

The Muslim Humanitarian Sector

A Review for Policy Makers and NGO Practitioners



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Abbreviations and Acronyms

Anti-Money Laundering	AML
Central Intelligence Agency	CIA
Charity and Securities Network	CSN
Counter Terrorist Finance	CTF
Department for International Development	DFID
Donor Assistance Countries	DAC
Faith Based Organizations	FBOs
Financial Action Task Force	FATF
Financial Intelligence Units	FIUs
Government Organized NGOs	GONGOs
Immigration and Customs Enforcement Agency	ICE
Internally Displaced Person	IDP
International Governmental Organization	IGO
Middle East and North Africa	MENA
Muslim Charities Forum	MCF
Non-Governmental Organizations	NGOs
Non-Profit Organizations	NPOs
Office of Foreign Assets Control	OFAC
United Nations High Commissioner for Refugees	UNHCR
United Nations Population Fund	UNFPA
United States Agency for International Development	USAID

Introduction

The role of religion in aid, development, and security is an old trope receiving renewed attention¹. The now unprecedented level of urgency stemming from the interrelated problems of political conflict, terrorism, and forced migration has demanded that practitioners and policy makers revisit the foundational relationship between social and political development on the one hand and human and national security on the other. As can be seen through major international initiatives such as the Sustainable Development Goals, and the principles agreed upon at the 2016 World Humanitarian Summit, a global consensus has emerged that faith based organizations (FBOs) are particularly poised to address a number of shared global challenges rooted in problems of political conflict, violence, and extremism². This consensus is also reflected in the establishment of new and innovative international organizations and country level agencies such as the Partnership for Religion and Development (PARD) sponsored by the German Federal Ministry for Economic Cooperation and Development, USAID's Center for Faith-Based and Community Initiatives, the Office of Religion and Global Affairs at the U.S. Department of State, the UK Department for International Development's (DFID) Religion and Development Research Programme Consortium at the University of Birmingham, and the UNFPA's Interagency Task Force for Religious Community Engagement³. Although there are dedicated research units such as Harvard's Center for Humanitarian Engagement, The Berkeley Center for Religion, Peace, and World Affairs and the Joint Learning Initiatives, there is still a pressing need for collaborative research, analysis and data dissemination that can better inform policy makers and mainstream aid and development practitioners about the costs and benefits of working with their faith-based counterparts⁴.

To add to this, long-standing gaps in communication, knowledge, and practice between conventional actors and their lesser-known counterparts in Muslim majority contexts continue to reduce the capacity for the effective implementation of policy strategies addressing the nexus of aid, development, and security in the greater MENA region. This vulnerability is especially glaring when taking into account the simultaneity of political conflict, humanitarian need, and current aid-flows in the region. According to the UNHCR, for example, as of 2016 the MENA region was home to nearly 30% of its global people of concern (approximately 18 million refugees, IDPs, and stateless persons) and incurred "the highest level of expenditure" of its beneficiary pool "amounting to \$1.3 billion and representing 33 percent of programmed activities."⁵ This emergency situation, however, is in fact a continuation of long-standing trends in which Muslim majority countries and MENA region actors receive a disproportionate amount of global humanitarian aid and development flows. Current research also suggests that "while Muslims or those from a Muslim background make up just over 20 per cent of the world's population, (around 1.3 billion people), they do receive more than a quarter of humanitarian aid, and nearly half of all UNHCR beneficiaries are Muslim or from a Muslim background, while nearly 45 per cent of World Food Programme beneficiaries are also Muslim or from a Muslim background."⁶ Likewise in terms of official development assistance, Muslim majority countries and those with significant Muslim populations appear in the top ten lists of recipients from official Donor Assistance Countries (DAC), not to mention the large amount these countries receive from Muslim donor countries⁷. Given the current needs and levels of funding, it is imperative that stakeholders in policy, aid, development, and research pay particular attention to dynamics in the Muslim world as part of their larger conversation on religion, development, and security. The specific needs for dialogue and research about MENA and the Muslim world compound those already unfolding in the larger conversation about religion and development. Despite the fact that humanitarian and development FBOs have worked alongside their

secular counterparts for decades there is still a large degree of misunderstanding about the nature, scope of work, and motivations of humanitarian FBOs. In the words of one leading scholar of the subject, “the dominant script regarding religion in context of humanitarian response has become that of assumed partiality.”⁸ That is, the very intentions and motivations of these organizations’ humanitarian efforts are called into question as mere vehicles for the ultimate goal of proselytization. On the other side of this divide, aid and development FBOs regularly view government and IGO engagement and outreach initiatives as thinly veiled efforts at instrumentalization and political appropriation. While this type of mutual suspicion exists within the developed world, when this dynamic is brought into a north-south, or east-west context, the distrust is compounded by fears of imperialism on one hand and religious extremism on the other.⁹ This continuing and deepening dynamic of mistrust has led to lost opportunities of better serving beneficiaries through greater coordination, research, and resource mobilization. Although numerous efforts have been made to close this trust gap and build new platforms of coordination, leading global institutions continue to assume that faith-based action need only play a peripheral role in humanitarian engagement.¹⁰

This report provides a summary of the major issues emerging from a year of dialogue based focused groups and stakeholder research aimed at better understanding the barriers to, and opportunities for, greater cooperation with the global Muslim aid and development sector. Under the auspices of the EU Commission’s Bridging Transatlantic Voices Initiative, researchers at the British Council and Georgia State University facilitated two closed-door dialogue-based focused groups with practitioners, policy-makers, and scholars to gain insight into the history and trajectory of engagement between Muslim FBOs and their counterparts in the mainstream international aid and development sector.

Key Findings and Recommendations

This report unfolds in three sections with the following recommendations:

The Muslim Humanitarian Sector in Context: This section provides a review of the distinctive characteristics of the Muslim humanitarian sector such as the role of theology in the sector, typologies of organizations, and its recent history vis-à-vis global Islamic revival.

- In order to overcome long-standing areas of misunderstanding and to better inform their decision making for programming in the MENA region, policy makers and NGO practitioners should become better acquainted with the Muslim humanitarian landscape.
- These efforts should take into account the distinctive features of Muslim organizations and their relationship to classical Islamic theology and practice.
- Educational materials should be developed in coordination with third-party, university based researchers familiar with the latest data concerning the scope and nature of the Muslim humanitarian sector.
- Donor agencies in Europe, North America, and the MENA region should also partner with representatives of the Muslim humanitarian sector and Islamic financial institutions to build trust through the development a practical implementation strategy for the SDGs based on innovative procurement of Islamic social finance resources.
- Stakeholders should invest heavily in convening research based and goal oriented dialogue to augment renewed efforts of collaboration and coordination between the mainstream development community and the Muslim humanitarian sector.

Counter-Terrorism and the Muslim Humanitarian Sector: This section discusses the impact of international counter-terrorist finance policies on the sector and outlines the current financial access crisis facing both Muslim and non-Muslim aid organizations.

- We recommend that sector representatives collaborate in the collection of both quantitative and qualitative data documenting the ways CTF policies have disrupted the delivery of aid and humanitarian services in and around conflict zones and negatively impacted the lives of beneficiaries on the ground.
- We further recommend that Muslim NGOs play a leading role in financing and facilitating this research in an effort to redress the historical lack of transparency in the sector.
- Existing dialogues and initiatives addressing the question of financial access facing humanitarian organizations operating in or near conflict zones should be accelerated, drawing in ministerial level participation from governments in the UK, the USA, and the European Union.

- Noting that the Hawala system is currently being used by leading international organizations to facilitate humanitarian work, it is our recommendation that stakeholders in the Muslim aid and development sector research, document, and increase their technical capacity to facilitate their financial logistics through the Hawala system in a strategic effort to overcome their financial access problems.
- We further recommend that such engagement should be designed and executed in coordination with existing innovations taking place in the international system such as the use of blockchain cryptocurrency by the United Nations.
- While doing so, stakeholders working at the intersection of conflict and extremism prevention, CTF/AML, and humanitarian aid should convene collaborative research initiatives aimed at increasing reliable and coherent data on the question of Hawala and extremist violence.

Sector Sustainability: This section provides recommendations for collaborative capacity building between Muslim humanitarian organizations and their secular and interfaith counterparts, focusing on 1) conflict transformation, 2) collective advocacy, 3) and economic development.

- We recommend greater investment in qualitative research that documents existing collaborative and interfaith humanitarian programming between local and transnational Muslim organizations and their counterparts.
- It is our recommendation that Muslim aid organizations in the United States establish an umbrella organization comparable to the Muslim Charities Forum (MCF) in the United Kingdom in order to increase the sector's capacity for professional development, collective advocacy, and research. While piecemeal efforts exist, the sector has not yet demonstrated a long-term and sustained investment in this direction.
- We recommend that stakeholders at the intersection of technology and aid invest greater resources into strategic joint programming coupled with a robust monitoring and evaluation infrastructure to better identify resources and methods to optimize Muslim FBO roles in economic development.
- In order for deeper and stronger partnerships between the Muslim and mainstream aid sectors to exist, we recommend the development of multi-level and sustained joint programs that integrate both risk and reward for organizations from different backgrounds. This would require joint planning, design, fundraising, and implementation.

Methods

This report is based on discussions and interviews with leading secular, Christian and Muslim NGOs operating across the humanitarian development and aid sector with special attention to conflict zones in the MENA region. An initial meeting was convened in Brussels in December 2016 with leading agencies from the UK and Europe. The focus of this meeting was to explore barriers to and opportunities for engagement between the Muslim humanitarian organizations and their counterparts in the mainstream development and aid sector. Another meeting was held in May 2017 in coordination with the United Nations Alliance of Civilizations and the UN Interagency Task Force on Religious Community Engagement. The focus of this meeting was to better identify opportunities for collaboration between major international institutions and Muslim organizations working on sensitive areas such as conflict transformation, forced migration, and mitigating the impact of counter-terrorism finance regulations on the humanitarian sector. Before and after each of these meetings, in-depth interviews were conducted with participants and other stakeholders. All workshops and interviews were conducted under Chatham House Rule in order to facilitate direct and open discussions of a range of difficult issues. Findings in this report are also supported through field research conducted between 2015 and 2017 in Turkey, Germany, and Qatar as well as two other focus groups convened under the auspices of the British Council's Bridging Voices initiative during 2015 and 2016.

This report is the second of three reports produced by the Bridging Transatlantic Voices: Civic Approaches to Preventing Radicalization and Violent Extremism project (Civic Approaches for short). Civic Approaches is a European Commission funded (2015-2018) collaboration between the British Council, Georgia State University, and Institute for Strategic Dialogue.

Findings

1. THE MUSLIM HUMANITARIAN SECTOR IN CONTEXT

It is important to note from the outset that the decision to focus this report on the role of Muslim aid and development NGOs in relationship to contentious subjects such as countering/preventing violent extremism and conflict transformation did not come easily or without careful consideration. With rising rates of xenophobia and social polarization, Muslim communities are often on the receiving end of backlash in European and North American politics and media for the false and dangerous presumption that they are inherently connected to transnational terrorism. Muslim civil society institutions have been especially subject to a host of pressures in this context and have reported rising rates of anti-Muslim bigotry and political and legal discrimination, especially when it comes to financial access issues.¹¹ It could be argued, as many of our participants conveyed, that the

Our goal in this dialogue based research has been to explore the dynamics that have enabled this political reality by interviewing and engaging those directly involved in working across the imaginary divide between Muslim NGOs and their counterparts in the so-called conventional international aid and development system.

framework of this research, which explores the role of Muslim aid and development NGOs in and around conflict zones and their role in conflict transformation, may feed into narratives and false stereotypes that drive anti-Muslim animus in the public sphere. To be clear, our strategy has been deliberate; in recognizing the existing tensions in the research subject, our approach in pursuing this question has been premised on the political reality that governments, media, and development practitioners in fact already identify Muslim NGOs as a separate category of practitioners and subject them, whether intentionally or not, to a particular set of practices and presumptions. Our goal in this dialogue based research has been to explore the dynamics that have enabled this political reality by interviewing and engaging those directly involved in working across the imaginary divide between Muslim NGOs and their counterparts in the so-called conventional international aid and development system. We have done so with the aim of better understanding the history of what continues to

be a relationship fraught by misunderstanding, mistrust, and lost potential. Our goal has been to identify existing avenues and practices of collaboration which, if properly engaged, may redirect an otherwise bleak trajectory of missed opportunities.

Like the broader question about the role of religion in international affairs, we also move beyond the binary assumption that Muslim aid and development NGOs are either an inherently positive or negative force.¹² From the outset of this project we have not presumed that Muslim aid and development NGOs are essentially or intrinsically different from their secular or faith-based counterparts around the world. In this regard, our study breaks from most conversations about religion and development in that it has deliberately avoided traditional conversations about faith and theology. For example, we have not touched upon the moral, ethical, or theological aspects of faith-based actors as a set of resources to strengthen, complement, and inform the global development agenda. Rather, we identify the far more mundane and quotidian aspects of Muslim aid and development NGOs such as their logistical capacity, their location in the larger aid and development landscape, and their presumed operational distinctions. In doing we also

Islamic Economic Principles¹³

The Muslim humanitarian sector is sustained by the following economic concepts of Islamic faith and practice.

Zakat

Zakat is an obligatory religious tax intended to be used for social welfare and is comparable to Christian traditions of tithing. Organizations in the Muslim humanitarian sector rely heavily on Zakat donations to finance their operations. In most schools of Islamic law and ethics, the zakat amounts to about 2.5% of “cash, crops, and cattle.”

Zakat al-Fitr: A special, obligatory, financial donation equivalent to the cost of one meal that is given on at the end of Ramadan, the obligatory month of fasting.

Sadaqa

Sadaqa is the concept of voluntary charity, including but not limited to monetary donations. Unlike Zakat, it does not have a preset amount. Sadaqa is an important redistributive institution in Islam and is regularly utilized by Muslim aid organizations to mobilize in-kind services and donations.

Sacrificial Offering

The voluntary financial donation or slaughter of an animal, typically a lamb or goat, performed at the end of the period of Hajj pilgrimage. Meat from this offering is distributed locally and globally by pious networks and local organizations. This act of charity is referred to as Qurbani in South Asia and Udhiyya in the Arab speaking world.

Khums

Historically, Khums was a voluntary tax in which Muslims contribute one fifth of their surplus wealth (20%) in order to fulfill certain obligations to the Sultan or Caliph. Today, Khums is practiced by Shiite groups who direct their funds to the clerical establishment, which in turn redistributes them through its various charitable networks.

acknowledge that they have been, rightfully or wrongfully, at the center of the global conversation about problems of terrorist finance, Islamist political power, and the political manipulation of humanitarianism.¹⁴ In this regard, we have sought to explore ways in which Muslim aid and development NGOs themselves may better inform the solution to those security and development questions.

Types of Muslim Aid and Development NGOs

Muslim faith-based humanitarian organizations, like their counterparts in Europe and North America, have a complex and variegated history. Leading scholars such as Jonathan Benthall and Marie Juul Petersen have provided thorough histories of the social, political and historical contexts of the Muslim humanitarian sector.¹⁵ For our purposes we have categorized these organizations into three major groups.

1. The first are the classical religious charitable institutions that have emerged, as would be expected, out of the pious networks associated with religious movements and social organizations such as madrasas (seminaries) of a particular school of thought, various Shiite sects and their hierarchical structures, or Sufi orders and their affiliated transnational networks. Most of the humanitarian work that emerges from organizations such as these are relatively limited in size and scope and would not be considered part of the mainstream aid and development landscape. These organizations, which also rely heavily upon volunteer commitments, focus largely on servicing the needs of communities within reach of their constituency and patronage network.

2. The second group includes large transnational aid and development NGOs based in Muslim majority countries that are often closely

connected to their respective state institutions. These are considered by most observers as either direct extensions of the state, such as the case of Eid Charity in Qatar which is governed by members of the royal family there. They are also sometimes referred to disparagingly by academics and NGO practitioners as Government Organized NGOs (GONGOs).¹⁶

3. Our research has focused on a third category of actors in the Muslim NGO sector: autonomous and independent transnational aid and development institutions who are not directly or indirectly connected to, or dependent on state or religious networks for their ideological orientation, financial support, and operational capacity. In this way, the Muslim NGOs that have served as the focus of this study and have been our primary interlocutors operate in a similar fashion to civil society organizations in the developing world.

Even within this third category of Muslim aid and development actors, we also recognize that although Muslim aid and development NGOs do not constitute a monolith and represent a vast spectrum of belief and practice, there are particular distinctions that emerge from a shared cultural infrastructure informed by religious practices and values.¹⁷ For this reason, we have broadly, if imperfectly, referred to this spectrum of actors and the work they engage in as the Muslim aid and development sector, or the Muslim humanitarian sector.

Many of our dialogue partners that represented this so-called sector, expressed reservation and frustration with labels and pushed back against standard typologies that attempted to connect their organizations' activities, and that of their peers, to sectarian, ideological, or ethno-national movements. In a particularly contentious portion of one of our dialogues participants lamented the ways in which humanitarian organizations connected to, for example, Salafi networks, which were unjustly associated with violence and extremism whereas those from, for example, Sufi

Waqf

A Waqf is a legal trust established when a donor endows a stream of income from a property or business and directs it to a charitable purpose in perpetuity. Historically, the Waqf is the instrument that underwrites the financing of mosques, seminaries, and social welfare programs. Today, the Islamic legal provisions administering awqaf (plural form of Waqf) have been maintained, developed, and expanded in various contexts. They have also been integrated into contemporary legal and financial systems in Muslim majority countries.

Islamic Finance

Islamic law and theology have historically prohibited usury and interest. Instead, Islamic ethicists have favored equity distribution and shared profit and loss models as ideal means of facilitating business contracts and partnerships. In the modern world, the Islamic finance sector has created a parallel banking infrastructure that now is highly integrated into the global financial system. Muslim aid organizations participate heavily in the Islamic finance sector and incorporate ethical principles in their micro-business initiatives.

Hawala

Simply meaning transfer in Arabic, the Hawala "system" is the fee-based premodern, informal value transfer system used by individuals and businesses to deliver remittances and pay for goods and services in the greater MENA region and parts of Europe. Likened by experts to an informal hybrid between Bitcoin and Western Union, many Muslim aid organizations and their secular counterparts use the Hawala to finance operations in areas that lack a formal banking sector. The system is used to circumvent interest, exchange rates, and high service charges that accompany use of the formal banking sector. The system is feared by regulators to be hotbed of money-laundering and terrorist finance, the Hawala is now seen by experts as a critical element in aid and development finance.

networks were presumed to be neutral actors. The reality on the ground, participants argued, was much more diverse and nuanced and did not mesh with popular presumptions or stereotypes that unfortunately also guide policy making communities on this subject. Nonetheless, acknowledging that categorizing civil society organizations of any type will always be an imperfect and incomplete project, over the course of our dialogues, interviews, and research, we do believe that the shared characteristics, histories, and trajectories of aid and development actors emerging from Muslim contexts are significant enough to warrant a distinct discussion.

Characteristics of the Muslim Aid and Development Sector

Characteristics that undergird the Muslim aid and development sector include a common underlying humanitarian ethos grounded in Islamic discourse, structural dynamics rooted in religious practices, and a set of shared historical experiences shaped by the current geopolitical climate. First and foremost, it must be noted that the religious ethos underlying Muslim aid and relief practices assumes a holistic and highly integrated approach to the social, political, and economic development of beneficiaries in ways that are often at odds with mainstream conventions. Like many of their Christian humanitarian counterparts, Muslim practitioners assume a continuity between the spiritual, social, and economic, and even political health of vulnerable communities.¹⁸ While these lines may be firmly differentiated in the mainstream international humanitarian sector, in the Muslim world the integration of these principles leads to what is often seen as the regular blurring of conventional boundaries between politics, religion, and humanitarian aid. Although this may appear as the politicization of both religion and aid, it is in fact a cultural characteristic deeply rooted in Muslim civilizational precedents. From this vantage point, the long-recognized Islamist capacity for social service provisions can be seen not merely as a political ploy, but rather as an organic outgrowth of Muslim cultural expectations surrounding solidarity, community, and service.¹⁹

Muslim aid and development programming practices are grounded in institutions emerging from classical Muslim culture and civilization.

Muslim aid and development programming practices are grounded in institutions emerging from classical Muslim culture and civilization. The two most commonly known are the institutions of zakat (mandatory almsgiving) and sadaqa (routine, optional charity). Zakat is a fixed religious tax, the amount of which differs between Islamic legal schools, that should be paid annually by all capable men and women of the Islamic faith while sadaqa is considered broadly as any type of generosity to those in need. Zakat has been a subject of considerable attention by leading donor agencies and inter-governmental bodies for both security and development purposes.²⁰ On multiple occasions,

participants expressed frustration with the focus on zakat in the policy making and development communities, interpreting such interest as thinly veiled attempt at appropriating financial and political resources.

Another classic Islamic institution that governs much of Muslim aid and development practice is the Waqf, a legal mechanism similar to a trust or foundation in which the grantor designates the use of funds from a revenue generating entity for the explicit purposes of charitable giving.²¹ Historically, the waqf is the instrument that underwrites the financing of mosques, seminaries, and social welfare programs. In the contemporary moment, the Islamic legal provisions administering waqfs have been maintained, developed, and expanded in various contexts and have now become integrated into contemporary legal and financial systems in Muslim majority countries. This is the case even in countries with secular legal frameworks such as Egypt and Turkey. Deeply shared principles of Islamic economics and finance also influence

the nature and scope of the Muslim humanitarian and aid sector. For example, the foundational concept of shared equity, risk, and profit that guide the logic of Islamic business contracts have enabled many Muslim NGOs to establish a fluid transition from the administration of aid and relief to medium and long-term economic development.²² Likewise, financial instruments such as the sukuk, or Islamic bond, and halal-Islamic investments have also allowed for flexibility and innovation in the financing of humanitarian and development work.²³ The pervasive Islamic prohibition of interest has also led to, and sustained, the development of parallel financial institutions that play critical roles along the development and security continuum. The Islamic banking sector, for example, provides ample support to Muslim humanitarian organizations and social impact entrepreneurship programs throughout the world. Similarly, the premodern financial transfer service known as Hawala is used regularly by Muslim and non-Muslim humanitarian organizations to finance operations in fragile social and political contexts despite scrutiny by global financial regulatory officials.

The 2017 report “Islamic Finance: A Catalyst for Shared Prosperity” jointly commissioned by the World Bank and the Islamic Development Bank provides a shared vision for the way in which Muslim social and economic institutions can be better engaged with by the development and aid community to help achieve the ambitious aims of the 2030 Sustainable Development Goals. This report, which was one of the outcomes of the 2016 World Humanitarian Summit’s special session on Islamic social finance, is indicative of the growing global political will to find innovative solutions to solving resource shortages in the humanitarian sector. However, despite coordination at senior levels of government, leading Muslim humanitarian organizations and actors remain wary of the international community’s interest in zakat and other forms of Islamic finance. It is our recommendation that donor agencies in Europe, North America, and the MENA region partner with representatives of the Muslim humanitarian sector and Islamic financial institutions to build trust through the development a practical implementation strategy for the SDGs based on innovative procurement of Islamic social finance resources.²⁴

Historically, the collection of religious donations took place through family networks, communal associations, local authorities and religious institutions, in the contemporary world it is radically decentralized.

Despite the fact that the social and financial institutions highlighted above as well as the theological claims underlying them can be found throughout the Muslim world and are universally agreed upon by Muslims, their local and manifestations differ significantly across many lines. For example, in addition to Zakat and Sadaqa, Shi’ite Muslims participate in the practice of giving khums (“the fifth”) which is interpreted as a financial donation of 20% of increased earnings in a year. Historically, the collection of religious donations took place through family networks, communal associations, local authorities and religious institutions, in the contemporary world it is radically decentralized. Transnational Sufi networks, for example, may deliver social services in a given location but finance the operations through their global network of constituents. Shi’ite hierarchies in the Twelver and Ismaili communities operate in a similar fashion. It is also often the case that autonomous civil society organizations are created by religious networks but work in close tandem with the school of thought of their founding members, creating a parallel framework for secular and religious social impact. NGO practitioners and policy makers interested in engaging the Muslim humanitarian sector should be mindful of the relationship between the macroeconomic principles of Islamic social finance and the concrete reality of resource procurement among global Muslim networks.

Another characteristic that distinguishes the Muslim humanitarian sector is the shared and intertwined experiences of transnational Islamic revival and colonialism. While the social welfare practices of charity, education, and microeconomic development can be found throughout Islamic civilizational history, contemporary practices of Muslim humanitarianism are often rooted in the global forces of political Islam, anti-colonialism, and Muslim cultural revival. According to Marie Juul Petersen, a leading authority on transnational Muslim humanitarian organizations, four historic events mark the consolidation of the sector: 1) the 1980s famine in Somalia, 2) the Afghan-Soviet conflict, 3) the war in Bosnia, and 4) the 9/11 attacks and their aftermath. In the first two contexts, Gulf-based charities as well as Islamist activists were among the first actors to mobilize human and financial resources to deliver services to communities in need. For many actors, the delivery of aid was a direct response to the feared influence of Christian missionary oriented aid agencies active in Muslim communities. In the Afghan context, many charities, supported often by western agencies, regularly blurred the line between humanitarian and military support. Turkish organizations across the religious and political spectrum were heavily involved in the Bosnia crisis given the close connections between the two countries rooted in a shared Ottoman history. Throughout this time, global Muslim support for the Palestinian issue augmented the rising momentum for strengthening the capacity of Islamic aid and development. After the 9/11 attacks, transnational Muslim aid agencies were among the first targets of global counter-terrorism efforts. As we will see in the next section this development has had far reaching consequences beyond the Muslim humanitarian sector.

The rise of ISIS, the Syrian civil war, and the Rohingya genocide should be added to this list of defining moments in the development of the global Muslim humanitarian sector. With the revolutionary changes in digital technology and the rise of a younger generation of civil society activists un beholden to the ideologies or institutions of their predecessors, the Muslim aid sector is now poised to deliver radically innovative solutions to global poverty, the forced migration crisis, and sustainable development. Unfortunately, the unresolved tensions stemming from the colonial/imperial encounter, the blurring of lines between aid and religious propagation, and the effects of counter-terrorism all now compound the global conversation on the role of Muslim aid organizations can play in addressing these issues. No significant level of renewed engagement between conventional development actors and those in the Muslim humanitarian sector can be expected to take place without undertaking a sustained effort of addressing issues of historical mistrust and miscommunication. Given the politicized nature of this subject, stakeholders should invest heavily in convening research based and goal oriented dialogue to augment renewed efforts of collaboration and coordination between the mainstream development community and the Muslim humanitarian sector. It also behooves stakeholders to recognize that Muslim aid organizations, especially those headquartered in North America and Europe, already serve as critical sites of cultural encounter and civic engagement between traditionally disparate or antagonistic forces that can be further explored to identify best practices and civil society approaches to strengthening social cohesion and transforming conflict.²⁵

2. COUNTER-TERRORISM FINANCE AND MUSLIM HUMANITARIAN SECTOR

Throughout the course of this research, whether in field work, interviews, or focus-groups, our interlocutors consistently cited the restricted environment of financial access as the greatest impediment obstructing their sector's ability to more effectively deliver aid and development resources to the greater MENA region.²⁶ On one hand this problem can be seen as a private commercial issue between banks and their NGO clients. On the other hand it can be seen as part of a complex web of politics, regulation, and fear. The following section not only reflects our own learning on this subject but also is intended to provide stakeholders with a holistic view of the ways in which counter-terrorist financial regulations have impacted the humanitarian space.

The shrinking space of financial access for humanitarian actors operating in fragile contexts is an outgrowth of post-9/11 counter-terrorist finance (CTF) policies which have led to deep changes in the way major financial institutions manage their clients from civil society and the non-profit sector. Experts note

A recent report by the Charity and Securities Network (CSN) found that 2/3 of US based non-profit organizations engaging in international work reported significant and sustained banking problems such as delays in transfers, unusual documentation requests, and account closures.

that while these measures have significantly increased the capacity of international law enforcement agencies to restrict the freedom of terrorist networks, it has also adversely impacted the freedom of civil society actors to positively influence the social and political recovery of the conflict-stricken MENA region. An emerging consensus is forming among regulatory bodies, civil society advocates as well as security analysts that significant reforms to counter-terrorism finance policies are urgently needed to meet their shared human and national security goals. Whereas it was previously believed that the problem of financial access was exclusive to Muslim charities and NGOs, a recent report by the Charity and Securities Network (CSN) found that 2/3 of US based non-profit organizations engaging in international work reported significant and sustained banking problems such as delays in transfers, unusual documentation requests, and account closures. CSN also reported that "NPOs working in peace operations/peacebuilding, public health, development/poverty reduction, human rights/ democracy building, and humanitari-

an relief report the greatest difficulties."²⁷ Another recent study released by the Harvard Law School Program on International Law and Armed Conflict also speaks to the systemic impact of counter-terrorism legislation on the humanitarian sector. In a survey of approximately 500 individuals from over 50 countries, researchers found results consistent with those from the CSN:

The survey also asked respondents whether counterterrorism laws affected their respective organization's commitment and adherence to the humanitarian principles of humanity, impartiality, independence, and neutrality. Many respondents (60 percent) answered affirmatively. . . When asked how counterterrorism law affected the organization's commitment and adherence to humanitarian principles, 91 percent of respondents answered that it weakened their commitment to humanitarian principles.

The CSN and Harvard studies provide quantitative corroboration of our qualitative findings.

In light of the existing regulatory environment, Muslim humanitarian NGOs have responded to financial access challenges through a variety of strategies including technical and professional capacity building, increasing transparency mechanism, and engaging in collective advocacy. In some cases, leading organizations in the sector such as Islamic Relief Worldwide have received the highest levels of recognition for their compliance standards.²⁸ However, existing financial access pressures have forced actors from the Muslim humanitarian sector as well as conventional actors to rely upon innovative and sometimes risky mechanisms to finance logistics and operations. These practices often include experiments with mobile money technology, crypto-currency, and cash-carrying.

A scalable solution is also found in the strategic and carefully informed engagement with the informal transfer system known as Hawala. Hawala, which is effectively a pre-modern hybrid between Bitcoin and Western Union, has been used in the greater MENA and South Asian regions for centuries and has recently become an increasingly popular alternative of operational finance used by a variety of actors in this space. Following recent pilot projects and analysis by leading experts in development and security such as Beechwood International and the Center for Strategic and International Studies, we recommend that the Hawala system can be leveraged and utilized to meet the shared security, aid, and development challenges facing the international community.²⁹ As an organic, community grounded institution familiar to international and local actors it provides a genuine civil society based solution to a range of shared global challenges

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When legitimate actors abandon their humanitarian operations in critical environments because their traditional means of financial access are restricted, the most vulnerable and marginalized communities suffer the most. Likewise, increased security risks emerge when legitimate actors, forced out of utilizing conventional financial services, resort to participating in unregulated or grey market financial service practices. In both scenarios, the vacuum left by legitimate actors operating in fragile and deteriorating environments is often filled by illegal actors whose social and political practices increase the propensity for violence, conflict, and human suffering. New regional and global geopolitical actors such as China, Russia, and Turkey now operate in spaces typically under the purview of North American and European political influence.³⁰ Practitioners, advocates, and researchers consulted in this study predict that the overall impact of the current counter-terrorism finance (CTF) and anti-money laundering (AML) environment will:

When legitimate actors abandon their humanitarian operations in critical environments because their traditional means of financial access are restricted, the most vulnerable and marginalized communities suffer the most.

1. Continue to reduce the provision of beneficiary services to populations in need,
2. Exacerbate conflict and fragility by ceding control of aid zones to non-vetted actors, and
3. Lead to a net loss of geopolitical influence for European and North American countries.

It is imperative that policy makers at the highest level of government and intergovernmental organizations place the integrated issues of financial access, development, and security on the top of their list of priorities in order to meet their human and national

security goals in the short, medium, and long-term. This section of the report provides a:

1. Summary and background of the principles of material support and fungibility which are the major elements that contribute to the financial access problem,
2. Description of the strategies pursued by humanitarian and other transnational actors to mitigate the impact of the problem, and
3. A recommendation that strategic engagement with Hawala system can be used to overcome current financial access constraints.

FATF And Special Recommendation 8

Stakeholders consulted in this study pointed to the Financial Action Task Force (FATF) as the primary regulatory body responsible for adversely impacting the ability of global civil society to operate in fragile and conflict prone environments. FATF was established at the meeting of the G-7 in 1990 and is headquartered in the Organization for Economic Cooperation and Development (OECD).³¹ As a global intergovernmental organization, its members establish policy recommendations and procedures to develop and strengthen international financial regulatory regimes specifically related to the problems of money laundering and terrorist finance. FATF then conducts evaluations with member countries, called mutual consultations, every four to five years, which serve to assess their compliance with FATF recommendations. Although FATF recommendations are technically non-binding, they have come to exert a tremendous degree of influence over member states' financial governance policy setting, which, in turn, has significantly impacted the routine work of private sector financial institutions and civil society organizations and actors. FATF's Special Recommendation VIII has been identified as the central node through which CTF/AML practices have led to the curtailing of the political and operational capacity of Non-Profit Organizations (NPOs). The original text of Special Recommendation VIII read as follows:

Countries should review the adequacy of laws and regulations that relate to entities that can be abused for the financing of terrorism. **Non-profit organisations are particularly vulnerable**, and countries should ensure that they cannot be misused: (i) by terrorist organisations posing as legitimate entities; (ii) to exploit legitimate entities as conduits for terrorist financing, including for the purpose of escaping asset freezing measures; and (iii) to conceal or obscure the clandestine diversion of funds intended for legitimate purposes to terrorist organisations.³²

After sustained feedback from a global network of civil society actors, in addition to increasing concerns about government abuses of SR VIII, FATF revisited the language of Recommendation 8 and issued an official revision of the text in 2016, which now encourages a risk-based, proportional approach to managing the threat of terrorist abuse of the non-profit sector. The new language reads:

Countries should review the adequacy of laws and regulations that relate to non-profit organisations which the country has identified as being vulnerable to terrorist financing abuse. Countries should apply focused and proportionate measures, in line with the risk-based approach, to such non-profit organisations to protect them from terrorist financing abuse...

The sub-clauses of Special Recommendation VIII remain the same. Global advocates have pointed to the revision of SR VIII as a major victory in the struggle to help redress the curtailing freedoms of transnational civil society actors. Given the long cycles of FATF mutual consultations, however, it should not be expected that the revision of SR VIII will have an impact on financial access problems faced by NGOs in the short and medium term futures. This is especially the case given that aid and development NGOs currently face their greatest set of financial access challenges from the commercial banking sector rather than governmental bodies. That is, the impact of FATF SR VIII has already rippled through government institutions and to the routine operations of local level private sector actors to such an extent that it would require aggressive and urgent action on behalf of government level bodies to undo the current structure which is causing harm to the NPO sector. It is recommended that ministerial level and direct intergovernmental intervention is needed to accelerate and encourage the re-opening of civil society spaces that may have been curtailed by the broad reach of SR VIII.

The Consequences of CTF Policy

Governments and financial crimes enforcement agencies around the world should be applauded for their collaborative efforts in identifying and prosecuting individuals and institutions involved in the obscure nexus of narcotics trafficking, terror finance, and legitimate business.³³ A range of internationally agreed upon Counter-Terrorism Finance (CTF) and Anti-Money Laundering (AML) policies, practices and institutions developed since 9/11, can be credited with disrupting the ability of terrorist and criminal networks nefarious use of civil society and private sector institutions to carry out their operations. Propelled by US President George W. Bush's executive order 13224³⁴ the US Departments of Treasury and State quickly assumed a lead in global CTF strategy that would have far-reaching consequences. In addition to the UN Security Council's Consolidated Sanctions List, lesser known but very powerful, organizations such as the Financial Action Task Force (FATF) and the Egmont Group of Financial Intelligence Units (FIUs) have also been responsible for overseeing the implementation of CTF and AML best practices on national and provincial levels of jurisdiction.

Global coordination in CTF is believed by many to be as important to the degradation of al-Qaeda, ISIS, and other terrorist organizations as kinetic responses. However, critics have pointed out that the increased compliance mandates of due-diligence, risk assessment, and traceability that underwrite CTF and AML practices have also negatively impacted the effectiveness of legitimate organizations dedicated to humanitarian, political, and economic development in places that need it the most. The influential report by the Transnational Institute, "Counter-Terrorism, 'Policy Laundering' and FATF: Legalizing Surveillance, Regulating Civil Society", describes the complex picture of CTF and civil society:

Caught in this global web are charities, development organizations, NGOs, human rights defenders, community organizers, conflict mediators and others who find their work hampered or paralyzed by onerous regulations or politically-motivated legal maneuvers.³⁵

While civil society organizations have pointed to the impact of CTF policies on their work, it must be noted that the financial regulatory environment has also heavily impacted MENA-origin diaspora communities in North America and Europe in need of reliable financial access mechanisms to deliver remittances to their families and networks in fragile conditions abroad. Such has been the case for entire swaths of Somali communities in the United States and the UK which have

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been the subject of repeated closures and limitations of transfer services based solely on bankers' subjective risk assessment.³⁶ These remittances constitute the lifeline of many communities in fragile political ecosystems making disengagement a potential avenue for increased conflict.

The adverse impact of CTF regulations throughout the global financial system, however, is not restricted to the NGO sector alone. Private sector financial institutions including commercial and correspondence banks and international transfer services have increased their risk-assessment standards to such an extent that reputable clients such as established NGOs and even legitimate banks from parts of the developing world are dropped as clients, and thus unable to access financial services.³⁷ In countries experiencing conflict and in need of increasing development such as Central African Republic, Nicaragua, or Liberia the loss of correspondent banking relationships has dire consequences on human security. This dynamic

has even led to the ironic situation in which western country donor agencies, such as DFID in the UK have experienced difficulty seeing some of their sponsored projects come to fruition because of bank account closures stemming from compliance with CTF policy.³⁸

Civil society institutions are also negatively impacted by the all-too-predictable outcome of that authoritarian governments will abuse CTF and AML standards to suppress political dissent. Thus, global CTF policy trajectories in their current form have created an environment where democratization and security are pitted against one another. For example, despite the fact that in Saudi Arabia where the notion of civil society is effectively absent, the FATF review of its AML and CTF standards concluded that it was doing an effective and praiseworthy job. The same is the case in Egypt where the government's pervasive crack-down on civil society has drawn scathing criticism from the international community.³⁹

While the negative impact of CTF policy on transnational civil society should warrant a reconsideration existing frameworks on its own accord, the very effectiveness of CTF is now being called into question by experts and policy makers themselves. As director of the International Centre for the Study of Radicalisation and Political Violence at Kings College London Peter Neumann states, "there is no evidence that [CTF] has ever thwarted a terrorist campaign."

Fungibility and the Flawed Al-Qaeda Paradigm

In 1996 a CIA document entitled "Report on NGOs with Terror Links" helped establish the now pervasive myth that Muslim aid and development organizations and charities are disproportionately used as fronts for terrorist activity.⁴⁰ Concerned with the emerging presence of Muslim volunteer fighters participating in the Balkan conflict, the report argued that "nearly one-third of the Islamic NGOs" there had been involved in acts of terrorism. As the al-Qaeda network gained strength in the late 1990s financial crimes investigators and regulators cast a wide net in identifying the complex and opaque support networks of the organization. This came to include legitimate social institutions such as mosques, non-profits, and religious propagation networks, that could be implicated, knowingly or unknowingly, in terrorist activity. Western intelligence agencies were all-too-familiar with the interconnected nature of Muslim social welfare causes and militant activity given their covert support for such networks during the Afghan-Soviet era. Thus, an al-Qaeda centric model that presumes a regular correlation between Muslim humanitarian organizations and terrorist activity has disproportionately influenced policy thinking, intelligence gathering, and law enforcement activities regarding Muslim humanitarian organizations in and around conflict zones. The effect of this al-Qaeda-centric logic has exacerbated tensions and reduced the capacity for trust building among actors in the global humanitarian sector.

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Assumptions that the Muslim humanitarian sector is prone to terrorist manipulation have resulted in high profile cases of failed investigations and prosecutions which further erode the capacity for cooperation. Consider for example the case of Interpal, in England. After nearly a decade of legal inquiry and media scrutiny, the British charity was cleared by the UK Charities Commission from accusations that it was a funding mechanism for Hamas. It is still listed by the US Department of Treasury as a foreign terrorist organization without reason.⁴¹ Despite being cleared of links to terrorism, the high-profile nature of the Interpal case and the reputational harm done to the organization has had a chilling effect on donors and partnering organizations. The controversial US secret rendition program's capture of an Algerian aid worker, Laid Saidi, also demonstrates the danger of assuming necessary links between Islamic charities and terrorism. Mr. Saidi, who directed the Tanzanian office of the Saudi based Al-Haramain Foundation, was arrested, detained, and allegedly tortured by US interrogators due to a mistaken translation. That is, Mr. Saidi's request for a delivery of tires, rendered in Arabic-English vernacular (tire-aat), was misinterpreted as planes (tayaraat) by intelligence agents monitoring his calls.⁴² He was being surveilled because it was assumed that the humanitarian organization was a front for al-Qaeda. These and other cases have led to a steady decline in the credibility of CTF practices targeting Muslim humanitarian organizations. However, twenty years after the CIA report and despite new data on Muslim aid and development actors, the idea that Islamic charitable efforts are routinely diverted for criminal purposes continues to dominate the western policy conversation on Muslim civil society in conflict zones.

Underlying the widespread suspicion that Muslim charities are involved in, or can be exploited by, terrorist networks are the interrelated principles of fungibility and material support. Fungibility is the interchangeability and substitutability of assets of a similar type. The goal of the intelligence and law enforcement communities is to restrict the fungibility of monies used by a terrorist group to finance any part of its operations. For example, in theory, if an organization is involved in the delivery of social services such as schools, medical clinics, and public utilities management while simultaneously engaged in terrorist activity, the provision of any resources to non-militant activities frees up resources to be used for violent action. Thus, any support for the organization's activities has come to be understood by authorities in the United States as providing material support for terrorism. Codified in Holder v Humanitarian Law, the material support statute and the threat of terrorist designation have loomed large over domestic and transnational civil society organizations and especially those working in fragile and conflict contexts. Critics, including former US president Jimmy Carter, Human Rights Watch, and the International Crisis Group, point out that such a broad interpretation of the law not only violates free speech but also work against the aim of reducing conflict. It does so by dissolving the critical and obvious distinction between criminal agents seeking to further the aims of terrorist organizations and individuals or groups aiming to mediate conflict and build peace in fragile environments.⁴³

Stakeholders in our discussions from the Muslim humanitarian sector reported that they have withdrawn providing services to populations in need out of fear of being implicated in the broad interpretation of material support. Although the principle of neutrality in humanitarian law would typically guide their engagement and ensure their safety in such areas, they reported the risk of misperception and potential prosecution as the reason behind their choice to withdraw. This finding parallels that of other scholars and researchers exploring the impact of counter-terrorism legislation on the humanitarian sector as well.⁴⁴ It is significant to note that a number of secular and Christian interlocutors did not report the same reservations or fears and opted to continue their work. One non-Muslim organization's ability to distribute direct cash aid to beneficiaries in Iraq and offer frontline aid distribution after the liberation of parts of Mosul in 2016 was seen by other participants as beyond their political risk profile.

Advocacy

The adverse impact of counter-terrorism finance policies has now garnered the collective attention of transnational civil society leaders, policy makers, and global financial institutions who are seeking ways to untangle the unintended consequences of aggressive financial regulation in the post-9/11 period. Leading advocacy efforts are being spearheaded by traditional coalitions such as the Charity and Security Network, The Transnational Not-for-Profit Organisation (NPO) Working Group, The Human Security Collective, The ACLU, Act Alliance, and InterAction.⁴⁵ However, faith-based organizations such as Bread for the World, World Vision, Cordaid, and Islamic Relief have been entering the collective advocacy space in recent years in coordination with their secular counterparts. Although Muslim humanitarian NGOs have begun to play a larger role in such collective advocacy efforts, stakeholders believe that deeper and broader coalitions with actors need to be formed in order to build trust and make a greater impact. InterAction's Together Project and the Muslim Charity Forum in the UK provide existing models for further consideration.⁴⁶

While policy makers, NGO practitioners, and private sector representatives are all aware of their shared

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interests and the urgent need to resolve the financial access problem, proposals for resolution are largely piecemeal, disparate, and often ill-conceived.⁴⁷ Civil society advocates rightfully point to the strain these developments have caused their sector, however, as many from their own camp have conceded, the scope of the impact is difficult to assess given the lack of sustained data and analysis. We recommend that sector representatives collaborate in the collection of both quantitative and qualitative data documenting the ways CTF policies have disrupted the delivery of aid and humanitarian services in and around conflict zones and negatively impacted the

lives of beneficiaries on the ground. We encourage this work to be done in close collaboration with university-based research centers and the larger academic community in order to ensure neutrality and monitor quality control. Recent studies by Harvard's Center for Humanitarian Engagement and The Charity and Security Network provide excellent frameworks for continued research in this space.⁴⁸

Responses

Engagement

In response to a climate of public suspicion, government investigations, and donor anxiety, Muslim aid and development organizations after 9/11 in the United States and the UK began developing best practices in accounting, financial management, and fundraising to better assuage regulation and donor concerns. Islamic Relief Worldwide paved the way for these efforts by hiring leading experts and professionals to build an infrastructure of efficiency and transparency. Muslim aid and development NGOs also pursued a strategy of building coalitions and alliances with both their faith-based and secular counterparts as a means of protecting its sector from the consequences a post-9/11 environment.⁴⁹

In the United States, the organization Muslim Advocates was founded in 2007 by a network of activists and lawyers dedicated to addressing issues related to government surveillance of Muslim communities and the public and policy myth of Muslim charity links to terrorism. The Muslim Charities Campaign, developed by

Muslim Advocates in coordination with The Better Business Bureau convened technical capacity building workshops across the United States providing Muslim civil society and faith-based organizations guidance on best practices related to accounting, fundraising, and overall financial management. They also provided non-profit professional development training for issues such as strategic planning and board management. Its capstone project included a twenty-point accreditation program aimed at increasing stakeholder and government confidence in the organization.⁵⁰ The Muslim Advocates program complemented efforts by umbrella organizations such as The Islamic Society of North America, which sought to develop a “White List” of acceptable charities that would be considered by authorities as safe for donors and partners. Unfortunately, as participants in these efforts noted, the majority of Muslim NGOs in both the UK and the United States failed to provide the necessary documentation and implement the structural changes needed to bring the organizations into alignment with best practice standards in their respective sectors. On the whole, Muslim aid organizations need to invest a greater amount of resources into professional development practices in order to participate more effectively in the larger transnational NGO landscape.

In addition to measures undertaken by the Muslim aid and development sector itself, a number of international actors implemented back channel diplomatic initiatives designed to untangle the issue of CTF’s impact on the Muslim aid and development sector. The most important and long lasting of these efforts was the Montreux Initiative, convened under the auspices of the Swiss Foreign Ministry’s Political Division IV between 2005 and 2013.⁵¹ The program gathered governments and leading transnational Muslim NGOs together with the intention of developing a shared international standard for financial transparency and reporting that would assuage regulator and security concerns and at the same time lead to greater financial access and ease the impact of counter-terrorist-finance policies on the sector. Muslim aid and development NGOs involved in the process report expressed that they held deep reservations and skepticism about the possibility that such conversations would actually lead to a change. To be sure, the Montreux Initiative was convened during the same period of some of the most aggressive episodes of asset seizure, prosecution, and accusations of the sector. This led many of the Muslim-world participants to believe that the talks were not held in good faith. Observers of the Montreux Initiative also noted, however, that many of the Muslim aid and development organizations were unwilling and, or unable to deliver the documentation and transparency standards required to begin the discussions in earnest. Despite the fact that by most accounts the Montreux Initiative would be seen as a failure, it is our recommendation that a similarly high level diplomatic initiative be implemented to provide a consistent and stable platform to address continuing problems emerging from the security-development nexus in the MENA region. While it is necessary to keep such discussions at the closed-door level for the purposes of trust building, we also recommend that the platform engages in routine high profile public discussions in order to gather broad support for reconciling long standing differences between the Muslim humanitarian sector and their counterparts in the conventional international system.

Participants in this study consistently expressed a “compliance fatigue.” That is, as regulators and banks increase the AML/CTF bar, stakeholders argued that no amount of documentation, reporting, and transparency will ever “be enough,” a sentiment that dovetailed with a general perception that Muslim NGOs were being specifically targeted and overburdened by a post-9/11 regulatory environment. A 2014 Harvard based study on general humanitarian organizations’ anti-diversion practices—programs that ensure funding is not diverted for laundering, bribery, or terrorist support—concluded that they are “devoting more resources to the administrative, policy, operational, and legal components of anti-diversion compliance, and they are doing so, in many respects, with fewer resources and under increasingly greater scrutiny from donors and the media.”⁵² Likewise, despite meeting and even surpassing the compliance standards of the NGO sectors in the United States and the UK, Muslim aid and development sectors con-

tinue to be falsely accused of harboring ties to extremist organizations. For example, in September of 2017, as the US Congress prepared to fund disaster relief operations after Hurricane Irma, Florida representative Rob DeSantis introduced an amendment into the bill specifically identifying that no such monies should go to Islamic Relief. After a concerted effort by dozens of charities and advocacy groups, the amendment, which considered by many to have been unconstitutional, never made it to vote.⁵³ Nonetheless, the episode was a stark reminder of the continued political challenges the sector faces.

Hawala

One of the main targets of post-9/11 global CTF efforts is the Hawala, an informal value transfer system rooted in pre-modern Muslim societies and Islamic economies. It is used in the MENA and South Asian regions today by “unbanked” populations for remittances and other routine financial service needs. Hawala takes its name from the Arabic word for transfer or exchange. This system is predominantly used in areas where there are little to no formal banking services and has best conceived of as a pre-modern hybrid between Western Union and Bitcoin. It is known for its rapid delivery, reliability, and ease of use as well as its anonymity and ability to circumvent traditional banking systems. Hawala operates through a decentralized network of local, regional, and transnational brokers who deliver cash transfers between intermediaries and thus avoid official exchange rates, interest charges, and high service fees as well as government taxes and monitoring. The system is used widely by diaspora networks for the delivery of remittances, by businesses to facilitate legitimate commercial activity, and by the aid and development community to finance logistics and supply procurement. The expansive, decentralized, and under-researched nature of Hawala has made it difficult to fully understand much less regulate. Some parts of the system are highly integrated into formal banking systems while others operate entirely in clandestine or non-formal spaces. For example, in the United Arab Emirates, Hawala is assimilated into the formal banking sector whereas in India and Saudi Arabia it is technically outlawed. In some locations, like Afghanistan, even formal banks depend on Hawala brokers to facilitate their own domestic transfers to remote parts of the country. Hawala must be understood as an important dimension of transnational civil society and private sector life in the greater MENA region and like Muslim charities as a whole, not necessarily linked to criminal activity or terrorist finance.

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Of course, it must be noted that the system is also used by criminal syndicates as an easy money laundering mechanism and by terrorist organizations seeking to conceal their sources and methods of funding. Naturally, after 9/11, Hawala networks became a central focus of the international CTF community and attempts to regulate the Hawala system have had variable results. Like other CT measures, however, the overall impact on civil society organizations has been adverse and disproportionate. In many cases, it has led to counterproductive security outcomes leading many experts to express renewed calls for strategic engagement with the system as a means of delivering critical financial service to those in need and simultaneously address the security interests of international stakeholders. It is our recommendation that stakeholders in the Muslim aid and development sector research, document, and increase their technical capacity to facilitate their financial logistics through the Hawala system in a strategic effort to overcome

the intractable financial access issues the sector faces. This should be designed and executed in coordination with existing innovations taking place in the international system such as the use of blockchain cryptocurrency by the United Nations World Food Program to deliver aid to over 10,000 Syrian refugees.⁵⁴ While doing so, stakeholders working at the intersection of conflict and extremism prevention, CTF/AML, and humanitarian aid should convene collaborative research initiatives aimed at increasing reliable and coherent data on the question of Hawala and extremist violence.

The Failure of Hawala Regulation

Like the Muslim humanitarian sector, and despite evidence to contrary, the Hawala has been identified by the FATF and other agencies as being particularly susceptible to exploitation by terrorists and criminal actors. This has led to aggressive measures by governments and commercial banks to regulate, outlaw, or disengage from the system. While the international financial community in general and the CTF community, in particular has not arrived at a consensus on how to best engage Hawala, there is an emerging consensus that while nefarious actors may make use of its services, it is not intrinsically susceptible to terrorist appropriation or exploitation. In fact, studies have shown that the system has played a very little role in terrorist financing. A 2015 Norwegian Defense Research Establishment study on the financial sources of terrorist attacks in Europe found that:

Despite the attention, Islamic charities have received for their alleged roles in terrorist financing, very few jihadi terrorist plots in Europe have involved money which could be traced to such charities. Likewise, the hawala system and other informal value transfer systems, appear to have played no direct role in financing operational terrorist cells in Western Europe.⁵⁵

While this finding is significant, it is undeniable that Hawala is still used by criminal networks as was the case in 2016 when Europol uncovered a multi-million Euro money laundering scheme involving actors across Europe and North Africa.⁵⁶ In the same year, Spanish authorities feared Hawala brokers on their territory were involved in financing volunteer fighters traveling to Syria and Iraq to join ISIS, though no such direct links were found.⁵⁷ The current state of research on Hawala is too disparate and unintegrated to have a direct impact on policy makers and practitioners working along the aid and security nexus. Stakeholders should attempt to coordinate the discussion through dialogues, research, and data sharing efforts.

The emerging consensus that over-regulation of Hawala has been counterproductive is now supported by experts in academia, government and the humanitarian community. For example, in the case of Saudi Arabia, a leader in global CTF efforts, The US Department of State and The Congressional Research Service acknowledge that despite aggressive efforts of regulating and monitoring informal cash transfers in and out of the country, the Hawala system, although technically illegal, likely still plays a role in financing extremist networks in the region.⁵⁸ J. Edward Conway, a former analyst for the US Department of Defense, also notes that kinetic attacks on Hawala brokers implicated in financing insurgencies in Afghanistan and Iraq ultimately backfired. This was due to the fact that “the vast majority of the Hawaladar’s [Hawala broker] business is likely legitimate and relied upon by the region’s populace” making an attack on the Hawala system appear as an attack on an important cultural and social institution, intrinsic to the operation of civil society in local communities.⁵⁹ Large scale backlash from the unintended consequences of aggressive regulation was also felt by British and American authorities when attempts were made to shut down Hawala networks used for remittances by Afghan and Somali populations.⁶⁰

Other attempts by government, for example in the United States, to prosecute Hawala networks have led to popular backlash with little to no impact on preventing conflict, extremism, or terrorism. When the

United States Immigration and Customs Enforcement Agency convicted an Afghani Hawala broker and business owner in 2004 for laundering narcotics money, public opinion as well as that of the sentencing judge, was decidedly against the prosecution's approach. The prevailing logic was that the totality of Hawala operation, as the judge noted, simply provided a remittance program for local residents to send to their families in war-torn Afghanistan. Furthermore, the narcotics money that served as the basis for the prosecutions' case was deposited by a paid confidential government informant on its behalf.⁶¹ Whereas the government sought multiple life sentences for the defendant, the trial and sentencing led him to serve less than a year in prison. Ironically, where most observers of this case point to it as a failed attempt at Hawala regulation and prosecution based on flimsy evidence and data, the FATF uses it to showcase how Hawala is used in terrorist finance.⁶² In another case, the US attempt to link a Brooklyn based, Yemeni ice-cream shop owner and Hawala broker to terrorism fell short of doing so resulting in what critics saw as a disproportionate sentence for operating an unlicensed money transmitting business.⁶³

The regulatory and prosecution tactics of CTF Hawala strategies have significantly hurt populations in fragile social and political environments and have also increased the potential for malicious actors to exploit those environments. By FATF's own admission, the impact of Hawala regulation has been uneven with little to no indication that existing enforcement mechanisms are influencing Hawala operations in such a way to effectively mitigate money laundering or terror finance risks.⁶⁴ It is important to note that this is the case where Hawala is actually regulated and observers have some semblance of data. What is to say about the many areas where it still operates in a clandestine fashion? The current uneven regulatory regime and broader attitudes that assume an inherent connection between Hawala and terrorist finance threatens to further restrict the already fragile economic conditions of post-conflict environments and thereby exacerbate conflict drivers and further human suffering.

The current uneven regulatory regime and broader attitudes that assume an inherent connection between Hawala and terrorist finance threatens to further restrict the already fragile economic conditions of post-conflict environments and thereby exacerbate conflict drivers and further human suffering.

Successful Engagement with Hawala

Despite CTF/AML concerns, the Hawala system is used regularly by legitimate international humanitarian agencies and their local implementing partners to facilitate logistics, deliver goods, and provide direct cash aid to beneficiaries in need. For development practitioners, including many that participated in our dialogues, Hawala serves as a trusted, reliable, and local solution to the endemic problem of providing financial aid to underdeveloped areas. For humanitarian and development practitioners, the Hawala is a vital mechanism used to help facilitate logistics, procure supplies, and deliver cash-aid. Recent research by Chatham House and Beechwood International suggests that even in the desperate conditions of the Syria over the last five years, Hawala has been utilized effectively with transparency and security safeguards by a number of local actors with the full knowledge of their international donors.⁶⁵ The Tamkeen Project of Aleppo, which helps support local municipalities develop good governance practices in the administration of basic services and is funded by DFID and the EU, noted that it relied upon Hawala extensively to implement its operations.⁶⁶ According to the Norwegian Refugee Council, Hawalas "represent the only potentially (and partially) scalable cash-out facility" for NGOs delivering humanitarian aid in non-government controlled areas of Syria.⁶⁷ The system is also proving to be the only means for forced migrants in Europe to

deliver remittances to families in Syria who are in desperate need. Act Against Hunger (ACF), a French NGO specialized in relieving food and nutrition insecurity, also depended on Hawala for its operations in the Afghan provinces of Samangan and Daykundi, both with volatile histories of Taliban and warlord control. Despite the challenges, ACF's report notes that the Hawala system "proved to be efficient, effective and transparent. It reached those that have been selected without causing any conflict in the communities. The program also helped reduce security risks as ACF staff did not directly handle cash. Also, using the community's traditional system provided transparency and strengthened the local trust in ACF."⁶⁸ While there is significant room and need for improvement to optimize the humanitarian reliance upon Hawala, experts agree that enhanced engagement with the system may lead the way to an effective and sustainable transition from aid to long-term development and economic recovery.⁶⁹

3. Sector Sustainability

According to many participants in our study, the term capacity building has become a catch all phrase with little to no significant meaning or direction. Our interlocutors often expressed a sense of fatigue with the international community's alleged constant emphasis on training, procedural review, and professional development, arguing that what was needed was more direct and collaborative project development. They also suggested that working in such a direction would help build trust among actors from different cultural, religious, and ideological backgrounds. This was especially the case given the urgency of delivering unmet needs in fragile and conflict prone environments and doing so under the climate of restricted financial and political access as described in the previous section of this report.

In the course of our dialogues, interviews, and continued discussions in three areas presented themselves as opportunities for collaborative capacity building; these were: 1) Conflict Sensitivity and Transformation training, 2) Collective Advocacy, and 3) Economic Development and the Islamic Economy. Participants prioritized the role of women and gender as well as community-driven economic development as necessary components in any discussion of capacity building. Below we review cases that demonstrate forward progress in key areas of concern for stakeholders invested in engaging with the Muslim humanitarian sector.

Conflict Sensitivity and Transformation

Humanitarian intervention is underwritten by the core principles of non-interference, do no harm, and neutrality. Conventional wisdom, therefore, precludes the notion that aid and development agencies should play a role in resolving the political and civil conflicts that often precipitate the crises they help mitigate. This attitude applies all the more so to religious actors who are often seen as inherently biased. However, in recent years, not only have mainstream aid organizations incorporated conflict sensitivity and transformation mechanisms within their programming but so too have faith-based organizations from Christian and Muslim backgrounds alike. Given the expanding role of faith based aid and development organizations operating in and around conflict zones, this trend should be welcomed and encouraged by policy makers and mainstream practitioners. Here, we highlight cases and examples of effective conflict transformation programming utilized by faith-based aid actors.

Mercy Corps

Violence between Christians and Muslims in the Central African Republic (CAR) began in 2013 with the overthrow of the then Christian president, Francois Bozize, by a Muslim rebel coalition known as Seleka, which instigated the creation of a national Christian militia named anti-balaka. The social and political instability had immediate humanitarian consequences for the already impoverished population presenting a particular set of challenges for humanitarian actors. In this context, Mercy Corps launched the Stabilizing Vulnerable Communities project (SVC) in January 2014 with the aim of strengthening local Muslim and Christian leaders' communities to transform conflict and promote non-violence through the support of inter-faith messaging and strengthening community-driven dispute resolution methods. However, the centerpiece of the program was the inclusion of economic programming which focused on enabling Christian and Muslim communities to find mutually-beneficial community restoration and livelihoods activities to rebuild their communities. Mercy Corps supported local grassroots associations and entrepreneurs to implement 90 joint socio-economic projects in Bouar and Bangui, which benefited both Christian and Muslim communities and set an example for the wider community about the benefits of inter-faith cooperation.⁷⁰

Mercy Corps representatives report major successes through this programming including voluntary disarmament, the signing of reconciliation pacts, and a documented change in attitude between previously antagonistic parties.⁷¹ One of the most positive outcomes of the program was seen in Bouar, one of the project sites, when “26 youth and 26 community leaders representing a population of 39,205 minorities... signed a reconciliation pact through which the leaders committed to non-violent conflict resolution in forestalling discrimination on any premise, safeguarding minorities in Bouar, and facilitating the (re)integration of Muslim traders (back) into the local economy.”⁷² Although religious violence still plagues the CAR, the precedent established through the Stabilizing Vulnerable Communities project provides a useful case study to explore the ways a faith-based organization can contribute to inter-religious conflict transformation.

One leading global expert in the religion and conflict transformation field argued that dialogue without action can actually increase mistrust and mutual suspicion because it may be seen as simply deferring the political work needed to transform conflict dynamics. Likewise, participants criticized what they described as the naïve assumption that the mere inclusion of antagonistic parties in the aid and development provision process is not enough to assume a transformation in conflict.

The Mercy Corps case demonstrates an important dimension of conflict transformation programming element that was drawn to our attention by multiple participants. Namely, that conflict transformation and resolution efforts can only be truly effective with parallel and integrated aid delivery and programming. In fact, one leading global expert in the religion and conflict transformation field argued that dialogue without action can actually increase mistrust and mutual suspicion because it may be seen as simply deferring the political work needed to transform conflict dynamics. Likewise, participants criticized what they described as the naïve assumption that the mere inclusion of antagonistic parties

in the aid and development provision process is not enough to assume a transformation in conflict. Without conflict sensitivity training, aid actors can, in fact exacerbate underlying tensions that lead to social fragility or worse yet, disrupt community dynamics through the injection of limited external material resources.

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Islamic Relief

In order to ensure that conflict transformation and sensitivity are incorporated into its service delivery, Islamic Relief (IR) developed a comprehensive and thorough manual and training program for its staff and volunteers. Working in Conflict: A Faith Based Toolkit for Islamic Relief guides practitioners in managing the risks of aid delivery in communities and contexts marked by social and religious conflict and discord. The text provides both practical and theological resources for aid providers highlighting throughout the manual how particular elements of Islamic faith and practice integrate seamlessly with universal principles of humanitarian aid. An example of successful programming can be seen in Islamic Relief’s Peace and Community Conflict Resolution Project (PCCR) that took place in West Darfur between 2013 and 2014.⁷³ This project spanned over two years and sought to reconcile and transform the conflict between IDPs, nomads, and the host community of local people. IR aimed not only to provide sanitation, water, and medical aid for IDPs but also to help make local authorities more able to negotiate conflicts over local resources

between IDPs and the host community. In its implementation, IR sought to partner with local authorities and facilitate negotiations between conflicting groups rather than introduce a foreign solution. While it is often thought that a faith-based aid organizations' religious identity may be a trust-building asset, it is important to note that at the outset of the PCCR local communities largely distrusted Islamic Relief because of its religious identity. According to the report "this was because of their position as an 'Islamic' agency, causing there be an assumption that Islamic Relief was representing the Government. Over time this perception was reduced and then removed through continual demonstration of Islamic Relief's impartiality and independence from the Government and the trust built was a key factor in bringing the different groups together."⁷⁴ By relying upon the local dispute resolution mechanisms, incorporating women into the process at the ground level, and involving local religious leaders, the program led to an effective transformation of existing antagonistic social and community dynamics.

Christian Aid

Christian Aid has long incorporated community driven development programs that include conflict sensitivity and transformation initiatives.⁷⁵ Developed through its Participatory Vulnerability and Capacity Assessment methodology (PCVA), Christian Aid's conflict awareness and transformation strategies have been implemented around the world, receiving support from DFID and other leading global funding agencies. An exemplary case of inter-faith conflict transformation is found in Christian Aid's work in Mindanao through a consortium of inter-faith implementing partners that drew upon indigenous social and theological structures to help mitigate deeply entrenched religious conflicts.⁷⁶

According to their reporting, Christian Aid's implementing partnership from Christian and Muslim backgrounds drew upon the concept of Khilafa, or stewardship, to "heal relationships and resolve differences." This included resolving tensions between communities and even addressing issues of marital discord and gender inequality.

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Christian Aid's PCVA process has been incorporated elsewhere to help discover economic and gender-based aid remedies to conflicts in the community. For example, in Marsabit County in northern Kenya, the community reported drought and conflict over resources (land, water, pasture) as the most pressing vulnerabilities. In response, Christian Aid introduced poultry rearing and enhanced the platforms available for elders to communicate peacefully in order to address these vulnerabilities respectively. In the Eastern Democratic Republic of Congo, Christian Aid prioritized natural disaster resilience above the issue of sexual violence against women. That changed after mass rapes in November 2012 in Bweremana, Minova, and Kalunga. In August 2013 Christian Aid revised their PCVA and prioritized combating sexual violence by distributing phones in order to make reporting violence more possible.

Cordoba Foundation of Geneva

Numerous examples of similar local-level cases of Christian and Muslim aid organizations and actors working together to overcome sensitive conflict environments exist for policy makers and conventional actors

to learn from and engage. For example, the Cordoba Foundation of Geneva (CGF), a leading think tank and NGO specializing in conflict transformation in the MENA region, has an extensive track record of successful projects. Working in close cooperation with the Swiss Federal Department of Foreign Affairs, but relying upon local level expertise and implementing teams, CGF has convened dialogues and mediation programs between antagonistic sectarian groups in fragile environments such as Iraq, Lebanon, and Egypt. In light of the heavy impact of the Syrian refugee crisis on Lebanon, CGF and local actors worked together to identify ways in which the shared national interest of managing humanitarian affairs could be a catalyst for renewed inter-faith and sectarian reconciliation efforts. After a long series of consultations and negotiations, the CGF launched the Humanitarian Charities Forum in August 2017, aimed at jointly overcoming sectarian conflict and delivering aid at the same time.

A major conclusion we derived from our research is that there exists a significant gap in knowledge about

It is our recommendation that stakeholders work with university research centers and independent think tanks and NGOs to create an easy accessible repository of information that captures the collective experience of actors involved in the inter-religious conflict transformation space.

the critical role faith-based aid organizations play in implementing successful conflict transformation initiatives. Many organizations and agencies regularly report such activities to the public and thus provide stakeholders with examples of best practices and effective cases studies which is beneficial to the entire sector. A recent report by Catholic Relief Services (CRS), for example, specifically documents and discusses cases of successful Muslim-Christian engagement from contexts as different as Upper Egypt, Bosnia, and the Philippines.⁷⁷ There is a tremendous need, however, for independent third-party research and analysis to specifically identify and

map these dynamics. It is our recommendation that stakeholders work with university research centers and independent think tanks and NGOs to create an easily accessible repository of information that captures the collective experience of actors involved in the inter-religious conflict transformation space.

Collective Advocacy

As outlined in section II, Muslim charity organizations around the world have often bore the brunt of counter-terrorism measures due to enhanced, and often disproportionate, regulatory impositions. In addition to navigating challenges with government agencies and financial institutions, Muslim aid organizations were also forced to mitigate the profound chilling effect these measures had on both their partners and their constituents. Since the mid-2000s, in both the United Kingdom and the United States, Muslim aid organizations have engaged in extensive measures of building research capacity, transparency standards, and collective advocacy practices to improve their standing in the international NGO community. Collective advocacy strategies grounded in empirical research and analysis have been a core element in the overall strategy of Muslim charities to overcome challenges facing their sector. While there is tremendous growth in this regard over the last decade, stakeholders all agree that there is significant room for progress. Continued research and advocacy was cited by our participants as the top priority, given the fact that counter-terrorist financial regulations have now impacted transnational civil society as a whole and the particular challenges previously faced by Muslim aid groups are now being encountered by a wider circle of actors. Here we briefly highlight existing examples of research and advocacy that demonstrate effective

approaches to overcoming challenges faced by stakeholders.

Muslim Charities Forum

The Muslim Charities Forum (MCF) was formed in 2008 by Dr. Hany El-Banna OBE, one of the co-founders of Islamic Relief and leading figure in the global humanitarian community, with the intention of providing a collective platform for the major Muslim humanitarian actors based in the United Kingdom. MCF serves the dual purpose of coordinating relief efforts between organizations in order to avoid redundancy and increase efficiency, while at the same time it enables members to collectively address challenges in the public, media, and financial sectors. MCF has also promoted professional development of the Muslim humanitarian sector and helped stabilize the sector in a volatile post-9/11 climate. It has done so by developing deep partnerships with think tanks, NGOs, and mainstream aid and development actors. MCF provides capacity building workshops emphasizing good governance standards and financial transparency for Muslim and non-Muslim charities interested in aid and relief work. It has participated in collaborative research with leading think tanks such as the Overseas Development Institute, which convened an important study on the impact of British counter-terrorism legislation on the charity sector.⁷⁸ This report, along with larger developments such as the revision of FATF SR 8, led to the creation of a UK Treasury working group dedicated to exploring this issue. The working group included MCF, The British Overseas NGO Development (BOND) group and the Charity Finance Group among other leading actors.⁷⁹

Muslim aid organizations in the United States do not have an institution comparable to the Muslim Charities Forum. This is due in a large part to the nature of the charity and NGO landscape in the United States, which differs significantly from that of the UK. For example, the British government's Charities Commission provides a governance structure for managing issues related specifically to the charity sector and has proven to be a valuable resource for public, political, and private mediation. In the United States, governance of the NGO sector is distributed between state laws and the federal government where the Department of the Treasury regulates NGOs strictly through the Internal Revenue Service. Without collective representation or an intermediary governing body, NGOs in the United States are often unequipped to respond to the changing and tightening regulatory landscape. It is our recommendation that Muslim aid organizations in the United States establish an umbrella organization comparable to the MCF in the United Kingdom in order to increase the sector's capacity for professional development, collective advocacy, and research. While piecemeal efforts exist, the sector has not yet demonstrated a long-term and sustained investment in this direction.

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Together Project

In 2017, a consortium of NGOs, working through the well-known and reputable umbrella advocacy group InterAction, established the Together Project which is "designed to create a hub of advocacy and solidarity for U.S. based NGOs who provide necessary development and humanitarian relief around the world, but confront discrimination or targeted regulations in the U.S. due to their operating principles or religious faith."⁸⁰ The core constituent members of the Together Project include the leading US based Muslim aid organizations and the specific mandate of the collective effort is to address issues related to: 1) de-risking, 2) material support, 3) safety and security, 4) positive public image, and 5) interfaith connections.⁸¹ Given the broad and deep set of resources available through InterAction's partners such as the Charity and Secu-

rities Network, organizations in the Together Project are better positioned to collectively leverage research expertise and influence policy in order to overcome a range of challenges faced by the sector.

Economic Development and the Islamic Economy

Our research has found that aid and relief actors from both Christian and Muslim backgrounds share a common vision of holistic community development. They often see their mandate as extending well beyond the period of delivering emergency services and into assisting in providing solutions for long-term economic growth and community sustainability. This is why it is not uncommon to see an organization like World Vision providing software training programs for youth in Pakistan or facilitating micro-loans to women in the Central African Republic.⁸² Likewise, Islamic Relief integrates its aid efforts with economic programming such as developing agricultural cooperatives and providing infrastructure for fish farming.⁸³

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While more research and strategic programming is needed to reach a better understanding of the distinct roles faith-based organizations play in poverty alleviation, a number of successful and emerging cases already demonstrate their tremendous potential to offer sustainable economic solutions in fragile and conflict prone contexts.

One such example can be seen in the potential of the Islamic Banking and Finance (IB&F) sector which has grown significantly over the last few decades as developing nations with sizeable Muslim populations become increasingly integrated into the global economic system. By offering instruments that avoid interest (riba) and practices that may be seen as high risk (gharar) or even gambling (maysir), Islamic banks offer a culturally relevant product for their consumers. The sector is being increasingly dubbed “Participation Banking” because of the way in which returns and losses are shared or “participated in” by clients and stakeholders rather than being derived simply

through interest earned on loans. While many aspects of Participation Banking do not differ significantly from traditional financial institutions and their instruments in their overall outcome, there is increasing discussion among Muslim and non-Muslim economic aid and development practitioners about the ways in which Islamic finance is positioned to contribute towards sustainable development. Existing research, however, demonstrates that this potential has been largely lost upon the poorest sectors of society. In this regard, there is a significant opportunity for the Muslim humanitarian sector’s efforts to be integrated with IB&F to achieve the shared goals of market development and poverty alleviation. This could be done through mechanisms such as micro-finance, fee-based transfer services and lease based home ownership models to name a few.⁸⁴ There is also synergy between the Muslim aid sector, IB&F, and an emerging MENA and diaspora based entrepreneurial culture that emphasizes social impact, sustainable development, and ethically sourced supply chain models.

The integrated problems of extremism, conflict, and poverty require multifaceted solutions that can often be found at the intersection of youth culture, technology, and social impact. Established with this in mind, Affinis Labs was founded in 2015⁸⁵ for the express purpose of identifying and accelerating innova-

tive market solutions in fragile and conflict-prone contexts. The firm was established by Quintan Wiktorowicz and Shahed Amanallah who both served the Obama Administration as advisors in counter-terrorism and technology, respectively. Since its inception, Affinis Labs has hosted “hackathons” around the world, developed technology to combat ISIS propaganda, and promoted entrepreneurship in underdeveloped markets with fragile social contexts. One of the most successful graduates of the Affinis Labs incubator is the global Muslim social impact crowdfunding platform, Launchgood which has raised over \$31 million for thousands of campaigns in over ninety countries. Regularly partnering with faith-based Muslim aid organizations, Launchgood’s programs are all either intended to support social impact oriented business or provide support to charitable campaigns.⁸⁶ Deeper institutional connections between the technology industry, aid sector, and development community are needed, however.

We recommend that stakeholders at the intersection of technology and aid invest greater resources into strategic joint programming coupled with a robust monitoring and evaluation infrastructure to better identify resources and methods to optimize Muslim FBO roles in economic development. One non-faith based tech and development solution, worthy of analysis for best practices, is Sama Source, a data-management company that draws upon “people from low-income labor background to complete simple on-line tasks for big companies.”⁸⁷ Working with at-risk and vulnerable populations of refugees and young women in East Africa, the company has boosted income at rates far beyond traditional aid development strategies.

Despite the momentum and excitement behind technology and innovation as a driving force of economic development, there is a significant need for sustainable investment in the agricultural sectors of fragile and conflict-prone contexts. The global coffee industry has been home to one of the most successful sites wherein consumer demand for a higher quality and an ethically sourced product has driven a global supply chain transformation that results in documented poverty alleviation for farming and harvesting communities. Segments of Rwandan society have demonstrated remarkable transformation in this regard. In the late 1990 and early 2000s, as the global community sought ways to rebuild the country’s economic and

There is significant need for sustainable investment in the agricultural sectors of fragile and conflict-prone contexts

social infrastructure, the country’s coffee industry was seen as having the potential for both reaching viable economic output investment and achievable social goods at the same time. A sustained effort by USAID has invited international investment in the sector through research, seed-funding, and programming, which included globally recognized firms such as Starbucks as well as smaller entrepreneurial efforts.⁸⁸

One such small business, but also a faith based effort, was developed in 2005 by Jonathan Golden, founder of Land of a Thousand Hills Coffee (LOTH), based in Roswell GA.⁸⁹ The company has since reached customers across the country through subscription based delivery services, online retail, and its retail café

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locations across the southeast. LOTH credits its success to transparency, equitable profit sharing, and its value driven mission which has resulted in an expansion of its farming partner community's capacity and an increase in overall income for the local community. A similar strategy is currently being explored and developed in the war-torn environment of Yemen by multiple stakeholders. Following the success of its programs in Rwanda, USAID has dedicated years of research and planning into optimizing Yemen's coffee sector.⁹⁰ Now a consortium of leading coffee experts around the world has begun implementing small scale projects to bring the product to the global market. One remarkable case of success can be found in the startup, Port of Mokha, founded by Mokhtar Al-Khansali, an American of Yemeni descent from San Francisco who has gained a global reputation for the unparalleled quality of beans his supplies have provided. Though the company is still in its infancy, it has been heralded as a scalable model to help the country overcome multiple challenges of poverty, resource scarcity, and civil war. In addition to providing a positive direct impact on the communities these coffee companies work within Yemen and Rwanda, the larger stories behind them are communicated widely to consumers who value the ethical nature of the product supply. In this way, the economic benefit doubles as a source of advocacy that should be equally invested in for the larger project of raising humanitarian awareness. Given the fact that Muslim aid organizations are operative in some of the most conflict-ridden areas and have considerable access to human resources, we recommend that they invest a greater amount of resources in strategic partnerships with private sector companies in order to diversify their humanitarian impact.

The economic benefit doubles as a source of advocacy that should be equally invested in for the larger project of raising humanitarian awareness.

Conclusion

Sector feedback and ways forward

While collective advocacy efforts such as those outlined above represent a significant degree of maturation of the sector over the last decade, two repeated shortcomings were identified by stakeholders. The first argued that there was a need for greater risk sharing by all members of a collective advocacy network. That is, while advocacy efforts go a long way in addressing critical challenges and fostering trust building when legal, logistical, and political problems emerge, it is often the case that faith-based aid organizations from Muslim backgrounds bear the most burden of the problem. In order for deeper and stronger partnerships between the Muslim and mainstream aid sectors to exist, we recommend the development of multi-level and sustained joint programs that integrate both risk and reward for organizations from different backgrounds. This would require joint planning, design, fundraising, and implementation.

The second criticism raised by stakeholders claimed that although the larger aid and charity community is positioned to help address the unique challenges of the Muslim sector, the lack of consistent data, research, and analysis often disabled the overall potential of the effort. Stakeholders in all meetings consistently called

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for a greater investment by the Muslim aid sector in professional research and analysis partnerships. Indeed, field observations and interviews with policy makers corroborate that a circular problem exists in which policy impact is impeded, in part, by a formidable lack of quantitative and qualitative data. This allows critics to charge the Muslim aid sector with exaggerating its claims. We recommend that sector leaders develop a long-term strategy for sustainable research and development through partnerships with think-tanks, NGOs, and university research centers.

Muslim aid NGOs in the United States have matured significantly over the last decade. Once playing a quiet and peripheral role in the NGO community, the sector has now positioned itself as a key partner in the delivery of critical aid and relief to some of the most vulnerable populations around the world. While significant strides have been made, the sector demands attention and investment by all stakeholders in order to optimize the international community's response to the heretofore unprecedented set of humanitarian challenges it faces now and in the foreseeable future.

PARTICIPATING ORGANIZATIONS

The organizations listed below were consulted, interviewed, and/or involved in one of the workshops organized in support of this report. **Inclusion below is not an indication of support for any of the report's findings.**

ACT Alliance	Kadir Has University
Affinis Labs	Muslim Aid UK
Arab American Institute	Muslim Hands
ARK Group	NuDay Syria
Australian Aid	Organization of Islamic Cooperation
Aziz Foundation	Port of Mokha
Bread for the World	Preemptive Love Coalition
Charities and Securities Network	Salvation Army
Cordoba Foundation of Geneva	Swiss Federal Department of Foreign Affairs
Danish Institute for Human Rights	Syria Relief and Development
Deniz Feneri	Syrian American Medical Society
Eid Charitable Association	U.S. Agency for International Development: Faith Based & Community Initiatives
European External Action Service	U.S. Secretary of State's Office of Religion and Global Affairs
Finn Church Aid Americas	UN Alliance Of Civilizations
Green Acre Group	UN Department of Economic and Social Affairs
Human Appeal	UN Environment Program
Human Relief Foundation	UN Office for the Coordination of Humanitarian Affairs
Humanitarian Forum	UN Office on Genocide Prevention
IHH Humanitarian Relief Foundation	UN Population Fund (UNFPA)
Imamia Medics International	University College London
Institute for Strategic Dialogue	US Department of State: Office of Religion & Global Affairs
InterAction	World Vision
International Blue Crescent Relief and Development Foundation	Youth Worked
International Center for Religion & Diplomacy	1000 Hills Coffee
International Civil Society Action Network	
International Partnership on Religion and Sustainable Development	
International Republican Institute	
Islamic Relief USA	
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Endnotes

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