EXECUTIVE SUMMARY

Faith-based organizations (FBOs) are often the “first in and last out” among service providers in humanitarian assistance. A June 2022 closed-door, cross-sector dialogue with key stakeholders reflected on this reality and was structured around three themes: 1) advantages and disadvantages of FBOs in conflict settings; 2) financial and legal barriers to FBO operations; and 3) the role of FBOs in economic development and post-conflict stabilization. It covered topics such as humanitarian access, economic development, and counter-terrorism finance in conflict-affected regions such as Afghanistan, Iraq, and Yemen.

KEY RECOMMENDATIONS

• Cross-sector actors should support convenings designed to identify shared opportunities for innovative cooperation between FBOs, state actors, and INGOs operating in Muslim contexts. This includes researching new resourcing vehicles such as those emerging in Islamic philanthropy, impact investment, and blended finance.

• Governments and INGOs should issue requests for proposals (RFPs) which support collaborations across new spaces and institutions, inclusive of FBO collaboration. RFPs should promote ways to mitigate hurdles born out of counter-terrorism finance (CTF) regulations and de-risking practices.

• FBOs must increase data-gathering infrastructure and invest in policy engagement to communicate their expertise to appropriate audiences. State actors must respect FBOs’ commitment to humanitarian principles of neutrality, impartiality, and independence.

• FBOs must increase their capacity to deliver medium- to long-term development solutions, especially towards economic development and income generation for beneficiaries.

This policy brief constitutes a rapporteur summary of the June 2022 dialogue and does not represent the views of the Berkley Center or Georgetown University.
ADVANTAGES AND DISADVANTAGES OF FBOS IN CONFLICT SETTINGS

Dialogue participants identified a series of distinct advantages and disadvantages that FBOs working in and around conflict zones present to donors, partners, and beneficiaries. While cautioning against overgeneralization, the discussion identified some of the following points regarding FBO strengths: 1) trust and cultural proximity, 2) versatility and flexibility, and 3) field expertise. Weaknesses included: 1) management infrastructure and efficiency, 2) data-gathering infrastructure, 3) policy engagement expertise, and 4) higher risk profile.

All participants agreed that FBOs are most likely to be the “first in” and the “last out” in conflict contexts. That is, since FBOs are often highly independent and operate outside of the conventional regulations of the international aid system, they often have the freedom and flexibility to operate in ways that other non-governmental organizations (NGOs) can’t. One former government official noted that it was local FBOs that helped set up and manage the Atmeh refugee camp in northern Syria before and during the multilayered crisis in that region.

There is also a wide-spread presumption (which is difficult to corroborate) that FBO workers commit to humanitarian work due to a faith calling, compelling them to take higher risks than average humanitarian practitioners. Regardless of the motivations of such individuals, the fact remains that in conflict contexts, FBOs and their volunteers are indeed often the first responders and provide critical care to victims of displacement and natural disaster.

Participants also noted that because FBOs play this crucial role, they are also the most informed about beneficiary needs and aware of the local context in ways that large NGOs, governments, and international actors are not. In this way, FBOs can provide external partners with needs assessments and other information about community dynamics. Unfortunately, FBO participants in the room noted that this positionality was often the subject of “too much interest” by state actors who are eager to engage them for intelligence gathering purposes rather than humanitarian action. For FBOs already subject to more risk than conventional aid
organizations (due to having less physical security and political protection), such instrumentalizing engagement by state actors in conflict contexts jeopardizes FBOs' humanitarian principles of neutrality and impartiality. Ironically, it is often the case that FBOs are suspected by state actors of not being fully committed to these principles. Stakeholders across sectors agreed that the most valuable strategic advantage FBOs have in the aid and development field is that they share ethnic and religious ties with beneficiary communities and are often seen as more trustworthy than their secular and/or international counterparts. In academic literature, this dynamic is referred to as cultural proximity and has been noted as a key factor in optimizing aid delivery. In conflict settings FBOs that share ethnic and religious affiliation with impacted communities serve as effective cultural interlocutors and bridge builders for international actors and NGOs. Shared religious and ethnic identity also allow these FBOs to rapidly mobilize human, material, and financial resources in a short period of time. Counterintuitively, stakeholders found that the same unique advantages enjoyed by FBOs can also be risk factors and disadvantages. For example, as one participant familiar with the EU ecosystem noted, while cultural proximity may increase aid efficiency, if the FBO is perceived as a partisan in a conflict marked by religious antagonism, then the FBO will be seen as a liability and lose its credibility and neutrality, whether warranted or not. Likewise, the independent and decentralized nature of FBOs—while allowing them greater mobility and flexibility—also often draws suspicion from local and international authorities who are rightfully concerned about the movement of people, goods, and possibly weapons in conflict settings. Another disadvantage and weakness reported by stakeholders was the lack of overall infrastructure in humanitarian and development FBOs. At the top of the shared concern was the lack of effective organizational and management systems. In conflict settings, especially those in Syria and Iraq over the last decade, the humanitarian demand greatly exceeded the experience and capacity of local actors. So, as one participant noted, while it was possible to mobilize resources quickly and even deploy them rapidly, doing so in an effective and efficient manner was out of the reach of many FBOs. This observation corroborated other participants’ observations that while local FBOs have enormous potential, 

**Case in Point: Iraq, ISIS, and Religious Leadership**

In 2014, just days after the fall of Mosul to the Islamic State of Syria (ISIS), Grand Ayatollah Sayyid Ali Husaini Sistani, the most senior Shiite religious cleric in Iraq, issued an religious edict (fatwa) calling for volunteers to mobilize against the terrorist organization in defense of the country. Observers note that his fatwa helped turn the tide against ISIS militarily, but few have recognized that it also called upon all parties to tend to the immediate aid and security of the millions of internally displaced refugees escaping territory controlled by the terrorist organization. In turn, Sunni, Christian, and Yazidi communities were hosted in southern Iraq by majority Shiite communities. A participant intimately familiar with these operations noted that during this time, religious almsgiving donated to the holiest Shiite shrines in Iraq at the time were used to provide aid to these communities. This example of an FBO rapidly mobilizing resources and delivering aid by relying upon its trusted reputation fostered a sense of national unity and reconciliation even as the country had just gone through years of sectarian strife and conflict.
because they lacked effective data gathering and monitoring mechanisms, it was difficult to engage them on deeper levels. Participants agreed that there remained a significant demand for professional development, capacity building, research, monitoring and evaluation, and management infrastructure in FBOs working in Muslim contexts.

Finally, another shared observation among participants was that many FBOs were simply disconnected from the policy-making process. This was due in part to the lack of infrastructure mentioned above: most organizations do not have policy or political liaison offices that could properly package the critical information and insights they had about local contexts, thereby forfeiting one of their most valuable strategic assets. This in turn creates a negative cycle in which policy makers and decision-making bodies do not include FBOs in their own policy development processes. Participants agreed that there was a need for more efficient communication, dialogue, and information-sharing channels between FBOs and traditional aid and development actors.

**Recommendations for Stakeholders**

- Release new requests for proposals which support collaborations across new spaces and institutions, but inclusive of FBO involvement and/or collaboration.
- Fund facilitation mechanisms (such as networks like the Muslim Humanitarian Forum in the United States, World Congress for Muslim Philanthropists, and the Muslim Charities Network in the United Kingdom) for access and training for smaller FBOs on policy-making processes and other capacity-building needs.
- Support for new research projects and collaborations in partnership with universities, focused on the work of humanitarian FBOs.
- Provide more dialogues and workshops to break down communication and trust barriers between FBOs and policy entities.

**FINANCIAL AND LEGAL BARRIERS TO FBO OPERATIONS**

Since 9/11, amidst increasing cases of state collapse and protracted conflict, as well as the rise of non-state armed groups, governments around the world and international financial institutions have created robust regulatory and legal mechanisms to counter terrorist financing. As a result, banking industries, for example, now have much more stringent “Know Your Customer” (KYC) protocols than just a decade ago, and their de-risking practices are reportedly more aggressive and operate without transparency. Likewise, the legal apparatus created by counterterrorism laws, particularly the material support statute enshrined in Holder vs. Humanitarian Law (2010), has also served as an effective deterrent to terrorist actors. However, nonprofit organizations around the world, and especially those operating in Muslim contexts, have been adversely and disproportionately impacted by these developments over the last two decades. For example, Muslim non-profit organizations (NPOs) have suffered decreased and limited capacity to serve in critical areas where they have strategic advantages. CTF regulations and laws have also increased their risk for legal and physical endangerment. Stakeholders discussed current developments in this area and new opportunities to manage operational problems associated with CTF imposed barriers.

One expert familiar with bank de-risking practices noted that Muslim NPOs in particular are often subject to well-crafted disinformation campaigns designed to impose reputational and legal harm to these organizations. Such practices are also, at times, backed by authoritarian state actors. In turn, the disinformation campaigns reach de-risking data generation software programs which scrape the internet through
artificial intelligence, resulting in automatic bank closures, transfer delays, and in the worst case, asset seizure with little to no recourse. In more consequential cases, such disinformation campaigns influence legislators and politicians, who in turn make targeted attacks against Muslim NPOs, threatening significant operational disruption and reputational harm. Such was the case when then-Rep. Ron DeSantis (R-Florida) introduced an amendment to an appropriations bill in 2017 to bar funding to Islamic Relief Worldwide. The amendment was withdrawn after a concerted advocacy campaign.3

However, far more consequential than reputational and bureaucratic burdens is the delay and interruption of life-saving assistance to beneficiaries in conflict scenarios. NPOs report that the physical and legal dangers associated with cash carrying or using informal intermediaries, such as hawala brokers, are too high, and thus they are forced to make the difficult decision of halting or ceasing operations in critical contexts. Some practitioners also noted that they had to route funding through peer institutions that were not subject to the same level of scrutiny, disinformation, or de-risking effects. Stakeholders recognized an adverse and endemic cycle at play: Muslim NPOs, already overburdened as front line and first responders as well as encumbered by limited capacity, are then relegated to second-class aid and development actors due to structural barriers created by CTF regimes too large to change, thus making it nearly impossible for the Muslim NPO sector to grow in capacity, professionalism, and transparency.

One participant, an internationally recognized legal scholar and NGO consultant, noted that CTF has now entered into the minutia of NPO operations, fund agreements, and reporting requirements. They suggested the burden imposed by these structures should be borne by governments or the banking sector to ensure that beneficiaries are not suffering unnecessarily. They also noted that NPOs have complied too readily with extra-legal reporting, transparency, and auditing demands in an effort to demonstrate good faith and build trust, resulting in little or no constructive resolution to the general problem of legal and financial access and protection. Thus, they suggested that NPOs seek alternative

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**Case in Point: Afghanistan after the United States**

In response to the urgent humanitarian needs of Afghan civilians in the wake of the American withdrawal and the Taliban takeover, the U.S. Treasury’s Office of Foreign Assets Control (OFAC) issued General Licenses 19 and 20, which authorized payments and transfers for the express purpose of humanitarian aid to individuals and entities associated with otherwise sanctioned parties. This license has allowed NPOs and FBOs to not only offer life-saving aid, but also to explore longer-term economic recovery projects that are critical for post-conflict stabilization. On May 28, 2022 the United Nations Development Program announced “the single most significant agreement with Islamic Relief” under its ABADEI initiative: a $22 million country-wide irrigation repair project that will employ over 150,000 individuals through the end of the year “while also stimulating markets and improving farming productivity.” It is hard to imagine this collaboration between Islamic Relief and UNDP happening if the sanctions exemptions were not provided by the U.S. government.12
funding relationships and partnerships to strengthen their own independence and operational integrity.

As an alternative to putting humanitarian operations at risk due to unpredictable banking practices and policy developments, one participant suggested using large-scale, reputable international organizations as partners and intermediaries to deliver aid in hard-to-reach and otherwise dangerous contexts. In particular, the UN High Commission for Refugees’ Refugee Zakat Fund, a sharia-compliant structure capable of collecting obligatory Islamic charitable funds (zakat), may serve as a way for Muslim charitable organizations and their donors to safely transfer resources to critical areas. While stakeholders recognized the potential of such a vehicle to provide a solution to immediate operational barriers, the question of how such a program would impact NPO independence and capacity over the long term was the subject of concern. Nonetheless, innovations in impact investing and blended finance have been leveraged recently to help support development and humanitarian work. More research and development is needed to explore how these tools can be integrated with and accelerated by Islamic philanthropic mechanisms.

Current and former government stakeholders commented that while CTF regulations and sanctions regimes were indeed daunting, it is also the case that governments are responsive to crisis contexts and provide special licenses for humanitarian organizations to operate and carry out life-saving work. Nonetheless, stakeholders noted that the byzantine nature of sanctions regimes—with special licenses from different governments, at different times, in different contexts—has created a legal and financial risk too high for NPOs to bear without robust legal and advocacy infrastructures to navigate such contexts. One practitioner, having just returned from Afghanistan, reminded stakeholders that even with special licenses and legal protection, finding financial institutions capable and willing to facilitate the financial needs of their operations was the most immediate challenge. Dialogue participants agreed that it was unrealistic to expect a
wholesale restructuring of sanction and CTF regimes to overcome these problems. Instead, they advocated that continued, practice-oriented dialogues between cross-sector actors could identify innovative cooperation opportunities and project-based solutions in specific contexts.

**Recommendations for Stakeholders**

- The development of innovative funding structures making use of impact investing, blended finance, and Islamic philanthropic structures should be researched and developed further.

- New channels for effective financial transfers, resource management, and monitoring should be created through continued cross-sector dialogues between decision-makers working in bank de-risking, CTF, and FBOs.

- FBOs and other NPOs should not have to shoulder the costs of shifting financial regulatory demands imposed by governments and the banking sector. When asking NPOs to fulfill requirements under CTF, governments and financial institutions should offer clear frameworks, communications, and robust personnel and/or financial support to NPOs who will undertake greater scrutiny in order to comply with ever-changing regulations and rules.

- The UN and other major international organizations should work with FBOs to help facilitate resource transfers in hard-to-reach areas so that FBOs are less likely to experience long delays from the latest regulations and processes imposed by CTF regimes and bank de-risking practices.

**THE ROLE OF FBOs IN ECONOMIC DEVELOPMENT AND POST-CONFLICT STABILIZATION**

Presuming FBOs and other actors can be provided humanitarian access in conflict contexts, the perennial question of how to achieve long-term peace remains. To this end, conflict transformation experts and practitioners have long emphasized the interrelated dependency between development, peacebuilding, and humanitarian action, or what is known as the Triple Nexus approach.4 Despite this recognition, however, practitioners note

**Case in Point: Yemeni Coffee**

A recent report from the International Crisis Group noted that “while the economic dimensions of Yemen’s conflict are not the only impediments to peace, it is difficult to imagine the parties reaching a durable military truce if they fail to reach an economic one alongside it.”13 While Yemen’s most valuable natural resources are oil and petroleum, the coffee and fishery sectors extend across the country, providing a unique opportunity to provide economic assistance that can also positively influence peacebuilding across the entire country. In Rwanda and Colombia, strategic investments in the coffee sector by FBOs and INGOs have been critical in post-conflict stabilization and recovery.14 Similar efforts are currently underway by groups such as the Mokha Institute, the Unity of Coffee, Pure Hands Yemen, and the UNDP to revive the Yemeni coffee sector.15 However, the challenge of operating in Yemen, according to discussion participants active in aid and development work there, is navigating financial and operational logistics across multiple jurisdictions both domestically and internationally. Participants agreed that innovative cooperation between government, INGOS, and FBOs could help overcome some of these hurdles.
that balancing these commitments is not only challenging, but potentially dangerous in that the influx of economic incentives in a fragile or post-conflict setting has the potential to exacerbate underlying social and intercommunal tensions. Participants in the dialogue noted that while FBOs can help build a bridge between urgent humanitarian needs and medium- to long-term economic stability, their capacity to do so is not self-evident nor empirically corroborated. In addition, there is an increased risk in working with FBOs in local post-conflict environments, given that they may be, or perceived to be, partisans in the conflict itself. That said, the comparative advantage of FBOs (as outlined in the first section of this brief) of flexibility, human resource infrastructure, and proximity to beneficiaries should be engaged and expanded upon to deliver economic programming that aligns with the larger goal of peacebuilding and conflict transformation.

One participant from the offices of Islamic Relief Worldwide urged stakeholders not to forget that humanitarian service is a form of economic development. Basic humanitarian services such as access to clean water, food distribution, and shelter are all prerequisites to livelihood opportunities. Moreover, in protracted crisis scenarios these services are sources of job creation, skill training, and capacity building in and of themselves. Additionally, stakeholders should recognize that the negative impact in terms of human security from an economic crisis can be far more consequential than actual conflict. Reporting from a recent field visit to Afghanistan, this observer noted that humanitarian suffering was far more acute in the post-conflict context than it was during the civil war, despite the heavily militarized environment at the time. For example, the compound effects of limited humanitarian access, sanctions regimes, and the collapse of the banking system have resulted in increased male unemployment, harder economic conditions for female-headed households, and skyrocketing costs. Another participant from a leading state-level aid agency also affirmed the Triple Nexus approach in principle and noted that economic development planning needed to be highly contextual and sensitive to conflict dynamics at the microlevel. Far too often, he noted, economic support programs, while in principle aligned with peacebuilding goals, do not take into account risk factors that conflict resolution experts might more readily observe. For example, the distribution of cash aid to Syrian refugees that relocated in northern Jordan led to complaints from the local populations, who also suffer from poverty and lack of economic infrastructure, which resulted in the targeting of Syrians in various contexts. The Jordanian–Syrian case is not unique, as similar observations can be found in aid and development programing across the globe.

As FBOs are increasingly integrated into more complex economic development programming, observers noted that they are well positioned as trusted actors to deliver such aid. They also maintain deep ties to beneficiaries, enabling potentially very efficient systems of distribution, financial literacy programming, and quality control. In order to do so, however, it is critical that they increase their capacity through building a more robust data-gathering and record-keeping infrastructure. Stakeholders stressed that FBOs, while maintaining particular advantages and distinctions from other civil society organizations, were also very high-risk partners both from program implementation and conflict resolution points of view. Data gathering and record keeping would not entirely decrease these risks, but such practices would reduce risk so that FBOs may become more natural partners for secular, government, and international actors. It should be noted that recent research indicates there is a lack of data and research management across the humanitarian space, making it a problem not specific to FBOs.
Recommendations for Stakeholders

- Economic programming by INGOs and state actors should strive to include capable FBOs in a collaborative role, adopting the Triple Nexus approach at every stage: design, implementation, and impact reporting.

- FBOs must increase the capacity to deliver economic development and income generation programming.

- FBOs must increase their capacity for data management and quality control in order to better integrate into long-term economic development programming.

- Providing direct cash aid and financial literacy programming as an element of post-conflict stabilization meets the goals of multiple cross-sector stakeholders. Financial access, therefore, should be seen as an area where FBOs can invest resources to grow their capacity, manage and overcome CTF risks, and meet a critical beneficiary need at the same time.

NEXT STEPS: PRAXIS, DIALOGUE, EXECUTION

Protracted conflict around the world, and especially in Muslim majority areas, has created unprecedented humanitarian and development demands. As this brief has described, these factors are compounded by limitations in FBO operational and research capacities as well as by CTF regulations and sanction regimes. However, FBO strengths in the areas of versatility, beneficiary trust, and field access provide unparalleled opportunities to deliver short- and long-term aid to areas in urgent need in ways conventional actors simply cannot. In order to realize this potential and overcome the various obstacles outlined in this brief, participants in the discussion called for strategic, praxis-oriented dialogues among cross-sector stakeholders in public policy, the private sector, and humanitarian development.

The convenings should result in the design and execution of innovative collaborative projects between actors operating at the intersection of Muslim philanthropy, international aid,
and impact investing. These three distinct stakeholder communities are brought together because they share similar objectives—sustainable development, peace-building, and social impact—but have heretofore operated in largely separate spheres of influence and operating silos. Coordinating actors in these spaces promises to unlock new financial and human resources and accelerate aid and development solutions in areas impacted by protracted conflict. To be effective, the dialogues should identify shared priorities, capacities, and consensus points across these communities to develop and steward feasible projects and partnerships that can overcome long-standing barriers to cooperation in the field.

While such cross-sector collaboration may be limited in Muslim aid and development contexts, there are emerging precedents and models that can serve as a template for interested parties. In 2017, for example, the International Committee of the Red Cross created the “world’s first humanitarian bond,” raising approximately $26M to support operations in conflict-ridden countries. Likewise, the United Nations Development Program has created opportunities around SDG investing, while the World Economic Forum and other leading institutions explore concepts such as humanitarian and resilience investing. While these initiatives will bring new resources to critical humanitarian and development contexts around the world, those with the highest demand—e.g. Yemen, Afghanistan, Iraq, Syria, and other Muslim majority areas ridden by protracted conflict—remain the most out of reach for conventional humanitarian, development, and impact investment actors.

While participants in this dialogue acknowledged long-standing obstacles to cooperation, they were also hopeful that new structures can create new opportunities. Praxis-oriented dialogues and convenings are one such possibility. Utilizing existing convening bodies and platforms—such as The World Congress of Muslim Philanthropists, InterAction, and the Global Impact Investors Network—with research and documentation support from a university-based knowledge hub, cross-sector actors willing to innovate and collaborate can do so with relative ease.

GLOSSARY

CTF: Counter-Terrorism Finance
EU: European Union
FBO: Faith-Based Organization
INGO: International Non-Governmental Organization
ISIS: Islamic State
KCY: Know Your Customer
NGO: Non-Governmental Organization
NPO: Non-Profit Organization
OFAC: Office of Foreign Assets Control
RFP: Request For Proposal
U.K.: United Kingdom
UN: United Nations
UNDP: United Nations Development Programme
U.S.: United States

NOTES

1. See Jonathan Benthall’s 2012 paper, “Cultural Proximity” and the Conjuncture of Islam with Modern Humanitarianism,” for an excellent definition and parameters around this concept.


11. An example of other charitable work authorized by Ayatollah Sistani is that of the Al-Ayn Social Care Foundation (U.K.), which works in collaboration with Al-Ayn (Iraq) to give orphaned children the tools they need to fulfill their potential at each stage of their lives. Since 2006, this foundation has helped thousands of Iraqi orphans. See more here: https://www.alayn.co.uk/.


Islamic Relief USA, based in Alexandria, Virginia, is a nonprofit 501(c)(3) humanitarian organization. Its mission is to provide relief and development in a dignified manner regardless of gender, race, or religion, and it works to empower individuals in their communities and give them a voice in the world. Its programs benefit millions of people each year in more than 40 countries around the world, including in the United States.

The Berkley Center for Religion, Peace, and World Affairs at Georgetown University seeks a more just and peaceful world by building knowledge and advancing cooperation through research, teaching, and dialogue. Two premises guide the center’s work: that a comprehensive examination of religion and norms is critical to address complex global challenges, and that the open engagement of religious and cultural traditions with one another can promote peace.

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