in local newspapers encouraging individuals to pay their zakat to the Association.<sup>159</sup> The Moroccan Association for Development of Rural Areas, on the other hand, does not engage in any formal fundraising activities and does not emphasize the principle of zakat.<sup>160</sup> Although Solidarité Féminine and the Association Bayti engage in similar activities as Association SOS Enfants, they have a distinct, secular human rights based discourse. This discourse may make them less common recipients of zakat, although they may still receive zakat.<sup>161</sup> For some social welfare associations, like Association ANAIS for persons with disabilities, personal donations are a very small portion of their funding (less than one per cent for Association ANAIS), and thus zakat is also negligible.<sup>162</sup>

This information helps outline the diverse ways that current zakat practice contributes to social protection efforts through both informal social assistance and civil society organizations. While incomplete and imperfect, this information is important, particularly to avoid the assumption that zakat is not significant in Morocco simply because concrete data on it is elusive. Additionally, understanding current zakat practice is critical when considering the prospects for an official Zakat Fund, and how it could be integrated into the larger social protection framework.

## B. CONTEMPORARY DISCUSSIONS OF A ZAKAT FUND

Discussion of an official zakat fund emerged after Moroccan independence, under King Hassan II (1961-1999). Hassan II voiced his support for a zakat fund multiple times during his reign. He first called for the establishment of a zakat fund during an official speech in 1979.<sup>163</sup> Following this speech, the government passed legislation (Morocco Code 3.1/2.0.0.1.13.017) creating a Special Fund for Zakat – also referred to simply as the Zakat Fund – in 1980, under the supervision of the Ministry of Economy and Finance. This Fund was to be financed by zakat donations and charged with overseeing all functions related to the allocation of zakat. All spending was to be used for monetary or in-kind transfers and/or social works.<sup>164</sup> This Special Fund for Zakat still exists in law, however, the implementing regulations for this fund were never developed and thus the Fund never became operational. Typically, drafting these regulations would have been the responsibility of the supervising ministry, with a request of the Prime Minister.<sup>165</sup>

While the status of the Zakat Fund did not change following the 1980 legislation, interest in and attention to the idea of an official Zakat Fund grew. The Moroccan Association for Studies and Research on Zakat (AMERZ) was founded in 1994 and has played an important role in drawing attention to this issue, serving as the primary research and policy authority on the creation of a formal zakat institution. Made up of a variety of academics, politicians, and officials, this association seeks to increase awareness and understanding of zakat, primarily by supporting research and publications on zakat, including a magazine that is published

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Finance and Fundraising Manager, SOS Enfants, Casablanca, Morocco, 8 December 2014; Interview with Member of the Executive Board, Bayti, by phone, 2 December 2014.

<sup>159</sup> Interview with Béatrice Beloubad, National Director, SOS Enfants, Casablanca, Morocco, 8 December 2014; Interview with Finance and Fundraising Manager, SOS Enfants, Casablanca, Morocco, 8 December 2014.

<sup>160</sup> Interview with Moulay Ismail Alaoui, President of the National Commission for Dialogue on Civil Society and President of Association Pour le Développement du Monde Rural (ADMR), Rabat, Morocco, 3 December 2014; Interview with Sahar Mechbal, Director, Association Pour le Développement du Monde Rural (ADMR), Rabat, Morocco, 3 December 2014; Interview with M. Sharaka, Vice President, Association Pour le Développement du Monde Rural (ADMR), Rabat, Morocco, 3 December 2014.

<sup>161</sup> Interview with Aicha Ech-Channa, President, Association Solidarité Féminine (2014), Casablanca, Morocco, 10 December 2014; Interview with Hafida Elbaz, Head of Mission, Association Solidarité Féminine, Casablanca, Morocco, 10 December 2014; Interview with Manager, Association Bayti, by phone, 2 December 2014.

<sup>162</sup> Interview with President, Association ANAIS, Bouskoura, 8 December 2014; Interview with Latifa Arsalane, Communications and Fundraising Manager, Association ANAIS, Bouskoura, Morocco, 8 December 2014.

<sup>163</sup> Boukhif, 2013.

<sup>164</sup> Interview with M. Benmoussa, Treasury Special Accounts, Rabat, Morocco, 25 November 2014; Morocco Code 3.1/2.0.0.1.13.017, Fonds Spécial de la Zakat.LF 1980.

<sup>165</sup> Interview with Houssine Ihnach, Head of Social Policy Impacts Department, Rabat, Morocco, 21 November 2014.

every few months and distributed in major cities. AMERZ is closely affiliated with the Moroccan Association for Studies and Research on Islamic Economics (AMEREI).<sup>166</sup>

Hassan II raised this issue of an official zakat fund again in a speech during Ramadan in 1998. Following this speech, the Ministry of Economy and Finance and the Ministry of Awqaf and Islamic Affairs began to draft the implementation guidelines for the Special Fund for Zakat that should have been developed following the initial legislation in 1980. AMERZ helped consult on these guidelines and published the summary of the draft guidelines in their magazine, *Issues in Zakat*. However, King Hassan II's death in 1999 interrupted the adoption of these texts, and the Special Fund for Zakat remains non-operational.<sup>167</sup>

Eight years later, the issue of an official zakat fund reemerged in national discourse when the Party for Justice and Development (PJD) announced that a Zakat Fund was part of their strategy to create 300,000 new jobs per year in the lead up to the 2007 parliamentary elections.<sup>168</sup> An official Zakat Fund was again a part of the PJD's electoral manifesto in 2011, when the PJD won almost twice as many seats as any other party and took control of the government. However – apparently responding to concerns linked to public opinion on the matter – Prime-Minister Abdelilah Benkirane stated before the elections that the party was still examining the issue.<sup>169</sup>

In 2012, then Minister of General Affairs and Governance Najib Boulif (who is seen as a strong supporter of a Zakat Fund),<sup>170</sup> announced that the Ministry of Awqaf had again revived efforts to implement a Zakat Fund and that the Ministry of General Affairs was going to launch two studies on the issue.<sup>171</sup> However, a formal call for these two studies was never made within the Ministry, and Boulif transferred to the Minister of Transport in 2013.<sup>172</sup> It is important to note that this announcement came during a period of significant budget challenges, when public debt reached almost 60 per cent of GDP.<sup>173</sup> In the light of such challenges, the additional resources that a Zakat Fund could provide for social programs would be particularly valuable. However, in 2012 the government instead introduced the Fund for Social Cohesion. This Fund helped finance a variety of key social programs (including the Medical Assistance Regime, or RAMED, and education support programs) via additional taxes on private companies' revenues, high-income personal revenues, and construction.<sup>174</sup> Between its creation in 2012 and September 2014, this Fund accumulated 5.5 billion MAD (600 million USD).<sup>175</sup>

The Special Fund for Zakat did not receive funding in the draft budget for 2015, which at the time of writing is still being debated in Parliament. However, a request has been put in to discuss the Fund during parliamentary debates on the budget.<sup>176</sup> Additionally, AMERZ has recently presented a number of analyses and recommendations on the Zakat Fund to government bodies, including the Ministry of Economy and

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<sup>166</sup> Interview with Abdeslam Ballaji, Deputy in Moroccan Parliament, Deputy Mayor of Rabat, and Vice President of the Moroccan Association for Studies and Research on Zakat., Rabat, Morocco, 29 November 2014; Interview with Executive Board Member, Moroccan Association for Studies and Research on Islamic Economics (AMEREI), Rabat, Morocco, 29 November 2014.

<sup>167</sup> Interview with Abdeslam Ballaji, Deputy in Moroccan Parliament, Deputy Mayor of Rabat, and Vice President of the Moroccan Association for Studies and Research on Zakat, Rabat, Morocco, 29 November 2014.

<sup>168</sup> *Aujourd'hui Maroc*, 2007.

<sup>169</sup> Ali, 2012.

<sup>170</sup> Interview with Houssine Ihnach, Head of Social Policy Impacts Department, Rabat, Morocco, 11 December 2014.

<sup>171</sup> Ali, 2012.

<sup>172</sup> Interview with Houssine Ihnach, Head of Social Policy Impacts Department, Rabat, Morocco, 11 December 2014 ;Interview with Mohamed Mahdad, Director of Governance, Ministry of General Affairs and Governance, Rabat, Morocco, 27 November 2014.

<sup>173</sup> Verme and others, 2014, p. 1; Interview with Houssine Ihnach, Head of Social Policy Impacts Department, Rabat, Morocco, 11 December 2014.

<sup>174</sup> *Direction Générale des Impôts*, 2013, pp. 24-25.

<sup>175</sup> *Ministère de l'Économie et des Finances*, 2014, p. 119.

<sup>176</sup> Interview with Abdeslam Ballaji, Deputy in Moroccan Parliament, Deputy Mayor of Rabat, and Vice President of the Moroccan Association for Studies and Research on Zakat, Rabat, Morocco, 29 November 2014.

Finance during the fiscal reform process in 2013, Morocco's Social Economic and Environmental Council, the Ministry of Awqaf, and the Royal Council.<sup>177</sup>

### *1. Analysis of discourse on the Zakat Fund*

It is worth noting that discourse on an official zakat fund in Morocco has repeatedly been linked to broader social protection efforts in the country in a way that has not always been the case in other Arab countries.<sup>178</sup> King Hassan II's 1998 speech on the Special Fund for Zakat focused on the country's need to consolidate efforts to achieve social solidarity.<sup>179</sup> AMERZ has regularly produced research and policy documents focused on the potential of zakat to contribute to existing social protection and poverty reduction programs. For example, the themes of its magazines often include topics such as: "The Role of Zakat in Poverty Reduction and Achieving Social Solidarity,"<sup>180</sup> "Zakat and Issues in Development,"<sup>181</sup> and "Investment of Zakat in the Fight against Unemployment."<sup>182</sup> Forthcoming research from AMERZ will address zakat and funding for small enterprises and zakat and the National Initiative for Human Development<sup>183</sup> (INDH).<sup>184</sup> An official letter from AMERZ to the Ministry of Economy and Finance on the Zakat Fund states that, the Zakat Fund and the INDH:

*Work in the same field, towards the same objective. In doing so, zakat resources could support the commendable efforts of the INDH in the domains of job-creation and eradication of poverty. It is also true that even the beneficiaries of the INDH are among the eight categories of beneficiaries targeted by the distribution of the Zakat Fund. Joint programs between the two institutions could thus be considered as supporting the well-being of Moroccans.*<sup>185</sup>

Finally, the PJD's support for a Zakat Fund has at times been linked to specific social protection-related policies, such as their strategy for addressing unemployment in Morocco and generating additional funding for social programs.

The connection – at least at the level of discourse – between zakat practice and other social protection efforts in Morocco is important. It suggests that there may be potential for a future Zakat Fund to be integrated into broader social protection systems and strategies, as discussed in Section II. Such integration has been a challenge for other Arab countries, including Palestine.<sup>186</sup> At the same time, it is also indicative of what proponents of a Zakat Fund consider an obstacle to the creation of a Zakat Fund: the sense that such a Fund is unnecessary given the existence of other social assistance programs in Morocco. According to the Vice President of AMERZ and a representative in the Moroccan parliament, critics of an official Zakat Fund often argue that it would duplicate the efforts of other major programs, like the INDH.<sup>187</sup>

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<sup>177</sup> Interview with Abdeslam Ballaji, Deputy in Moroccan Parliament, Deputy Mayor of Rabat, and Vice President of the Moroccan Association for Studies and Research on Zakat, Rabat, Morocco, 29 November 2014.

<sup>178</sup> See for example: UNESCWA, forthcoming.

<sup>179</sup> Ministère des Awqaf et des Affaires Islamiques et Ministère de l'Économie et des Finances, 2002, p.30

<sup>180</sup> AMERZ, 2002, *Issues in Zakat* No.6.

<sup>181</sup> AMERZ, 2002, *Issues in Zakat* No. 5.

<sup>182</sup> AMERZ, 2014, *Issues in Zakat* No. 32.

<sup>183</sup> As discussed in greater detail in Section 2, the INDH is a royal poverty-reduction initiative launched in 2005 and currently in its second tranche. It provides multi-sectoral development programs for areas with high poverty rates and has stressed a 'participatory' model that seeks to involve civil society organizations and local actors in planning discussions (through the creation of local and regional councils) and project implementation (by providing partial funding to local associations and cooperatives for development and entrepreneurial projects). The INDH targets the poorest rural communes and urban quarters across the country as well as the most vulnerable populations. It also seeks to improve governance and institutional capacity for social programs and disparities in access to services and infrastructure. The first tranche (2005-2010) had a budget of 10 billion MAD, with 60 per cent of funding from the national government and 20 per cent from both local government and international donors. The current, second tranche of the INDH (2011-2015) has a total budget of 17 billion MAD, or 1.8 billion USD.

<sup>184</sup> AMERZ, 2014, *Issues in Zakat*, No. 34.

<sup>185</sup> AMERZ, 2014, *Issues in Zakat*, No. 34, p. 5.

<sup>186</sup> UNESCWA, forthcoming.

<sup>187</sup> Interview with Abdeslam Ballaji, Deputy in Moroccan Parliament, Deputy Mayor of Rabat, and Vice President of the Moroccan Association for Studies and Research on Zakat, Rabat, Morocco, 29 November 2014.

Another important challenge to the implementation of the Zakat Fund includes cultural values that make many Moroccans hesitant to shift their zakat practice, as well as the partly informal nature of the Moroccan economy. As will be discussed in greater detail in following sections, most Moroccans prefer to give zakat directly to extended family or community members in need. Experts expect that this will limit the potential resources of a Zakat Fund (if payment to the Fund is voluntary). This is linked to a reality in which much of social assistance comes from informal, family and community-based sources, rather than the state. As long as this model persists, individuals may be hesitant to provide their zakat to an official body. Even if a formal body could more effectively distribute and target zakat assistance, reliance on and faith in formal state assistance programs must be fostered before large-scale payment to an official zakat fund can be realized.<sup>188</sup> Given that all proposed plans of a Zakat Fund in Morocco involve voluntary payment, these cultural preferences should not prevent the creation of a zakat fund, but they may limit popular support.

Another cultural challenge stems from a hesitancy to pay zakat to an official body for fear that it could be used to calculate one's actual income. Due to the significance of Morocco's informal economy, much of the population does not report its full income and fears negative consequences of doing so.<sup>189</sup> Depending on the nature of the Zakat Fund and the anonymity of donation practices, this could also reduce the resources of and support for the Zakat Fund.

## *2. Characteristics of zakat fund proposals*

The most detailed, official proposal for a Zakat Fund is the draft implementation guidelines developed by the Ministry of Awqaf and the Ministry of Economy and Finance in 1998-1999. This draft text lays out the basic administrative structure of the Zakat Fund. While several years old, AMERZ officials are confident based on conversations with officials and politicians that any future Zakat Fund would follow this same basic structure.<sup>190</sup> However, AMERZ has submitted various recommendations in accordance with this structure that are also worth acknowledging.

The 1998-1999 draft implementation guidelines describe a Fund led by a National Zakat Council that is directly supervised by King Mohammed VI. This council would also include representatives from relevant ministries, from the Oulema<sup>191</sup> and other religious experts, and any other individuals that the King deems necessary. The specific activities of the Council are not described in detail; the text states only that the Fund would use zakat resources to address social problems in the country.<sup>192</sup>

The National Council would oversee a group of Regional Councils – one for each of the 12 regions in the country. These Regional Councils would have a diverse board, including parliamentary representatives, representatives from regional councils, members of charitable associations, members of the Oulema, representatives from the Ministries of Economy and Finance and Awqaf, and other important local charitable actors. The Regional Councils would be responsible for collecting zakat, which they would deposit into bank

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<sup>188</sup> Interview with Mohamed Alaoui, Researcher in Islamic Finance and Zakat, Rabat, Morocco, 27 November 2014 ; Interview with Houssine Ihnach, Head of Social Policy Impacts Department, Rabat, Morocco, 21 November 2014; Interview with Abdeslam Ballaji, Deputy in Moroccan Parliament, Deputy Mayor of Rabat, and Vice President of the Moroccan Association for Studies and Research on Zakat., Rabat, Morocco, 29 November 2014.

<sup>189</sup> Interview with Houssine Ihnach, Head of Social Policy Impacts Department, Rabat, Morocco, 21 November 2014; Interview with Abdeslam Ballaji, Deputy in Moroccan Parliament, Deputy Mayor of Rabat, and Vice President of the Moroccan Association for Studies and Research on Zakat, Rabat, Morocco, 29 November 2014; Interview with Mohamed Alaoui, Researcher in Islamic Finance and Zakat, Rabat, Morocco, 27 November 2014 ; Interview with M. Benmoussa, Treasury Special Accounts, Rabat, Morocco, 25 November 2014; Interview with Abdellatif Bouazza, Director, Agency for Social Development (ADS), Rabat, Morocco, 11 December 2014.

<sup>190</sup> Interview with Abdeslam Ballaji, Deputy in Moroccan Parliament, Deputy Mayor of Rabat, and Vice President of the Moroccan Association for Studies and Research on Zakat, Rabat, Morocco, 29 November 2014; Interview with Executive Board Member, Moroccan Association for Studies and Research on Islamic Economics (AMEREI), Rabat, Morocco, 29 November 2014.

<sup>191</sup> Institution created in 1981, chaired by the King and part of the Ministère des Habous et des Affaires Islamiques. The 2011 Constitution states that the Conseil Supérieur des Oulémas is in charge of any issues submitted to it by the King (Title 3, article 41). It is the only institution empowered to impose the officially agreed religious consultations (Fatwas) on issues submitted to it and that on the basis of the tolerant principles, precepts and aims of Islam (Title 3, article 41).

<sup>192</sup> Ministère des Awqaf et des Affaires Islamiques et Ministère de l'Économie et des Finances, 2002, pp. 30-31.

accounts in the Moroccan National Bank. The Regional Councils would oversee the implementation of specific annual projects on behalf of the National Council.<sup>193</sup>

The fact that the Fund would be under the supervision of the King is important. In the context of Morocco's constitutional monarchy system, institutions that are directly supervised by the King have a unique status, particularly because it helps elevate them above the political debates and changes to which other programs are subject (a recent example of this is the INDH). The structure described in the draft text also suggests that decision-making authority would be relatively centralized. This is evident in the fact that key details on the tasks and structure of the Zakat Fund and Councils are left to the discretion of the King. The clarification that the Regional Councils act "on behalf of" the National Council in implementing projects, rather than as independent bodies, is also indicative of the centralized nature of the Zakat Fund in this text.<sup>194</sup> Another noteworthy element of this text is an emphasis on transparency of the Councils. The guidelines state that the Councils' administrations should be willing to submit all necessary information for various studies or research on zakat activities.<sup>195</sup> Such transparency is important for the successful implementation of Zakat Funds, as accurate and direct delivery of assistance to legitimate beneficiaries is an important concern that can greatly influence the decision of individuals to pay their zakat to the Fund.

AMERZ has submitted several recommendations for the above described Zakat Fund, both at the time of the drafting of the 1998-1999 implementation guidelines and in more recent presentations to government bodies. Some key recommendations include support for large-scale, inclusive public debates and awareness-raising campaigns on zakat payment and the Zakat Fund.<sup>196</sup> AMERZ argues that such efforts will be critical given the cultural factors that may make some citizens wary of the Zakat Fund.<sup>197</sup> Public debates and awareness raising could help to improve understanding of the Fund and ensure broader public support, as well as promote the sense that the Fund is a locally-relevant rather than a top-down institution. The creation of local-level committees in addition to Regional Councils, another recommendation from AMERZ, could further reinforce the locally-rooted nature of the zakat system.<sup>198</sup> AMERZ also underlined the importance of transparency and accountability of the Fund, recommending rigorous audits of all Councils by the government Audit Office, which would be made publicly available.<sup>199</sup>

Another important recommendation is that the Zakat Fund collects general donations and charity (sadaqa) as well as zakat.<sup>200</sup> This would be important to reinforce the resources of the Fund and is consistent with the nature of voluntary-contribution Zakat Funds in other Arab countries. AMERZ also strongly recommends that the zakat paid to the Fund be eligible for a 'tax credit' that individuals and companies can deduct from the revenue taxes they owe.<sup>201</sup> At least, AMERZ recommends that the zakat paid to the Fund be deductible from the tax base of companies, as is currently the case with donations to associations recognized serving the public good.<sup>202</sup> This is an important tool in other countries for encouraging donations, particularly from local companies for cash or in-kind donations.<sup>203</sup>

Finally, AMERZ provided specific recommendations for the activities and expenditures of the Regional Councils based on the principle that zakat should provide both sustenance-based transfers to vulnerable populations, as well as support for income generating activities for poor, economically active populations. They recommend that roughly 37.5 per cent of the Councils' budget should be spent on aid to the poor and needy including persons with disabilities and victims of disasters. Another 37.5 per cent should be

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<sup>193</sup> Ibid., p. 31.

<sup>194</sup> Ibid., pp. 30-31.

<sup>195</sup> Ibid., p. 31.

<sup>196</sup> AMERZ, 2002, *Issues in Zakat*, No. 7-8, pp. 23- 24.

<sup>197</sup> Ibid., p. 24.

<sup>198</sup> Ibid., pp. 25-26.

<sup>199</sup> AMERZ, 2014, *Issues in Zakat*, No. 34, p. 5.

<sup>200</sup> AMERZ, 2002, *Issues in Zakat*, No. 7-8, p.24; AMERZ, 2014, *Issues in Zakat* No. 34, p. 6.

<sup>201</sup> For example, a company owing 30 per cent in taxes would only pay 27.5 in taxes if they paid the full 2.5 per cent of their zakat to the Fund.

<sup>202</sup> AMERZ, 2014, *Issues in Zakat*, No. 34, p. 6.

<sup>203</sup> UNESCWA forthcoming.

dedicated to employment-support for those without regular income. They further recommend that 12.5 per cent of the budget go to religious education activities, leaving the final 12.5 per cent for the salaries of Zakat Council employees (consistent with the principle that one-eighth of zakat revenues can be spent on those who work for zakat institutions).<sup>204</sup>

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<sup>204</sup> AMERZ, 2002, *Issues in Zakat* No. 7-8, p. 25.



#### IV. FUTURE PROSPECTS OF THE ZAKAT FUND AND ITS ROLE IN SOCIAL PROTECTION

In light of the earlier analysis of social protection, as well as the proposals and recommendations described above, help shed light on some of the challenges and risks that could be associated with the creation of a Moroccan Zakat Fund, as well as the potential role it may have in the larger social protection framework.

##### A. RISKS AND CHALLENGES FOR A ZAKAT FUND

It is important to acknowledge any potential risks and challenges of an official Zakat Fund, and potential disruption it may cause to current zakat practice. In particular, policy-makers need to be careful not to create a Fund that will further exacerbate existing fragmentation of the social protection system. Additionally, a Zakat Fund would ideally contribute to inclusive development. This is important, as some associations voiced concerns that a Zakat Fund may exclude certain vulnerable populations based on perceived religious values, such as single mothers.<sup>205</sup>

If Morocco does decide to move forward with the creation of an official Zakat Fund, it is critical that plans for a Zakat Fund involve an inclusive dialogue that incorporates representatives of all political parties. Ideally, such plans would be based on a consensus that extends beyond the current government.

Another highly important challenge is that of public support for an official Zakat Fund. In the absence of a formal zakat system, Moroccans have the flexibility to calculate and distribute their zakat as they see fit, based on their religious interpretations, traditional practices, or other preferences. The result is a diverse pattern of zakat distribution through family and community systems, formal associations, foundations, and other charities. There may be fears that the creation of an official Zakat Fund may disrupt this system – even though the Fund under discussion would be voluntary – or overstep the responsibilities of the state. Unfortunately, reliable data on public attitudes towards a Zakat Fund are not available. The only existing survey on the issue was distributed to only 74 respondents in a non-random, non-representative manner. However, the results of this survey are telling: only four respondents (5.4 per cent) felt that the state should take responsibility for collection and distribution of zakat.<sup>206</sup> These results may be due to the fact that the question did not clarify whether such a fund would be voluntary, as people are more likely to be wary of an obligatory fund. As discussed in previous sections, the government officials and experts interviewed for this study suggest that low public support stems from a number of factors, including fear that officials will use one's zakat payments to estimate real income, and a preference for paying zakat directly to family members or community members that have closer proximity to the payer. The issue of trust is also extremely important; some people prefer not to rely on the government to manage such an important, individual religious responsibility.

These issues are not unique to Morocco.<sup>207</sup> The case of Palestine (specifically the West Bank) provides a valuable example of the challenges that Governments may face with public opinion when establishing an official institution for zakat. In 2007, Palestine reorganized a previously decentralized, independent zakat system. The government dissolved the existing 92 local zakat committees and created 11 regional committees that are overseen by a Central Zakat Fund, which is itself under the supervision of the Ministry of Awqaf. These new committees are based in the urban centers of each governorate.<sup>208</sup> Although the government initiated these reforms several years ago, it is still in the process of refining the Fund's structure and building public support for the zakat system.<sup>209</sup>

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<sup>205</sup> Interview with Aicha Ech-Channa, President, Association Solidarité Féminine, Casablanca, Morocco, 10 December 2014; Interview with Hafida Elbaz, Head of Mission, Association Solidarité Féminine, Casablanca, Morocco, 10 December 2014; Interview with Béatrice Beloubad, National Director, SOS Enfants, Casablanca, Morocco, 8 December 2014; Interview with Finance and Fundraising Manager, SOS Enfants, Casablanca, Morocco, 8 December 2014.

<sup>206</sup> AMERZ, 2002, *Issues of Zakat*, No. 3, pp. 80 and 111.

<sup>207</sup> Guermat and others, 2003.

<sup>208</sup> UNESCWA, forthcoming.

<sup>209</sup> Ibid.

The experience of the West Bank zakat system can provide valuable lessons for Morocco, particularly related to public support for a Zakat Fund in Morocco. As it continues to consider the creation of this Fund, it would also be beneficial for Morocco to initiate some sort of public debate and discussion on zakat and an official Zakat Fund. Past recommendations from AMERZ have highlighted the importance of such a debate.<sup>210</sup> This would allow the government to improve awareness and understanding of such a Fund, while also gaining better information on public preferences. The results of this debate could inform the structure and activities of a Zakat Fund and in doing so promote broader public support for the Fund. Another potential lesson from the West Bank's experience with zakat has to do with how zakat is collected. As they deal with some of the public support issues mentioned above, Zakat officials make a point to emphasize that funds collected in a community are used only in that community, and that this will apply for branch committees as well.<sup>211</sup> This can help deal with concerns that the creation of an official, centralized Fund will threaten the localized nature of zakat committees.

## B. THE ROLE OF A ZAKAT FUND IN THE SOCIAL PROTECTION FRAMEWORK

As discussed in the previous section, zakat is already an important part of both informal and civil society contributions to social protection, particularly through cash and in-kind transfers to poor and vulnerable households and funding for social welfare and local development associations. However, if Morocco moves forward with discussions on the creation of an official Zakat Fund, it is important that these discussions not only weigh the potential risks and challenges discussed above, but also carefully consider the potential role of a Zakat Fund in the context of the larger social protection framework. This includes considering whether or not a Zakat Fund can help address gaps or challenges in existing social protection systems or can learn from the experiences of other social protection programs. Similarly, it is important that policy-makers recognize potential for duplication or coordination between a Zakat Fund and other programs. As discussed above, the timing of Morocco's social protection reforms as well as the way that AMERZ has sought to frame the debate on a Zakat Fund provide a strong foundation for integrating a potential Zakat Fund into the larger social protection framework.

Integration with the larger social protection system is important, especially because it has been a challenge for some other Zakat Funds. This is the case in Palestine's West Bank, where there is almost no coordination or information sharing between the Zakat Fund and the Ministry of Social Affairs, despite the fact that the Fund is affiliated with the government and engages in very similar activities as the Ministry of Social Affairs.<sup>212</sup> If Morocco does succeed in integrating a Zakat Fund into its larger social protection strategy and reforms, it could serve as a model for other Arab countries that are interested in enhancing the contributions of zakat to social protection. Towards this goal, this section builds off of the discussion of Morocco's social protection framework in Section II to provide a framework for how policy-makers can weigh the potential contributions of an official Zakat Fund. Additionally, it offers some recommendations for how those contributions could be maximized should Morocco decide to pursue such a Fund.

### *1. Role of a Zakat Fund in Governmental Social Protection Systems*

Given the already complex network of formal social protection systems and institutions in Morocco and the challenges this poses for coordination, it is important to consider what the potential value added of a Zakat Fund might be. In particular, it is helpful to assess how a Zakat Fund may or may not be able to address existing gaps and challenges. As discussed in Section II, one of the biggest challenges facing Morocco is inequitable gains in economic development, particularly among rural and marginalized populations. For this reason, it is important to consider whether a Zakat Fund may have a comparative advantage in addressing these inequities. Similarly to the INDH (Morocco's current flagship poverty reduction program), zakat institutions do typically target the poorest and most vulnerable populations. However, as evident in the aforementioned evaluation of INDH – which identified considerable leakage of INDH assistance to the non-poor – it can be

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<sup>210</sup> AMERZ, 2002, *Issues in Zakat*, No. 7-8, pp. 23-24

<sup>211</sup> UNESCWA, forthcoming.

<sup>212</sup> Ibid.

difficult for such programs to effectively reach the most marginalized populations in Morocco. If a Zakat Fund were going to be more effective at reaching the marginalized populations that have not gained as much from Morocco's development successes, it would likely depend on its ability to leverage the ideal of zakat institutions as locally-rooted institutions.

As discussed earlier, many people in Morocco prefer to pay zakat to those closest to them, outside of their extended family. This is consistent with interpretations that encourage payment of zakat to one's immediate community, to help strengthen the community's stability and reinforce social bonds.<sup>213</sup> Concern for this principal may be one reason why even some countries with obligatory, state-controlled zakat systems still allow individuals to disburse a portion of their zakat themselves, rather than through the official zakat institution, as is the case in Saudi Arabia, Yemen, and Malaysia.<sup>214</sup> To the extent that zakat institutions can embrace this ideal of being rooted in communities at a highly local level, they may be able to more effectively leverage the local networks, knowledge and trust that are important for reaching marginal populations than institutions of a more centralized nature.

One interesting example of this was Palestine's zakat committees that began emerging in the 1970s mostly in the West Bank, prior to the aforementioned 2007 reforms. In the 1970s and 1980s, dozens of local businessmen and religious figures in the West Bank were able to establish a variety of decentralized, locally-rooted zakat committees that provided a range of essential services and assistance, and filled a significant gap in social welfare provision. These committees gained a reputation as important, community-based aid and religious organizations that provided assistance to populations that other existing organizations often could not reach.<sup>215</sup> By 2007, 92 committees were operating throughout the West Bank.<sup>216</sup> However, the experience of the West Bank's 2007 reforms of these zakat committees also demonstrates how this reputation can be jeopardized by a more centralized structure, negatively affecting local buy-in or support, and/or the perceived ability of the committees to serve the needs of local populations. Given the fairly centralized system described in the Zakat Fund proposal developed by Morocco's Ministry of Islamic Affairs' Zakat Fund, it may be difficult to build the reputation of the Fund and its affiliate bodies as locally-rooted. In order to maximize this potential, it would be worthwhile for policy-makers to consider AMERZ's aforementioned proposal for local zakat institutions, as well as a more decentralized budget and decision-making structure. By building on this ideal of zakat institutions as community-based structures, a Zakat Fund may be able to address one of the challenges of the INDH discussed in Section II, especially the limited participation of local communities and other actors.

Given the similarities between a potential Zakat Fund and the INDH, policymakers would benefit from considering other ways in which a Zakat Fund may be able to learn from the previously-discussed challenges of the INDH. The issue of coordination with other social protection institutions is one example, discussed above. Other important examples include the viability of revenue-generating activities and targeting.

When it comes to revenue generating activities, the same economic conditions that limited the viability of revenue-generating activities under the INDH are likely to hold true for a Zakat Fund. Revenue-generating activities are a common activity of other zakat institutions, although the portion of resources dedicated to such activities varies.<sup>217</sup> Depending on the interpretation, restrictions on investing zakat may also complicate the common micro-credit model of revenue-generating activities. However, these same restrictions – which can include ensuring that any investment has a high probability of success – may require a Zakat Fund to ensure that full support, capacity-building, and follow-up are provided to any micro-enterprise or cooperatives they do support.<sup>218</sup> Alternatively, it may be worthwhile to consider whether a Zakat Fund could provide the kind of job training and employment support activities that the ANAPEC currently supports, but among the non-

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<sup>213</sup> Al Ghazali, 1966, p.54.

<sup>214</sup> Islamic Development Bank, 1995, p. 39. Note, Saudi Arabia does not offer the same option to companies, given that they do not have the same obligations to relatives and immediate communities that individuals do.

<sup>215</sup> Lundblad, 2011, pp. 161-162.

<sup>216</sup> UNESCWA, forthcoming; Benthall, 2008, p. 6.

<sup>217</sup> UNESCWA, forthcoming; UNESCWA, unpublished paper.

<sup>218</sup> "The Fatwas delivered by the Third Symposium on Zakah Contemporary Issues," Accessed November 2013, [http://www.zakatguide.org/english/fatwas\\_zakat.html](http://www.zakatguide.org/english/fatwas_zakat.html)

graduate, more marginalized populations that are typically underserved by ANAPEC. This may be a particularly effective strategy for a Zakat Fund if it does succeed in developing a strong reputation as a trusted, locally-rooted network of institutions.

When it comes to formal targeting methods, a Zakat Fund is likely to suffer from similar challenges as other social protection institutions, namely the limited data and capacity necessary to support rigorous selection of beneficiaries. In this sense, it is important that a Zakat Fund be integrated into efforts to improve information systems, develop a coordinated beneficiary database, and enhance capacity for individual and/or household targeting systems. Similarly, a Zakat Fund could also benefit from a larger cadre of professional social workers. However, even in the context of similar targeting systems and human capacity, a Zakat Fund may provide unique incentives for accurate targeting. For religious purposes, it is important that zakat assistance only be distributed to eligible beneficiaries, namely the poor and the needy.<sup>219</sup> These incentives could enhance the targeting process of a Zakat Fund compared to existing social protection programs. Although not a long-term solution, such considerations are important as Morocco is still in the process of reforming its information systems and capacity.

Beyond simply learning from the experience of the INDH, policy-makers may want to consider how the Zakat Fund might be channeled into the existing or a modified INDH structure, particularly in light of the complimentary nature of zakat and INDH beneficiaries and objectives highlighted by AMERZ. Yemen provides an example of a country that has sought to merge zakat with existing social protection institutions. In 1997 the government passed the Social Welfare Law – later amended in 2008 – which states that the zakat collected by authorities should be allocated to the Social Welfare Fund (SWF). The SWF provides direct cash transfers and some micro-finance and training opportunities to poor and vulnerable populations, particularly the elderly, orphans, women without a breadwinner, persons with disabilities, the unemployed, and those living below the national poverty line.<sup>220</sup> The rationale for this law was that the beneficiaries of the SWF were the same as the ‘poor and needy’ category of zakat beneficiaries.

It is worth noting that eligible individuals in Yemen are required to pay 75 per cent of their zakat to the government; such a compulsory system differs significantly from the voluntary system under discussion in Morocco. However, both countries are dealing with considerable socio-economic development challenges among similar population sizes spread across a diverse and often difficult-to-reach countryside. In such circumstances, it is important to maximize limited resources for social protection, and to avoid duplication. Merging the SWF and zakat had the potential to reduce any duplication in assistance to their similar target beneficiaries and precluded investing precious resources in separate infrastructure for targeting and distribution of zakat and SWF assistance. Given the investments in geographic targeting that the INDH has made, as well as the extensive network of regional and local councils and other community-based partners that it has developed over the past 10 years, it may be worthwhile to consider whether Morocco could benefit from a similar strategy as Yemen.

On the other hand, Yemen has faced considerable difficulties with its zakat system, and integration with the SWF has been problematic. There is some legal inconsistency regarding collection of zakat and the use of those funds. Currently, local councils tend to use the Local Administration Law from 2000 to justify keeping local zakat revenues for local development projects, rather than allocating them to the SWF in line with later legislation.<sup>221</sup> Particularly given previous findings that almost half of the SWF assistance was going to the non-poor, this may suggest discomfort with dedicating zakat resources to the SWF.<sup>222</sup> Similarly, any discussion on integration between zakat and the INDH in Morocco would have to closely examine the overlap between INDH beneficiaries and eligible zakat beneficiaries, the effectiveness of INDH targeting, and the

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<sup>219</sup> UNESCWA, unpublished paper.

<sup>220</sup> Jarhum, 2013, pp. 5 and 32-33.

<sup>221</sup> Ibid., pp. 13-14.

<sup>222</sup> Ibid., p.17.

degree to which INDH could uphold standards of zakat distribution, as well as any potential contradictions between the objectives or methods of both systems.

Returning to the question of a Zakat Fund's ability to address inequities in development outcomes, it is important to underscore the active role that Zakat Funds in other countries play in promoting health and education outcomes. In Palestine's West Bank, zakat committees operate both small-scale clinics and full-service hospitals, and have played an important role in improving access to health care.<sup>223</sup> While they have not played as large a role in Lebanon, they have targeted marginal rural communities and other under-served areas with clinics, including mobile clinics.<sup>224</sup> This latter example may be a valuable model for Morocco. With the ongoing roll-out of RAMEL and the issues it is facing with limited supply of health care, especially among rural areas, coordinated efforts to improve the supply of and/or access to care in key areas are important and could yield high rewards. For this reason, policy-makers could consider whether or not a Zakat Fund would be an appropriate provider of such assistance.

As discussed in Section II, there are significant disparities in secondary enrolment rates among rural students – especially girls. Part of this issue stems from the long distance students must travel to reach secondary schools. While boarding facilities continue to be an important initiative of the Ministry of Education to help address this challenge, there may still be cultural stigmas that prevent families from sending children, especially girls, away to such facilities. It is worthwhile to consider whether a Zakat Fund –potentially due to its religious nature – might be seen as more acceptable among families. Focus group discussions or other methodologies in a variety of communities could help inform such considerations.

## *2. Role of a Zakat Fund in Civil Society and Informal Social Protection Systems*

In addition to considering the value-added of a Zakat Fund to the governmental social protection system, policy-makers should consider what contributions a Zakat Fund may be able to make to the civil society and informal social protection systems. As discussed previously, the creation of a Zakat Fund could risk disturbing or diverting zakat assistance that is already channeled through civil society and informal systems, and which is likely an important source of support. However, a Zakat Fund may be able to provide some valuable contributions. For example, policy-makers could consider how an official Zakat Fund might contribute to efforts to improve coordination between the government and civil society in social protection activities. Such a Fund may be able to provide a valuable hybrid model of governmental and public participation. Although overseen by the government, based on the existing Zakat Law, the proposed Zakat Fund would have an independent budget financed by contributions from private citizens. Additionally, its Regional Councils would be made up of a mix of governmental, religious, and associative actors. As civil society organizations strive to negotiate more reliable, effective funding mechanisms from the government and as the government endeavors to develop more effective oversight and regulation of civil society organizations engaged in social protection, a Zakat Fund may provide a valuable space for closer interaction between these two spheres and potential lessons for coordination and communication.

Another important consideration is the effect of the cash transfers typically provided by Zakat Funds. As discussed in Section II, poor and vulnerable households depend primarily on informal social assistance for cash and in-kind transfers. As mentioned, some experts worry that this reliance on informal support systems may have negative consequences on the giving households. Additionally, such informal systems lack the administrative and targeting mechanisms to ensure effective and equitable distribution assistance. Formal, governmental transfer programs could theoretically help alleviate any negative consequences stemming from reliance on informal social assistance and establish more effective administrative and targeting mechanisms. However, it is not clear that there is sufficient public or political support for a governmental non-conditional cash transfer program for poor and vulnerable households.<sup>225</sup> Instead, Morocco has begun to develop transfer

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<sup>223</sup> UNESCWA, forthcoming.

<sup>224</sup> Ibid.

<sup>225</sup> Interview with M. Zakaria, Head of Compensation, Ministère de l'Économie et des Finances, Rabat, Morocco, 25 November 2014; Interview with M. Kinani, Tayssir Division Manager, Rabat, Morocco, 9 December 2014; Interview with Houssine Ihnach, Head of

programs for specific vulnerable populations, like widows. A Zakat Fund may provide a useful mechanism for broader cash and in-kind transfers to the poor and needy that are considered publically and politically more ‘acceptable’, while being professionally managed and targeted. As discussed in Section II, cash and in-kind transfers to female-headed households and other households that lack a capable breadwinner (due to sickness, disability, old age, etc.) are one of the main activities of Zakat Funds in other Arab countries. The religious and cultural foundations of zakat can help combat some of the issues that make unconditional transfer programs unpopular among the public and politicians, particularly the perception that they represent a ‘handout’ to ‘undeserving’ populations.<sup>226</sup> It is important to note that, depending on the interpretation of zakat regulations, those transfers may also be subject to additional religious standards beyond ensuring that beneficiaries are poor or vulnerable.

While such transfers will not immediately or fully replace informal assistance, they could provide an additional safety net for poor and vulnerable households that, over time, could reduce the burden on informal assistance, especially when such assistance has negative economic consequences on donating households. Such contributions could be particularly important as Morocco continues with subsidy reform: as recommended by the World Bank, cash transfers can provide an effective, efficient way to help mitigate the negative effects these reforms may have on low income populations.<sup>227</sup> Additionally, they could help fill a gap that may be created if Morocco decides to reduce or eliminate the Social Cohesion Fund.

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Social Policy Impacts Department, Rabat, Morocco, 11 December 2014; Interview with Mohamed Mahdad, Director of Governance, Ministère des Affaires Générales et de la Gouvernance, Rabat, Morocco, 27 November 2014.

<sup>226</sup> Interview with M. Kinani, Tayssir Division Manager, Rabat, Morocco, 9 December 2014.

<sup>227</sup> Verme and others, 2014, p. 4.

## V. CONCLUSION

Based on the above analysis of Morocco's existing social protection system, existing proposals for a Zakat Fund, and lessons from other programs and Zakat Funds in other Arab countries, this report has several recommendations regarding the creation of a Zakat Fund:

If Morocco decides to move forward with the creation of an official Zakat Fund, it could benefit from:

- Initiating a broad, inclusive public debate on zakat practice and preferences regarding an official Zakat Fund. The results of this debate should be considered in the structure and activities of the Fund.
- Initiating an inclusive dialogue among political parties and relevant government agencies regarding an official Zakat Fund. Final plans for the Fund would ideally be based on consensus among important actors.
- Considering the creation of local councils below the regional level that could improve engagement with local communities. The recommendations of AMERZ may provide some insights on the potential structure of these councils.<sup>228</sup>
- Strengthening the representative nature of the zakat system and creating opportunities for ongoing public input on the activities of the Zakat Fund. Lessons from the INDH's experiences with participatory structures could be leveraged in these efforts.
- Considering current preferences for zakat payment when determining the activities of the Fund and distribution of zakat assistance, including a preference for beneficiaries with proximity to the payer. This would likely mean keeping a significant portion of zakat assistance in the community from which it was collected, barring extenuating circumstances.
- Developing an information system to collect relevant data and statistics related to zakat, including through surveys, field research, etc.
- Permitting the Fund to benefit from both sadaqa and zakat, as is the case with similar Zakat Funds in other Arab countries, and to permit donors to benefit from a tax credit or deduction from their revenue taxes.<sup>229</sup>

Additionally, in considering the creation of an official Zakat Fund and its structure and activities, Morocco could benefit from exploring the ways that a Fund may be able to compliment or address gaps in existing social protection systems, including the potential for a Zakat to: contribute to a cash transfer system; reach marginalized populations with education, healthcare, and employment support; and compliment the INDH and/or address some of the challenges highlighted in recent evaluations of the INDH.

Finally, if Morocco decides to move forward with the creation of a Zakat Fund, both the Fund and the larger social protection system could benefit from integrating the Fund into ongoing social protection reforms, including:

- An improved strategic framework and coordination mechanism for all social protection programs;
- Improved beneficiary information systems and information sharing mechanism, including those that can be leveraged to improve targeting mechanism. This could include expanding the coordination of targeting systems, as is being explored with Tayssir and RAMED;

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<sup>228</sup> AMERZ, 2002, *Issues in Zakat*, No. 7-8, pp. 25-26.

<sup>229</sup> AMERZ 2014, *Issues in Zakat*, No. 34, p. 6.

- Strengthening the cadre of trained social workers and the role of these and other qualified professionals in the implementation of social programs;
- Improving regulatory and financing mechanisms of civil society organizations engaged in social protection and ensuring that they have sufficient capacity to effectively play their role in social protection.



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