

CHAPTER 22

Muslim philanthropy: The current status and future outlook

22.1 Negative imagery

In recent years, Islam has come under pressure around the world. The longstanding conflicts and spread of extremism has created opportunities for some to question the very nature of Islam and to portray it in a negative light. Muslim philanthropy too came under suspicion.

In the United States, the aftermath of the September 11 attacks saw moves to clamp down on cross-border donations to charities that were seen as suspicious. Some were Muslim charities which gave to causes in the Middle East. Although only one Muslim charity was tried and convicted for giving charitable donations to zakat committees in the Palestinian territories, such prosecutions have led to fears that create a blanket suspicion against all Muslim charities, and that traditional zakat is under threat in some countries. The US President, Barack Obama, acknowledged the problem in a major speech in Cairo in June 2009, saying that, in the US, "rules on charitable giving have made it harder for Muslims to fulfill their religious obligation".

This pressure and negative publicity – for Muslim donation and, unfortunately, for Islam itself – limited Muslim philanthropy's ability to tackle global challenges. These aggressive efforts have discouraged donors from giving and made it more difficult for existing donors to give. The difficulties in addressing social injustice, poverty, environmental degradation, illiteracy, and fanaticism have led some to question whether Muslim philanthropy requires a new set of assumptions, of operational giving, and of innovative practices which could meet these challenges.

22.2 Unlocked potential

Currently, the total GDP of the 57 OIC (Organisation of Islamic Cooperation) countries is USD7.6 trillion, which

is 11% of the world-wide GDP. The Muslim world is rich in natural resources and has a growing young population, indicating that both its economy and giving are going to increase in the coming decades. Given the myriad forms of Muslim giving worldwide, judging its scale is difficult. However, some estimates hold that total Muslim giving falls between 250 billion USD and 1 trillion USD annually. This is a vast sum, and it underlines the need to distribute this wealth in the most effective, strategic way possible.

The Gulf Cooperation Council (GCC) region has one of the highest densities of high net-worth individuals in the world, and over half donate regularly. The philanthropy in the GCC region contributes approximately 15-20 billion USD every year to philanthropic sector, which is about 1.5-2.0% of GDP. This makes the GCC region amongst the most generous regions in the world as most nations give up to 1% of GDP at the most.

While the GCC is one of the most generous regions in the world, less than 2 billion USD of this is institutionalized, reveals a McKinsey & Company report. Most available funding is not properly planned, distributed, collected, or measured – it is simply passed through traditional or informal channels with no attempts at the strategic measurement, which institutionalised philanthropy is able to provide.

Muslim philanthropy requires more research and analysis to gauge its power, fuel new ideas, eliminate obsolete practices, and foster new directions. Accordingly, there have been increased efforts to produce research information on the current practice of philanthropy in the Muslim world; however, the dearth of informative material remains unacceptably low.

Persistent societal problems and wealth creation in the Arab region are driving a new generation of actors to commit their resources for the greater public welfare. The John D. Gerhart Center for Philanthropy and Civic Engagement at American University Cairo in its landmark study "From Charity to Change: Trends in Arab Philanthropy" provides a preliminary overview of Arab philanthropy in eight countries of the region including: Egypt, the Hashemite Kingdom of Jordan, Lebanon, Palestine, the United Arab Emirates, Qatar, the Kingdom of Saudi Arabia and Kuwait. Results of the study indicate that institutionalized philanthropy is rapidly growing in the region. Traditional religious motivations for giving remain strong, and both modest and wealthy citizens contribute to the welfare of those who are in need. Governments are recognizing the potentials in allowing greater civic participation, and more leaders from the private sector see the importance of socially investing their wealth. This study forms the first attempt to offer a mapping of the landscape of private giving in the Arab region.

Over the past fifteen years, Turkey's philanthropic sector has taken on a heightened momentum of growth and expansion. With this growth comes a need for more support- more human and financial resources, better management skills, and most importantly, a more enabling environment. According to the research conducted by the Third Sector Foundation of Turkey (TUSEV), the impulse to give and help others in need is deeply rooted in the cultural and religious fabric of people living in Turkey. Yet, these same traditions tend to keep individuals in a holding pattern of providing immediate assistance to close kin and neighbours. Although the value of solidarity and support among close knit groups can never be replaced nor discounted, effects of poverty and systemic failures which perpetuate them are far too great to overcome by helping one person at a time.

King Khalid Foundation has conducted a training need assessment study of the non-profit sector in Saudi Arabia. The study indicates a capacity deficit and highlights the need of training particularly in the areas of strategic planning, project design & management, public relations, partnership, community mobilization, and information technology. The non-profit organisations on the other hand found to be strong in leadership, governance, mission & values, and financial management

In South Asia, some countries have undergone more domestic strife and some less; some were the unfortunate victims of natural disasters and armed conflicts. In some countries, the government has shown a more welcoming, cooperative, even facilitative attitude toward philanthropy, while in other countries the cooperation between the state and the non-profit sector is still wary. However, across the region there is a growing government awareness of the role of philanthropy.

Countries like Pakistan and Bangladesh receive approximately USD11 billion each every year in form of expatriate remittances. Where governments are severely constrained in their ability to assist the low-income households, the remittances help bridging the gap in social spending. There is, however, a need for structured giving vehicles that help remittances flow through sustainable channels. In Pakistan, research was commis-

sioned by the Pakistan Center for Philanthropy, on the Pakistani diaspora in the United States. The research very clearly revealed the preference of donors to have their funds channelled directly to individual beneficiaries. The reasons cited included: the superiority of giving to individuals rather than institutions, a lack of trust in non-profit and philanthropic institutions, a sense of a faith based moral duty to give directly to the poor and deserving individuals in dire need.

22.3 Muslim giving landscape

There are numerous grant-making foundations operating across the Muslim world, established by the rich and powerful of those countries, mostly the royals and private sector leaders. These foundations give huge sums of money to support schools, hospitals, orphanages, and faith-based institutions, both in their home countries and abroad. These foundations generally operate in isolation, and rarely pool human or financial resources with other grant-making entities.

While the growth of endowment funds and community foundations is quite slow, there is a growing class of professionally-run family, corporate, or state-backed foundations, whose grant-making is development oriented and strategic in nature. The following list are only a few of the leading organisations: Aga Khan Foundation, Qatar Foundation, Mohammed bin Rashid Al Maktoum Foundation, Alwaleed Bin Talal Foundation, Emirates Foundation, Khalifa Foundation, Moe Ibrahim Foundation, Sabanci Foundation, Koc Foundation, Reach Out to Asia, and Dubai Cares.

Humanitarian aid and development organisations dominate the philanthropic landscape of the Muslim world. They are competent and resourceful, and actively raise funds from the communities. Islamic Relief, Muslim Aid, Qatar Charity, IICO, Helping Hand, IIRO, Kimse Yok Mu, IHH, Doctors Worldwide, Human Development Foundation, and Zakat Foundation are among the major actors. Red Cross Societies, particularly from Turkey, Qatar, and UAE, are famous for delivering speedy relief and rehabilitation services.

Most humanitarian organisations, however, work in isolation, which undermines their impact and sometimes increases the cost of programs because of duplication. It is therefore important that these organisations establish close coordination, become means of facilitation, and avoid competition in program delivery. The humanitarian Affairs Department of the OIC is actively working towards improving inter-organisational coordination and enhancing the operational capacity. The UAE Office for the Coordination of Foreign Aid (OCFA) is a public sector initiative that helps build individual and organisational capacities of UAE donor organisations and documents foreign aid provided by UAE-based donor organisations.

Across the Muslim world, faith-based charities assume a considerable social burden. Through their strong nationwide networks of volunteers, they provide valuable services primarily in education and healthcare sectors.

Muhammadiyah and Nadhlat ul Ulama in Indonesia, and Al-Khidmat in Pakistan are few such examples. Community based mosques and madrassas, though modest in operational capacity, provide much needed food, shelter and education to vulnerable children.

A number of western origin foundations and NGOs are also operating in the Muslim world. Among them are organisations with strong Christian and Jewish identities, working mostly on issues such as health, education, and human rights. These organisations receive their funding from overseas and rarely partner with indigenous organisations. In general, Muslim societies look at these organisations with some degree of suspicion. The most common reason damaging to the credibility of foreign charities is their intervening in cultural and religious issues without seeking proper consultation or support from the leading local actors.

Apart from a few, corporations across the Muslim world, social responsibility and environmental stewardship has received a distressing lack of assiduity. While basic CSR (Corporate and Social Responsibility) interventions are gradually gaining attention, corporate social strategy and corporate philanthropy are still alien concepts. Given the sizeable economy of the Muslim world, this is an underutilisation of resources and a wasted opportunity to bring positive social change. Against the backdrop of high youth unemployment and increasing political activism across the MENA region, corporations must look to value creation in society and not just focus on making profits, which is likely to make corporations, paradoxically, more vulnerable – as has been observed by the perduring global financial crisis.

22.4 Roadblocks to success

Beyond the small pockets of extreme wealth and stability, the Muslim world is plagued with poverty, disease, and political unrest. The majority of those receiving humanitarian assistance world-wide from sovereign governments, the UN agencies, the Red Cross and Red Crescent Societies, and the international NGOs are Muslims. This tragic situation requires a well-coordinated strategic response by public, private, and philanthropic sectors. Effective giving in form of better zakat management, long-term social investments, and governance reforms is critical to make Muslim giving a precursor to sustainable socio-economic development.

Despite ongoing efforts to tackle the social needs of the Muslim world, Muslim giving has yet to be properly institutionalised. Muslim philanthropies which are intended to address the world's challenges are generally limited by skill sets, training, and development. There is a shortage of qualified, experienced philanthropists, which reduces the value and impact of each dollar which is donated.

Many donors also prefer to try and alleviate issues through short-term, ad hoc solutions. There is a distinct lack of focus on strategic investment and the development of a robust philanthropic sector – this makes it dif-

ficult for a long-term infrastructure supporting charitable giving to develop, and creates barriers to achieving the real goals of Muslim philanthropy.

The majority of giving is fragmented, thus less effective, and gears towards poverty alleviation through consumption instead of investment and development. There is also a lack of clarity as to the best ways of channelling philanthropic funds. The Muslim philanthropic sector, therefore, is dealing with the challenges of wastage of precious funds because of subscale initiatives, limited investment in delivery capacity, and an under-developed civil society. Addressing this challenge requires significant improvements on two main frontiers: enhancing institutionalization of philanthropic spending and increasing professionalism of philanthropic institutions.

The growth of the philanthropic sector also depends very much on how governments act. Muslim states are required to make incentive-based policies for the donors, establish effective monitoring systems to ensure transparency in charitable operations, and regulate collection and disbursement of zakat.

A study released by the Asia Pacific Philanthropy Consortium offers an insight into the legal framework supporting non-profit activities in South Asia. One of the most common issues is the conflict over foreign donations. Governments, by tightening regulations, continue to seek control over transfers of foreign funds to non-profits, especially those with potentially religious, political or advocacy connotations. There is also an active debate over policy reforms to broaden the scope of tax exemption for philanthropic entities, tax deductibility for donations, and for-profit business activities undertaken by non-profit organisations.

In general, the public, private, and philanthropic sectors lack harmony, and their development strategies are not properly aligned. Further, the policymaking process or service delivery is often influenced by political or corporate interests and not necessarily driven by ground realities.

22.5 Spiritual dimension

The overwhelming majority of Muslim giving is inspired by the faith. Although zakat is one of the most fundamental tenets of Islam, it is just one aspect of the Muslim philanthropic rubric, which is a broad and diverse phenomenon reflecting centuries of change in very different cultural, social, and economic contexts around the world.

The principle of zakat, the annual tax of purification of wealth, is one of the five pillars of Islam, and is obligatory for all Muslims who own the wealth and are capable of paying. Zakat has both an exoteric, communal element and an esoteric, spiritual element, which comprises the act of paying zakat. One portion of the zakat is used for a public welfare system, providing support to poor members of the community. It was, and is, also a spiritual act: giving allows one to purify oneself of material selfishness, whilst the recipient is purified from envy and jealousy.

The practice of zakat is not just intended to temporarily alleviate suffering. By demonstrating virtue and duty, the institution of zakat encourages all members of society to work harder, to be compassionate, and to improve the conditions of the community. Zakat is, therefore, both spiritual and profoundly social.

Sadaqa is a second facet of the Muslim philanthropic apparatus. Unlike zakat, this is discretionary, and is the personal choice of each individual Muslim. It is also not necessarily monetary in nature. Sadaqa is in fact a broad term, and may mean anything from a kind word, to voluntary service, to clothing and feeding the poor. The third, rarer form of Islamic philanthropy is kaffara: charitable donations given as part of a penance after breaking an oath or failing to meet an obligation.

The fourth aspect of Islamic philanthropy is the contribution of donations for building mosques, schools, and hospitals, by establishing one of the strongest social manifestations of Muslim giving: waqf. The word originally meant a religious endowment, but over time the word has shifted meaning, and is now more likely to simply mean a foundation.

Through these different forms of giving, philanthropy binds Islamic communities together, and serves as both a demonstration of faith and of community spirit. It is religious as well as social, and it illustrates the idea that in Islam, it is not the sole responsibility of the government to help the disadvantaged members of society – it is the responsibility of all Muslims, as members of the community. That is why Islam legislated zakat, an annual tax levied by the government, and sadaqah, charity, given voluntarily with priority given to family members and relatives and then to others in the community.

22.6 Zakat: The change agent

Today, in most Muslim countries, zakat is collected through a decentralized and voluntary system, where eligible Muslims are expected to pay zakat at their own will. Under this voluntary system, zakat committees are established often at local mosques, which are tasked with the collection and distribution of zakat funds. Due to lack of awareness and perhaps lack of trust the number of zakat givers is much lower than it should be. In a handful of Muslim countries – including Saudi Arabia and Pakistan- the zakat is obligatory, and is collected in a centralised manner by the state. In many other countries, zakat is regulated by the state, but contributions are voluntary. In recent years, plenty of research has become available on centralised zakat management systems adopted by the governments of Indonesia and Malaysia. These studies indicate serious efforts being put towards making zakat management more efficient, effective, and replicable.

The main objective of zakat is to achieve equitable distribution of income in society so that the income gap can be narrowed. Therefore, managing zakat funds under an appropriate and structured framework becomes vital and strategic for the welfare of the Muslim world. Even

though the management of zakat collection is improving from year to year, the zakat distribution mechanism is facing multiple challenges. The difficulties associated with the distribution methods, in the face of persistent poverty, are among the issues that has decreased the performance and achievement of the zakat institution itself. The issue with zakat distribution needs to be addressed effectively since it might cause dissatisfaction among zakat givers and lead them to pay zakat directly to the needy, bypassing institutionalised channels. Such trends will compromise both the transparency and the effectiveness of zakat.

To achieve the strategic impact of zakat, centralising zakat management appears to be the only policy option, according to the researchers. By having it centralised, coordination between a national zakat institution and the fiscal policy maker might be implemented more easily. The zakat concept can also be incorporated into fiscal policy formulated by the government. An efficient zakat management system with a strategic distribution approach seems to be the right vehicle for converting zakat recipients into zakat givers. The conventional practices are less likely to bring the change that zakat guarantees.

22.7 Islamic finance: The philanthropic powerhouse

The Islamic financial sector is potentially the most potent driver of poverty alleviation and sustainable development; yet, its social investment is marginal as compared to its capital investments. The gap between Islamic finance and Muslim charity giving is huge, and this needs to be taken seriously. The ultimate focus of Islamic finance should be on its core value proposition and not just on building its assets. Islamic finance holds much needed financial and human resources that are required to develop ethical, cum profitable products and services. Financial innovations that are geared towards empowering people and not dominating them will revolutionise the world that is reaching its boiling point over the exploitations it has sustained from the conventional financial system.

Islamic finance, with its genuine philanthropic spirit infused both in its giving and business practices, holds the potential to transform the lives of billions living around the world. This approach will create additional business opportunities such as managing philanthropic funds and financing social impact projects.

Despite progress in all significant segments, Islamic financial institutions have not yet countered the challenge of poverty alleviation by making financial services accessible to the poor. According to a study, an estimated 72 percent of people living in Muslim-majority countries do not use formal financial services. Even when financial services are available, some people view conventional products as incompatible with the financial principles set forth by Islamic law.

In recent years, some microfinance institutions (MFIs)

have stepped in to service low-income Muslim clients who demand products consistent with Islamic financial principles—leading to the emergence of Islamic microfinance as a new market niche.

The Islamic Research and Training Institute (IRTI) at the Islamic Development Bank has released an extensive study on the Islamic approach to poverty alleviation through microfinance and underscored the need for a dual approach: a zakat and awqaf-based charity program for the destitute, disabled and “unbankable” and a micro-finance program of wealth creation.

There is a sizeable substratum within the rural poor whose lives are unlikely to be touched, let alone improved by financial services. According to conventional microfinance, they are not “bankable” even when the bank is exclusively for poor people. Islamic microfinance advocates financial inclusion, entrepreneurship and risk-sharing through partnership finance. The Islamic microfinance system identifies those within the category of absolute poverty as a primary criterion of eligibility for receiving zakat. Most conventional microfinance providers charge rates of interest of fees that have been found to be high when benchmarked against mainstream banking rates.

Throughout the Muslim world, microfinance (Islamic or otherwise) is still seen as a philanthropic activity rather than a business enterprise. Consequently, in the context of Islamic microfinance, there is a growing tendency to view zakat as a source of funding. Indeed, given the underlying principle of Islamic finance to promote the welfare of the community, zakat funds appear ideally suited to support Islamic microfinance. However, a heavy reliance on charity is not necessarily the best model for the development of a large and sustainable sector, and more reliable, commercially motivated streams of funding should be explored.

22.8 Multi-donor funds: The collective efficiency

According to recent research, there is heightened interest in the development of funds that are created by groups of individuals or institutions for the purpose of pooling resources and targeting them towards a common interest and purpose.

One commendable initiative for poverty reduction is the Islamic Solidarity Fund for Development (ISFD), a USD10 billion fund launched by the Islamic Development Bank with the support of OIC member states. No other substantial effort to bridge the gap between the affluent and the impoverished had been previously undertaken, particularly by Islamic financial institutions.

The World Congress of Muslim Philanthropists (WCMP) on the other hand is encouraging philanthropists to create pooled funds focusing on poverty alleviation and sustainable development. Consequently, two multi-donor funds, Hasanah Fund and Al-Qantara Fund, are being rolled out in 2012.

22.9 The Road Ahead

The WCMP was formed in 2008 to tackle the issues mentioned herein. The first initiative of its kind, the WCMP became a platform for a unified voice and collective action to safeguard and strengthen Muslim philanthropy. The WCMP, from the outset, has committed itself to strategic thinking, and as a result, adopted ten guiding principles for Muslim giving, which are essential to achieve a lasting change:

1. The worldwide community of Muslim philanthropists should be proactive in reaching out to the oppressed and needy, irrespective of their race or religious beliefs.
2. The work of Muslim grant-makers should be furthered strategically through enduring and sustained international engagement amongst key partners in critical areas of philanthropy.
3. Muslim philanthropists should take a closer look at potential new challenges, ranging from the environment to political conflict and from ‘Islamophobia’ to fanaticism, and set their charitable priorities according to the newly emerging socio-political frontiers.
4. While compassion is the most powerful driving force behind helping victims of natural and man-made disasters, there is a need for capacity building, mutual cooperation and communication among Muslim humanitarian organisations for ensuring well-coordinated, low-cost and high-efficiency operations.
5. Developing benchmarks, such as establishing a clearing-house, creating best practices, and helping civil society organisations leverage the available capital and human resources through effective consulting and training, are vital for the growth of Muslim philanthropy.
6. Accountability and transparency of the recipient organisations should be the primary criterion in the grant-making process. A mechanism that can educate and update grantees on compliance and cross-border giving needs to be explored and implemented.
7. Besides funding conventional institutions of faith, education and healthcare, it is essential to diversify funding towards the wide range of non-conventional but critical initiatives. Hence, it is essential to support programs that foster leadership development, entrepreneurial advancement, environmental stewardship, sports, arts and literature, gender equity, human rights, religio-cultural coexistence, science, technology, and innovation, and address issues of peace and security issues and the negative aspects of globalization.
8. Muslim giving needs to shift its focus from conventional to strategic thus making a long-term impact rather than a short-term fix, through building endowments and pooled funds and incorporating strategic planning. As important as emergency assistance will always be, Muslim philanthropy must also engage the root causes of poverty and be ready to invest in longer term solutions.
9. Strategic partnerships and alliance building with main-

stream philanthropies around the issues of common concerns should be encouraged.

10. Networking among Muslim philanthropists worldwide through international forums, donor action roundtables, and retreats is essential to fostering collaborations and combating negativity often associated with Muslim giving.

22.10 Conclusion

The world's Muslim population is expected to increase by about 35% in the next 20 years, rising from 1.6 billion in 2010 to 2.2 billion by 2030, according to new population projections by the Pew Research Center's Forum on Religion & Public Life.

The necessity of effectively harnessing resources in order to bring lasting social change is compelling; hence, strengthening the Muslim philanthropic sector must be a priority. This means moving away from charity to philanthropy, away from individual giving and towards addressing the root causes of the problems through strategic social investment. The challenge of this new era in which root causes of social and economic injustices span beyond families, villages, cities, regions and even nations, poses a new mandate for which organized efforts are ever more crucial.

Muslim philanthropy, though facing a complex set of external and internal challenges, is bound to grow both in its maturity and effectiveness. However, without the application of research and innovation, the conventional charitable models will continue to be ineffective. As a philanthropic culture which is predominantly rooted in the developing world, and which has a strong history of countering social injustice, Muslim philanthropy must rise to meet the challenge of the time. The strengthening of the Muslim philanthropic sector is therefore critical to the peace and prosperity of our world.