International grant-making policy within philanthropy in the UK Muslim context

Cathy Pharoah, Ikhlaq Hussain, Jenny Harrow

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Acknowledgements

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EXECUTIVE SUMMARY

Philanthropic international aid has a vital place in how we respond to today's deepening global crises, and it is vital to grow and develop its contribution. This is hampered by a lack of evidence on the challenges and approaches of international grant-making, particularly given the immense diversity of resources, mission, governance and stakeholders in the foundation landscape. This research aims at a better understanding by exploring internal policy-making in international grant-making, focussing on organisations working in the context of Muslim philanthropy. It was an exploratory pilot study, with data was drawn primarily from organisations' annual reports and accounts, and interviews with a small sample of grant-makers. Key research questions were:

- What are the key influences, complexities, requirements and challenges around policy-making on programme delivery at a distance?
- Can common policy themes and challenges be identified and how these are managed?
- What are the policy framing effects of the UK's regulatory and compliance regime for charities operating internationally? What is the impact of a harsher environment and increased scrutiny?
- What is the scope for sharing and building knowledge of international giving more widely, to achieve greater understanding, engagement and impact?

Key findings and implications

o   policy-making towards international grant-making in the context of UK-based Muslim philanthropy is an increasingly complex, growing and developmental space, resulting from changing expectations amongst new donors and founders, a stricter regulatory environment and the growth of partnership:

o   there has been little impact assessment of the challenges, additional demands and costs placed on the resources of organisations which operate internationally;

o   a strong common core of policy-making has been developing around the specific opportunities and challenges of grant-making internationally; this provides a major opportunity for further data-gathering, building knowledge and mutual learning at organisational and sector levels;

o   partnerships are crucial from end-to-end in international grant-making, whether knowledge-gathering, managing risk, transacting finance, or providing services; organisations are experimenting with partnership models, but there is little formal evaluation around these;

o   working in vulnerable or remote international contexts goes well beyond 'tick-box' approaches to managing service delivery and assessing performance: international grant-makers factor imbalances of capacity, resources and risk into policy approaches, but there is a need for more dialogue and regulatory and other support in the UK (and elsewhere) to reduce barriers and facilitate financial transaction if philanthropy is to reach out further to under-served, needy communities in difficult areas;

o   there was a general consensus amongst interviewees that data-gathering and knowledge-exchange is at a very early stage and limited; greater opportunities for information and knowledge-exchange would be both valuable and welcome to grant-makers as well as overseas civil society organisations seeking support and networks: individual organisations should develop their own knowledge management programmes further, and the wider evidence-platform should build on the initiatives of existing forums and media.

1   INTRODUCTION

Background to the research

Philanthropic action is a crucial part of our response to the increasingly global nature of the key challenges we face today. Amidst evidence of growing global inequalities and environmental threat, however, there is a need to grow and develop the potential contribution that international philanthropy can make. Research has shown charitable foundations and other grant-making organisations can be significant global policy players.[1] It also shows, however, that a lack of data and evidence on what they are doing inhibits the capacity for growth, engagement, collaboration and development amongst agencies working for global social change[2], including achievement of the UN Sustainable Development Goals (SDGs). Not only is there limited information and understanding on policies, practices and working assumptions for shared grant-maker learning, but civil society organisations in development contexts (eg direct-provision NGOs or foundations seeking international partnership support) are likely to lack insights into grant-makers' funding rationales and operations. Examples of areas where understanding could be improved include the extent of focus on beneficiary connections; the identification, selection and management of local partnership working; and how to maximise their own opportunities to enhance SDG achievement through these.

The UK has a well-established tradition of giving to international causes, alongside, as well as independently of, government. However 'international giving' is generally treated in the philanthropy research and fundraising literature as just one 'cause' amongst many others competing for donor support, despite its significantly more complex and specialised nature. In practice its distinct requirements cut across all the other cause areas whether welfare, education, culture, or the environment. International giving operates in complex contexts, intervening in the world's most deprived, remote, politically-sensitive, disaster or conflict-torn regions. It must be compliant with regulatory and tax regimes for charitable activity in its home country, but is also subject to multiple other national and regional regimes. Finally, it has to grapple with the diversity of beliefs, values, language and culture across the globe, including at highly localised levels where access to information on the ground is often severely restricted. All these factors have implications for the value of knowledge-sharing between charities working in the international arena.

Aims and objectives of this study

Against this background, the research reported here aims to contribute to evidence and shared knowledge around how international giving and grant-making are conducted. Its key research objective is to enhance understanding of internal policy development towards international grant-making, and its rationales and challenges, within the UK Muslim philanthropy organisational context, to further scholarly and practice knowledge exchange. It also aims to provide insights into such policy rationales and challenges for international and local stakeholders on the ground, and other international grant-makers. This particularly includes those local civil society organisations in international development contexts which seek funding, networking or collaboration with UK funders. The research aims at national and international reach, including through key infrastructure bodies such as the World Congress of Muslim Philanthropists and its Global Donors' Forum.

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[1] Lambin, R. (2020) Big philanthropies : distinctive approaches in global social policy? : a case study of the Gates Foundation in the health sector, PhD. thesis, The University of Oxford.
[2] https://www.oecd.org/development/private-philanthropy-for-development-9789264085190-en.html

Building on the first mapping study of Muslim philanthropy in the UK foundation context,[3] funded by the Global Challenges Research Fund, UK, this project looks specifically at international grant-making organisations within Muslim philanthropy. The earlier study found a strong funder focus on overseas giving and a range of international (humanitarian and development) partnership working, inevitably operating at a distance in countries including Somalia, Kenya, Occupied Palestinian Territories, Lebanon, Myanmar, Nepal, Bangladesh and Syria. It concluded that there was significant potential for learning and further knowledge-sharing in the experience of these international grant-makers, which could strengthen confidence, reduce barriers and encourage innovation. Given the particularly demanding nature of international giving and grant-making, this second study aimed to explore organisational policy-making in greater depth, including the role of partnership. The focus on donor organisations within the UK's migrant and diaspora communities offered particular scope to develop understanding through their deep and multiple global links to communities in areas of need.

Definitions

Politics has been defined as 'who gets what, when, and how'[4], in which policy is a central component. This report follows the broad dictionary definition of 'policy' as a course or principle of action, adopted or proposed by an organisation or individual, where policy is both a statement of intent to guide decisions, and implementable through procedures or protocols. Its degree of formality and association with governance structures is stressed in its definition as *'a set of ideas or a plan of what to do in particular situations that has been agreed to officially by a group of people, a business organisation , a government or a political party*'.[5] Policy creation and development is a function of those designated with responsibility for decisions; in private organisations, reflecting forms of self-regulation as part of the overall policy process (Porter and Ronit, 2006[6]).

This project did not evaluate policies or policy processes in themselves, but aimed to identify the specific policy-making requirements and characteristics of international grant-making. What are the key influences, complexities and challenges of transaction and programme delivery at a distance, and how are these managed? What is the scope for sharing and building knowledge of international giving more widely, to achieve greater impact, understanding, support and engagement?

Policy-making landscape for international philanthropic grant-making

Multi-faceted space

As others have noted, '*Policy making has often been seen as a topic that is too large, or too difficult, to tackle successfully*'.[7] It is not a straightforward topic to research. Policy, like the term 'strategy', can have different meanings to different people. Policies themselves can assume different forms, and may be set out explicitly in formal organisational documents, or instructions, or consist of more informally understood or implicit sets of understandings, or shared values about how the organisation works. At any one point in time, a policy may be evolving and changing.

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[3] Pharoah, C. (2020) Building a picture of Muslim philanthropy in the UK foundation context: The scope of existing data. https://www.cass.city.ac.uk/__data/assets/pdf_file/0004/543721/Pharoah-Muslim-philanthropy-in-UK-context.pdf

[4] Harold D. Lasswell, Politics: Who Gets What, When, How, McGraw-Hill, 1936.

[5] Cambridge Online Dictionary, https://dictionary.cambridge.org/dictionary/english/policy

[6] Porter, T. and Ronit, K. (2006) 'Self-Regulation as Policy Process: The Multiple and Criss-Crossing Stages of Private Rule-Making', *Policy Sciences* , 39, 1, 41-72

[7] Institute for Government (2011) Policy-making in the real world. https://www.instituteforgovernment.org.uk/publications/policy-making-real-world

In addition to such considerations, there are particular challenges to the exploration of policy in the philanthropic sector. Unlike the public sector, where services are largely determined by centralised policy and budgets, the philanthropy sector is characterised by immense diversity of organisational mission, resources and structures. Charities' independence of governance and their multiple stakeholders from public, private and philanthropic sectors mean that potentially a range of very different actors can get involved in policy-making - founders, donors, trustees, senior managers, programme officers, users and external funders, experts and interest groups. Some of the inherent tensions of this policy space are summed up by Hammack et al (2009) arguing that philanthropy is about gifts, and gifts are always embedded in relationships expressing hierarchy, conflict and negotiation.[8] Other US research suggests that while international foundations are seen as 'honest brokers', beneficiaries' perceptions have not been investigated. [9]

The policy-making landscape of international philanthropic grant-making is, therefore, a multi-layered and multi-faceted space,[10] of co-existent but diverse policy-making. It is not necessarily cohesive. With little precedent for this study or for the identification of common policy parameters, a broad approach to the definition of policy (as outlined above) was therefore appropriate for this research, with policy understood as the internal principles, purposes or requirements that guide an organisation's decision-making and activities when funding overseas.

Regulatory frameworks

Although philanthropic activities are highly diverse, however, organisational policy-making sits within the regulatory frameworks for all UK charities, whether operating in the UK or internationally. Complying with regulatory requirements, guidelines and recommended standards makes significant demands of policy-making, and the impact of this on policy design should not be under-estimated. It is particularly significant for organisations operating in an international arena.[11] Expert documentation in the US, the UK and the OECD[12] have all noted that international grant-making cannot be carried out without taking into account its complex and specific regulatory and fiscal environment. The UK Charity Tax Group (CTG) highlights that

'…*however longstanding a practice, global activities are not without risk, and charities making grants globally must be mindful of the restrictions that charity law and taxation impose. Charities doing more on the ground will need to consider the risk profile of their activities in the round'*.[13]

Considerations of compliance are consequently a crucial and integral component of policy-making around international grant-making. The Charity Commission notes that charities working overseas should apply the same practices as in England and Wales, and make sure to comply with any extra requirements of other countries. In practice, many international charities work in multiple countries. The Commission's additional guidance on risk management when working overseas runs to five pages [14], covering risk assessment in unstable countries, local employment rules, protection of staff

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[8] Hammack*,* D. C., Heydemann, S. (2009) *Philanthropic Projections: sending institutional logics abroad, in* eds (Eds.), *Globalization, philanthropy, and civil society,* Bloomington, IN: Indiana University Press.

[9] Petersen, A. C.and McLure , G.D. (2011) Trends in Global Philanthropy Among U.S. Foundations: A Brief Review of Data and Issues , *The Foundation Review,* 4,2, 88-100.

[10] Nichols,S, Jurvansuu,S. (2008)'Partnership in Integrated Early Childhood Services: an analysis of policy framings in education and human services'. *Contemporary Issues in Early Childhood Volume 9 Number 2 2008 www.wwwords.co.uk/CIEC*

[11] The Charity Commission for England and Wales, the Office of the Scottish Charity Regulator and the Charity Commission for Northern Ireland.

[12] CAF America; OECD (2020), 'Conclusions and policy options', in *Taxation and Philanthropy*, OECD Publishing, Paris, https://doi.org/10.1787/437187dc-en.

[13] Charities Tax Group CTG | 31 May 2019 Making grants overseas: a refresher on HMRC rules for charities.

[14] https://www.gov.uk/guidance/charities-how-to-manage-risks-when-working-internationally

and beneficiaries, guarding against terrorism, keeping an auditable track of finances, protecting against fraud and financial crime, risks of money transfers and due diligence on local organisations. With recent cases of poor protection of women and children by some aid organisations, the Commission has provided additional guidance on safeguarding when working overseas [15], and regards this as a priority. It further notes that the challenges of international work include different cultures, practices or legal systems, an unstable environment like a conflict zone, and working with many partners. What this can mean in reality is illustrated in a compelling example,

'(*we work) in difficult circumstances where both social and political factors may give rise to security or access problems that frustrate our ability to put in place the infrastructure and long-term initiatives necessary to alleviate poverty and suffering. The continued instability, due to civil unrest, in a number of countries has obstructed both the speed of progressing our programmes and access to areas in need for example in Syria and Yemen*.' (Amanat Charity Trust, 2019)

Tax authorities in most countries have additional compliance requirements for charities working internationally. The UK HMRC requires charities to ensure payments are applied for charitable purposes and issues it will consider include:- scale of audit and checking in relation to size and frequency of payments; formality of grant arrangements in new or remote areas, or where corruption is regarded as common; connections between grantors, grantees and other intermediaries; proof or documentation surrounding payments, particularly under more risky conditions; and financial controls and the charity's compliance with its own procedures. [16]

Closing space for civil society

Increased demands for scrutiny and transparency which have emerged over the last few years have heightened the importance of compliance and clarity in international grant-making policy. A harder-line charity regulatory environment was introduced in 2013-14, and while Muslim charities numbered around 2000 of the 180,000 charities on the Register at the time (1.1%), 25% of the inquiries carried out in the wake of the new regime involved Muslim charities. This highly disproportionate impact was widely noted by the sector, for example

'*Of the 20 recently-announced Charity Commission inquiries, five concern Muslim charities although they represent less than 2% of the charities on the Commission's Register*'. [17]
The issue was taken up by the Association of Chief Executives in the Voluntary Sector, and the Muslim Charities Forum[18], and its impact openly acknowledged

'*like other Muslim overseas aid charities, (we are) currently operating in a very difficult international environment. At home, constant talk of Muslim charities and terrorism in the same breath in the media and political circles and a sensitive situation abroad continues to put immense pressure on such charities, especially in the early stages of their development*'. (Islamic Aid[19])
The Global Philanthropy Environment Index [20] reports that between 2014 and 2018 nearly one-quarter of the 79 economies studied across the world had enacted laws that restricted the activities of the philanthropic sector, and the UK CTG notes

'*Anecdotally, we and other advisers are seeing an increase in compliance checks and reviews of charities' overseas payments……*'.[21]

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[15] https://www.gov.uk/guidance/safeguarding-duties-for-charity-trustees#working-overseas
[16] Charities Tax Group ibid

[17] https://nonprofitquarterly.org/the-effects-of-a-harder-line-regulatory-environment-for-uk-charities/
[18]See, for example, Cooney, R. (2015) 'Sir Stephen Bubb says Charity Commission has 'disproportionate focus' on Islamic extremism'. *Third Sector*, 20 November 2015: Pudelek, J. (2014) Charity Commission is 'targeting Muslim charities in a disproportionate way'. *Civil Society News* 03 July 2014.
https://www.civilsociety.co.uk/news/bubb--charity-commission-is--targeting-muslim-charities-in-a-disproportionate-way-.html
[19] Islamic Aid. Report of the Trustees and Audited Financial Statements, June 2019
[20] https://globalindices.iupui.edu/environment/themes/index.html
[21] CTG, ibid

In sum, grant-making organisations within Muslim philanthropy are simultaneously faced with increasingly complex global aid and development needs, and an increasingly demanding, multi-layered, and at times distrustful, policy environment. This compounds the challenges they face.

2   RESEARCH APPROACH AND METHODS

With little previous work to indicate feasibility or provide a research framework, and limited resources, this study was designed as a small pilot exploration. The methodology has four strands:
>   1) brief review of existing literature;
>   2) examination of information in the published annual reports and accounts in a sample of UK grant-making organisations working in the context of Muslim philanthropy;
>   3) in-depth telephone interviews with a small representative sub-set of grant-makers;
>   4) analysis and report.

Sample   The research approach drew significantly on the method and findings of earlier mapping work. (Pharoah, ibid) The study sample consists of organisations already identified as grant-makers working internationally, supplemented with additional international charities which operate mainly through grant-making. This is because it became clear in the earlier study that many fundraising international charities within Muslim philanthropy operate largely through grant-making. The functional definitions used for 'foundation', 'grant-making organisation' and 'Muslim philanthropy' are those of the earlier mapping study. (See Appendix for further details).
Twenty-four annual reports of UK-registered international grant-making foundations and other charities were examined. The sample included organisations which:
>   o   had a mix of UK domestic and international grant-making, or solely funded internationally;
>   o   lay in an income range from <£100k to >£100m;
>   o   represented small, specialised funders to large organisations working in multiple countries.

Data sources. The key source of published data for the study was the annual reports and accounts of the grant-making organisations in the sample, supplemented with their websites, and relevant reports from infrastructure or umbrella bodies. Charities' annual reports and accounts are regularly used for research because they report comparable financial and governance data in a standard format as required by the Charity Commission, and report on other areas of their activity according to standard guidelines. There is little precedent for using charities' annual reports specifically for collecting information on policy-making, however, but they are a rich repository of policy-related information. (Larger) charities are required to note their formal policies in accounting, reserves, investment and grant-making, and more generally annual reports must be used to provide a coherent account of activities, including *'the issues (the charity) seeks to tackle and the changes or differences it seeks to make; how the achievement of its aims will further its legal purposes; its strategies for achieving its stated aims and objectives; the criteria or measures it uses to assess success and …..its main programmes, projects or services provided.*[22]

As charities have freedom in how they organise the narrative on these areas, the research did not aim to compare or measure specific aspects of policy-making across the sample. A 'broad spectrum' approach was taken, aiming to identify common and/ or key policy-making themes which occurred,

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[22] Charity Commission, OSCR. Charities SORP (FRS 102)
https://www.charitysorp.org/media/619101/frs102_complete.pdf

as the basis for future more specific research and development. The analysis of annual reports was conducted by key-word searches on terms including 'policy', 'strategy', 'objectives', 'grants', grant-making', 'donations', and a more open scrutiny of content in the narrative sections of reports.

Interviews   Analysis of published information was supplemented with in-depth interviews in six foundations or grant-making charities. These were drawn from the list identified in the original mapping study (ibid), supplemented with other small and large international grant-making and service-providing Muslim charities. Interviewees consisted of Chief Executive Officers and senior programme management staff. The main purposes of the interviews were:

- to explore aspects of policy-making towards international grant-making in greater depth than was possible from published data;
- to identify grant-makers' perceptions and experiences of making, sustaining and monitoring policy in an overseas context;
- to establish the scope for future knowledge-sharing.

A semi-structured question schedule was designed which invited organisations to talk about policy-making under six broad areas in their own way,[23] including

- o   key influences on policy-making towards international funding and grant-making;
- o   organisational policies, arrangements and relationships for transmitting grants and donations and other finance to overseas organisations;
- o   how organisational policies are put in place and sustained when working overseas;
- o   how policy is developed, documented and communicated, implemented, monitored;
- o   relationships, partnership and collaborative working in the international context;
- o   scope for further development in knowledge- sharing and exchange.

3   FINDINGS

It proved possible to extract considerable information related to policy-making around international grant-making from annual reports, though the specific topics, nature and detail varied considerably between charities. As anticipated the use of terms such as 'policy', 'strategy' and 'objectives' also varied and was interchangeable. The first-hand material from the interviews largely confirmed conclusions drawn from the secondary analysis of reports, while also providing individual perspectives and examples, and raising issues, tensions and challenges. In reporting the results, material from annual reports and interviews are taken together, and organised around the interview themes.

What are the key sources of influence on policy-making?

This question aimed to elicit key considerations, sources of influence and frameworks for internal policy-making; the main findings are grouped into four broad areas:
- o   regulation, governance and compliance
- o   considerations of faith

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[23] Stephen J. Ball (1993) What is policy? Texts, trajectories and toolboxes. *Discourse: Studies in the Cultural Politics of Education*, 13:2, 10-17, DOI: 10.1080/0159630930130203

o founders and donors
o trustees, staff and partners

Regulation, governance and compliance
Achieving an exemplary approach to carrying out philanthropy can be a key aspiration for some
Muslim charities, as expressed by one which aims to
   '…*develop a Foundation that is respected as providing a positive and powerful example, in
partnership with other similar foundations, of the contribution of British Muslims to wider society.*' [24]
Given the pressures on governance as described above, it is unsurprising to find many organisations
reporting recent policy review and revision of governance and compliance structures, sometimes
accompanied by significant changes in top management and leadership. Such changes have resulted
in plans or action to develop internal policy in multiple operational areas, including the introduction
of new, more formal, policies in some functions, and the formalisation or strengthening of existing
policies in others. Penny Appeal, for example, has reported 'a comprehensive review of governance
structures and operational processes', resulting in a number of improvements, with the full Board of
Trustees being reconstituted and enlarged through seeking new trustees with additional skills.[25]
Human Appeal (2018) overhauled its internal policies, protocols and procedures and appointed a
new CEO after concerns about financial governance were expressed to the Charity Commission.[26]
Policy-making focussed on bringing its business systems and value delivery processes under tighter
control. Muslim Aid both appointed a new Board of Trustees in 2017, and a new CEO in 2021.

Partly in the interests of transparency and feedback to donors and stakeholders, and partly to meet
regulatory requirements, annual reports often contain considerable detail on operational goals,
strategy and grant-making policy. The 'operational goals' of the Muslim Charity, for example, reflect
objectives mentioned by several organisations, and include improved governance, structure, process
and systems. Implementing such changes requires increased investment, particularly in monitoring,
evaluation and governance. Penny Appeal (2020) quadrupled its resources for safeguarding, which
included a new process of review of overseas service providers. A policy of using external and
independent advisors or consultants to strengthen and legitimise internal review is also apparent.
For example, Penny Appeal brought in the UK children's charity Barnardo's to lead its review of
safeguarding. It also employed a US-based legal counsel to involve all of its global stakeholders in a
review process, overseen by their in-house Compliance Officer. The intended outcomes of this
review are given in detail here as they serve also to illustrate the breadth of challenges potentially
facing international grant-making policy. They included a regular process for evaluating individual
projects; risk management workshops; a root-and-branch participatory disaster response policy;
better programme monitoring, evaluation and learning; building local capacity; improving
accountability to affected populations, donors and other stakeholders; and developing and
strengthening partnerships with donors, partners and their networks.

Another example of using external support for internal policy development is the A M Qattan
Foundation, working in the Middle East and governed by policies and procedures comprehensively
devised originally with external professional auditors. Its Strategic Plan for 2020/24 identifies
         '*the development of the Foundation's institutional environment as among its most important
objectives. We continue to regularly review and update policies and procedures at all levels.*'

Considerations of faith
Faith is explicitly acknowledged as central to philanthropic activities by several, though not all, grant-
making organisations. There are differences in how faith influences policy-making. One area is the

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[24] Cosaraf Foundation, Annual Report and Accounts, 2020
[25] Penny Appeal, Annual Report and Financial Statements, 2020
[26] Human Appeal, Annual Report and Financial Statements, 2018

selection of beneficiaries. Elrahma Charity Trust works for the relief of poverty and the advancement of education and religion in the Muslim community in the UK and abroad, and to assist the poor and orphans of the Islamic religion. The Muslim Charity states that it is motivated by faith but its mission includes all, regardless of race, religion, or gender, while the Euro Charity Trust's mission is simply to assist the underprivileged.

Policies around staffing can also be related to faith matters. A case-study of Islamic Relief[27] reports that an increasingly diverse workforce led to the need for internal policy-making around shared values. This involved articulating and disseminating organisational values amongst employees through a shared sense of belonging, training and the specification of values in human resources policy. The organisation provides help irrespective of religious tradition, according to principles of justice and humanitarianism. It believes a policy of value alignment can contribute to organisational success but finds it is challenging to achieve where staff have a diversity of views.

The management of Zakat and other faith donations is an increasingly explicit policy area. Many UK Muslims give their Zakat to registered UK charities to distribute, and the number of international humanitarian response charities operating within the Muslim 'market' has risen dramatically.[28] There is a triple policy imperative around Zakat monies to ensure spending is compliant with Islamic principles, to give donors confidence that donations are used according to their intentions, and to comply with the requirements of the Charity Commission (for example, public benefit). Imdadul Muslimeen, a trusted partner of several overseas grant-makers, provides an example of this

'we have an obligation towards our donors and to our faith to spend Zakaat on eligible projects only. Due to our resources being Zakaat, we are subject to very stringent religious rules, and need to ensure that the money reaches the intended recipient and is spent for the intended purposes and according to the criteria for Zakaat spending; only on the most poor and poverty stricken people.'[29]

The Amanat Charity Trust emphasises that its approach is underpinned by Islamic principles whilst complying with UK regulatory requirements. In policy terms, this is leading many charities to clarify that they have established restricted funds for Zakat (or other faith monies), ensuring donations are clearly identifiable and used separately where appropriate. Cosaraf Foundation, for example, which distributes both Zakat and non-Zakat funds, states it has established a separate funding pot for projects during Ramadan '*in line with the Islamic values of the Foundation's trustee*s'. [30]

While accounting arrangements can provide clarity in recording and reporting Zakat funding, organisations still have to decide how best to meet needs within Zakat policy. Muslim Aid, which appointed a new CEO in 2021, following internal upheaval and concern about financial management, aims at upholding 'Islamic custodianship and other core values within and beyond Muslim communities' while also being innovative. It describes 'faith-based social action' which brings redistributive giving such as Zakat, Sadaqah and Waqf into more pioneering and strategic approaches to tackling poverty and injustice. This policy also involves expanding partnership and collaboration with those who share faith values. Faith can also be part of policy around volunteer resources. The Mainstay Foundation, for example, uses volunteers to help with faith activities, though not with grant-making.

Founders and donors
Donors are an important source of influence on strategy and policy, as noted by several interviewees, because of pre-existing links between donor communities and international areas of

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[27] Shakil Butt (2015) *The Role of Values and their Relationship with Faith in a Faith-based Organisation*. Islamic Relief Academy

[28] Fadi Itani. Let's talk about Zakat and Giving during Ramadan. *Civil Society: Voices* 14.06.2018 https://www.civilsociety.co.uk/voices/fadi-itani-let-s-talk-about-zakat.html

[29] Imdadul Muslimeen, Financial Statements, 2020

[30] Cosaraf Foundation, ibid

need. As one said, this influence can be exerted through particular trustees '*who have always been very much hands-on with helping and actively playing their part in policy-making*'. Where founders are concerned, personal and family background experiences are frequently acknowledged as a significant driver of international philanthropy and policy. Founder motivations are an integral and important part of the 'story' of many grant-making organisations, celebrated in annual reports, websites and sometimes dedicated biographical publications. Founders generally remain on the board, ensuring scope for ongoing influence on organisational direction. One interviewee noted that the founder's nationality dictated the largest country in which they work, and the founder helped shape their programmes. The founder of Penny Appeal (2020), also a board member, was motivated by childhood hardship in Yorkshire, and his own ultimate entrepreneurial success from very small beginnings. This inspired a policy of fundraising small donations which would combine to build substantial support for communities in need, refugees and orphans around the world, '*so that our donors and the people we support can be joined together in a mutually beneficial relationship*'.

The founder of Islamic Aid similarly aims to address poverty and help others avoid the hardships and fears of his own early life, specifically through access to education and health care. The Sheikh family, who founded Cosaraf Foundation and chairs its trustee board, was also inspired by early life struggles. Asians who left Kenya to come to Britain, the family went through a hard time finally building up a successful social care company. They emphasise that family, social and ethical values of care inspire their work, and shape their charitable goals.

The Asfari Foundation was founded by the Asfari family who were motivated by harsh personal experiences, and are on its board. Escaping from the tragic effects of war, occupation and poor governance in Syria, they emphasise '*the importance of a strong civil society and the rule of law, of exposure to diversity and tolerance and the lasting impact of a good education*'.[31] This has led to the organisation's emphasis on education and training for young people in the Middle East, and also on civil society infrastructure itself. Belief in the role of education and culture in enabling young people to address the consequences of war and injustice in the Middle East also inspires the founder of the A M Qattan Foundation. The Foundation supports cultural activities and cross-cultural exchanges amongst young people, artists, trainers and teachers. The value of education is a personal passion, as the founder experienced the illiteracy of his father, and worked as a teacher, along with his wife.

As has been found amongst UK foundations generally (Pharoah et al, 2015)[32], these examples illustrate that founder influence often involves wider family and family business, and is exerted partly through the presence of multiple family members on boards. Elrahma, Euro Charity Trust, and Imdadul Muslimeen, for example, all have family trustees, and Elrahma has five original founder family members. Pre-existing and intrinsic links between family, faith, business and community often contribute significantly to policy-making.

Trustees, staff and partners
Policy was also influenced by a range of other people and issues. Trustees' roles in international programmes and grants can vary from general oversight and sign-off to detailed central decision-making about, for example, which countries to work and locate in, choice of major partners, banking and financial transaction policies, and the allocation of major grant funding. In larger charities, interviewees reported that senior management teams have a significant influence on decision-making through, for example, identifying and short-listing partners, programmes or even countries within the organisation's strategy and policy framework. Legal and finance officers ensure compliance and resource considerations are built into policy-design.

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[31] Asfari Foundation, Annual Report and Accounts, 2019
[32] Pharoah, C, Goddard, K and Jenkins, R. (2015) *Giving Trends: Top 100 Family Foundations*. ACF/ CGAP, Bayes (formerly Cass) Business School/ Pears Foundation

Partners are also frequently mentioned as policy influencers. The Aga Khan Foundation (UK), which has several major funding collaborations, emphasises that

> '*it strives to ensure that all decisions on our programmes are taken in alignment with the wishes and regulations of those who fund them, and taking into consideration the interests of those responsible for programme delivery*'. [33]

Influence flows in various ways and degrees, and can come from trusted third parties (eg other major international Muslim charities), other funders, co-funders, and delivery partners.

What are the key dimensions of policy around funding and establishing international services and programmes?

This question aimed to identify dimensions of policy specifically framed to ensure effective international service delivery; common policy themes and strands emerged around:

- o integrity of mission and strategic vision
- o unfamiliar and risky contexts
- o partnership and collaboration
- o selection and management of partners
- o financial transaction.

Integrity of mission and strategic vision

Many grant-makers are clear that policy-making primarily has to take place within their vision, mission or strategy for international working. Visions are both global and local, such as the Aga Khan Foundation (UK), which has ambitions for '*significant global sustainable and equitable social development in the fields of education, health, rural development*[34]*,* and has a strong policy of networking and alliances with other major international agencies. Engaging international agencies in the challenges facing people in the Middle East is part of A M Qattan Foundation's strategic policy for sharing cross-cultural understanding and collaboration. Like the Asfari Foundation and others, it sees the strengthening of civil society itself as a crucial part of empowering people to address their needs. Some international grant-makers highlight the role of advocacy (in the UK and overseas) in their vision for change. Human Appeal's mission statement includes the aim to '*Champion peace and justice through effective advocacy*'.[35] Some grant-makers, however, openly temper their vision with a pragmatic sense of realities on the ground. The Cosaraf Foundations says it seeks '

> '*distinctive and innovative projects where the Foundation is driving long-term change to deliver…….(its) strategic objectives*' [36]

but highlights the constraints to radical action which deprivation and poverty pose

> '*these objectives will often require the provision of health, education, basic needs and other related provision to those without access to such*'.

Some organisations narrow their strategic focus by a policy of directing help towards particular groups of beneficiaries, particularly in specific geographical areas. Strategy can be an altogether more moveable feast in organisations which provide emergency relief. One noted that a particular emergency initiative did not fall within their strategy but

> '*sometimes these kinds of urgent needs do determine interventions and decisions on grant-making, because emergencies are exceptions and…you cannot do strategy exercises*.'

This kind of 'exceptionalism' inevitably generates its own strand of additional policy and operational demands, potentially shifting other strategic and policy priorities.

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[33] Aga Khan Foundation (UK), Report of Council and Financial Statements, 2019

[34] AKF (UK) ibid

[35] Human Appeal, Annual Report and Financial Statements, 2018

[36] Cosaraf Foundation, Annual Report and Financial Statements, 2020

Unfamiliar and risky contexts

The centrality of risk in considerations of international funding has been extensively highlighted above. Previous research indicates that funders reduce uncertainty by gravitating towards recipients with similarities to themselves. One US study shows, for example, that NGOs in poorer countries have difficulty attracting international funding because of cultural barriers, and tend to get support from older and more geographically experienced funders.[37] Other research[38] finds most US foundation funding for Africa going to countries and institutions where English is the dominant language. In another study, local Lebanese NGOs working with international charities were found significantly more likely to have full-time employees and higher educated leaders, to receive international donations, belong to international networks and be located in non-rural areas.[39] Such patterns might result from explicit policy, but the findings from this study also indicate they might be unintended or inevitable consequences of seeking partners which can comply with policies related to UK funding, governance and practice requirements.

Policy transmission takes place through various channels. For some grant-making organisations compatible policies may need to pre-exist in some form if organisations are even to be considered for selection. Grant-makers generally report drawing up formal policies which are often embedded in the initial grants, contracts and service agreements which partners must sign up to. Regular policy updates are sent. Where necessary policies are explained verbally, either in person or through the use of IT. Policies may be re-inforced where the grant-maker thinks it is necessary through further training, or bringing in trusted local associates, including other delivery partners. Many grant-makers sympathise with the challenges faced by local organisations in taking policies on board and working in new ways, and allow for this through patience, support and trying different approaches. Part of the process is enabling local partners to understand policy significance for the regulatory contexts within which grant-makers themselves are working. Partner involvement in policy design and decision-making varies. Some organisations are clear that partners do not have a role, but others encourage some level of input,

> *'……..We regularly ask our partners to give their input to our policies. Donors and partners are involved at a certain level….we will ask what they think and what advice they will have for us to improve.'*

Partnership and collaboration

The results of this study have re-inforced previous findings that local partnership and collaboration are central to the delivery of UK-based international grant programmes. The term 'partner' tends to be used for service delivery as well as co-funding, grant-making, business, advisory, network and other partner relationships. There is a considerable body of research around partnership, but little in the context of philanthropy. However, one study on philanthropic networks found a wide range of collaborations and partners, from simple information-sharing, co-learning or affinity groups, to strategic alliances (formal or informal) and more complex pooled funding arrangements.[40] Examples of most of these were found in this study, along with a range of - sometimes multi-layered - business and service delivery partnership arrangements.

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[37] Oelberger, C.R., Lecy, J., Shachter, S.Y.Going the Extra Mile: The Liability of Foreignness in U.S. Foundation International Grantmaking to Local NGOs, *Nonprofit and Voluntary Sector Quarterly,* 49 (4) :776-802.

[38] Jaumont, F., & Klempay, J. (2015). Measuring the Influence of Language on Grant-Making by U.S. Foundations in Africa. *Reconsidering Development*, *4*(1). Retrieved from https://pubs.lib.umn.edu/index.php/reconsidering/article/view/581

[39] Tran, L. and AbouAssi, K. (2020), Local organizational determinants of local-international NGO collaboration, *Public Management Review, published online 7 January 2020*

[40] Haggerty, M., McGrath, B. and Kelava, G. (2019) The IEFG: role of a philanthropy affinity network within global education, in eds . N. Y. Ridge and A. Terway, *Philanthropy in Education, Diverse Perspectives and Global Trends*, Edward Elgar, Cheltenham, 37-53.

Multiple models for partnership working have evolved over time. While choice of model is determined by a number of factors including the individual histories of particular organisations and people, it is also increasingly policy-driven. Within UK grant-makers in the context of Muslim philanthropy a policy shift is taking place away from country offices owned and run by a parent UK organisation to evolving different partnership models. There are both pragmatic and ideological considerations. Country offices can be costly and difficult to set up and run, and may not be effective in terms of building or empowering local capacity. A number of different approaches are emerging. Some partnerships grow out of existing relationships, and may involve closely-linked but independent charities or branches, possibly originally part of the parent, now licensed or franchised to provide services. They may retain the branding of the parent organisation, or develop their own. In another model, partners are completely independent, selected on merit, and relationships are contractual and time-limited. Some grant-making organisations find that working with multiple partners, often in various different ways, is time-consuming and resource-intensive: a single- partner model has been developed by Indus organisation which contracts with one partner who then selects and recommends others to provide a complete service package. Interestingly in this model the UK grant-maker continues to do the due diligence and manage the funding of the chosen sub-contractors. In another model, an organisation switched from dealing directly with overseas partners to working only through UK-registered charities which have international partners. Whatever the model in place, all organisations continue to emphasise the care they take over partner selection.

Working with local partners means there is no need to 're-invent the wheel', and it is recognised that local organisations may be better placed to deliver aid speedily and effectively.
   '*We believe it is always good to work with grassroots organisations for bigger impact, because they understand their local problems better, and they know the solutions.*'
The Muslim Charity says the transition to establishing partnerships for implementation has drastically improved productivity while bringing overhead costs down.

Other kinds of 'business service' partnerships are developed where secure ways of transmitting finance and supplementing capacity in local delivery partners are needed. This can involve an arrangement with UK-based or international partners to distribute grants in international locations on behalf of a UK parent organisation, and is a common approach. The UK-based Imdadul Muslimeen is an example of an organisation which distributes funds for many other Muslim UK grant-making organisations, because of its local knowledge and experience of supporting hundreds of small organisations, and shared objectives. Some UK organisations simultaneously operate different types of partnership, depending on circumstances.

For many grant-makers any further expansion of activities (particularly, for example, in certain parts of Africa) relies on more partnership building, whether strengthening long-standing partnerships, or developing new partner networks in new regions, to ensure a pipeline of opportunities. It is not clear whether and how far partnership policy-making and models will still need to adapt and develop if grant-making is to reach out to ever more challenging territory and/ or situations.

Selection and management of partners
Selection and management of partners is therefore crucial to effective, compliant and sustainable international grant-making and service delivery. One UK grant-maker denotes its selection specifically as 'risk-based', with considerations including size, geographical location (eg high risk jurisdiction) and politically exposed status.[41] The need for extreme care in the choice of partners, as the first step towards reducing risk and promoting the chances of success, is repeatedly expressed in this study, and policy towards the selection of partners is often highlighted publicly in annual

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[41] Mainstay, Annual Report and Financial Statements, 2019

reports. Research has shown that while grant-makers clearly value the benefits of collaboration to extend what they can do, they remain cautious and selective in their approach to partners.[42]

In both reports and interviews, most organisations described a funding application process involving detailed - often referred to as 'stringent' - due diligence and validation. Requirements include, for example, that applicants supply documents such as annual reports, references from renowned people in their country and in UK, previous accounts and activity reports, an authorisation letter from their organisation, personal identification of the applicant, the organisation's bank account and other administrative details. Sometimes social media are checked. Other criteria include registrations in home country, scrutiny of previous monitoring reports, and the submission of CEO and trustee CVs. Proxy documentation sometimes has to be used where country systems are not identical, and one interviewee gave a safeguarding policy example where a 'character certificate' from the local police substituted for the UK's Disclosure and Barring Service (DBS) check. Site visits are also carried out where resources permit.

Previous research shows that in a situation of distant grant-making, recommendations and references and from internationally-recognised sources are a common approach to validation, whether for small local organisations or higher education institutions.[43] A study of US foundations found reliance on sources and interpersonal networks already known to them played a key role in the awarding of grants.[44] A similar approach was found in this research. One interviewee said they start the search for potential delivery partners online, and then move to '*asking around if anyone knows this potential partner, and get a reference or recommendation from them*'. Another mentioned a long-term pre-existing relationship with the partner, or with others with whom the partner works, as an influential consideration.

Given its significance, final choice of partners often remains under trustee control. One organisation said it expected potential partners to have an extensive batch of policies already in place, including for safeguarding, financial control, HR, and conflicts of interest. Applications which cannot meet relevant criteria are refused, for example where supporting documents are insufficient, or there is no bank account in the organisation's name. However, this is not necessarily the end of the story. Funders frequently put measures in place to help build capacity in potential delivery partners who are more fragile but offer potential value, particularly where working in hard-to-reach areas. This is important because highly selective approaches to partners run the risk of bias towards more professionalised applicants. US research has found that some organisations employ a degree of local flexibility in choosing partners, with foundations seeking philanthropic fit in programmes, and selecting grantees on familiarity and reputation, past experience and organisation size.[45] However, some interviewees felt that they didn't always have the luxury of choice. As one said

> '*But you know what - in those countries which are war-torn or half-broken, we don't have much choice……it's not like going to the supermarket and buying bread ……finding partners in those countries is hard, so when we are not happy with their feedback, we will try our best to fix the issue, and support them. We try our best so that we don't have to go to a stage where we have to replace them …changing the partner is a much longer process…*'

Financial transaction

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[42] Jaumont, F. and Moja,T, Collaboration in development between between US foundations and African Universities, in eds. N. Y. Ridge and A.Terway, Philanthropy in Education, Diverse Perspectives and Global Trends, Edward Elgar, Cheltenham, 105-123.

[43] Elrahma, Annual Report and Financial Statements, 2019

[44] Kallman, M.E. (2017) Allocative Failures: Networks and Institutions in International Grantmaking Relationships, *Voluntas: International Journal of Voluntary and Nonprofit Organizations* 28: 745–772.

[45] Chatterjee, A. (2019) *Decision-making among philanthropic foundations in the U.S.: Factors that influence international giving*, PhD.thesis, University of Maryland, Baltimore.

Financial and audit controls are an increasingly important part of global financial transaction. Considerable internal policy development relates to the inherent difficulty, threats and potential regulatory penalty around cross-border financial transaction. Most organisations insist partners must have bank accounts to receive grants money, and have a policy of not using cash. Money is transmitted from bank to bank. One organisation, however, holds accounts with three different banks, as part of its risk policy. Another noted that requests for special arrangements with banks to send money to certain countries resulted in rigorous bank checks on the grant-maker itself.

Other risk policies include thresholds for daily cash withdrawals, and ensuring that partners receive regular updates on the grant-maker's financial risk policy. Occasionally money transfer companies are used where conventional banking systems are poor and slow, but companies must demonstrate a clear audit trail such as authorised validation of receipts.

Many grant-makers in the Muslim context aim to help small, local communities in remote and deprived areas. They go to considerable lengths to put alternative policies in place for the sake of beneficiaries in areas where using banks is simply not feasible. For example, financial transactions may be delegated to partners who have their own delivery partners, contracts, due diligence and local payment processes in place. Cash might sometimes be used if it is the only way to achieve an impact. In conflict areas like Sudan and Palestine, some organisations work with UK-based partners to reduce potential risks with banks. Sadly others feel they have to pull out of conflict areas, though one still provided help to Syrian refugees through working in Lebanon and Jordan.

The difficulties of financial transaction have been taken up by the UK-based Muslim Charities Forum (MCF). A 2019 MCF seminar addressed the common experience of de-risking (the closing down or refusal of financial services to certain people, organisations or regions perceived as a risk), as well as working in high-risk areas, risk management, sanction listings, international monetary transfer and complying with reporting requirements.[46] It recommended organisations have watertight internal systems to prevent contravention of the recommended guidelines, and that they ensure thorough understanding of issues such as exceptional circumstances in which cash can be carried, sanctioned locations and the Charity Commission's guidance. In strong terms MCF tells organisations '*do not try and work around it in any circumstances*'.

How are overseas policies established and sustained?

Ensuring policy adherence over time can be particularly challenging in the international context because of poorer resources, distance, conflict or disaster, as Penny Appeal[47] points out,
'*Like all major international charities, we can encounter difficult issues when intervening in the lives of those in remote and hard to reach areas in developing countries*'.
Findings on policy maintenance fell largely into the following five areas:
- o   initial selection and framing
- o   sharing and standardising policy
- o   challenges to policy implementation
- o   impacts of the COVID pandemic on policy
- o   managing risk

Initial selection and framing
The processes for sustaining policy are of course embedded in the careful, front-loaded, vetting of potential partners and grantees. One interviewee captured this succinctly

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[46] MCF 'Overcoming Financial and Compliance Challenges', 2019
[47] Penny Appeal (ibid)

'*You don't select partners and then think how to minimise risks, in order to limit your risks, you have to have stringent partner criteria which will ensure your potential risks are minimised*'. Ensuring that sufficiently capable governing boards are in place is seen as crucial, and sometimes boards are required to be strengthened, possibly through a local trustee selected by the funder. There were wide contrasts of approach, with some funders choosing to do background research before identifying and approaching potential partners, while others hold open and competitive selection processes, even holding in-country workshops for shortlisted partners. Once service agreements are in place, a range of formal and informal policy approaches to monitoring and maintenance come into play. Most funders highlighted the importance of being clear and transparent with recipients about the internal framework for managing regulatory obligations and charitable activities, and what would be expected of them. One interviewee emphasised shared understandings

'*policies are there to facilitate and protect us, not to restrict us in delivering our organisational objectives, so we try …to ensure (our partners) understand and implement our policies…to achieve the same objectives..*'.

Mechanisms for policy maintenance around expenditure, for example, include systems of internal control, including procedures for tracing the progress of aid up to receipt by final beneficiary, and ensuring funds move through officially agreed channels. Regular activity and progress reports are another requirement, and until trust is established, conditional grants can be awarded.

Contract length is frequently used as a way of managing both risk and quality standards, though views on the appropriate term of contracts were mixed. One organisation talked of sustainable long-term five-year arrangements, with another saying that while project agreements may be short-term or one-off

'*we prefer to work with the same partner as long as they have the capacity to deliver, and consistently meet due diligence requirements*'.

Others feel that one-year (albeit renewable) agreements are a better way of ensuring that high performance is maintained, and some grant-makers require full fresh applications for any repeat or further funding. A further way of dealing with risk in new partnerships reported in this project was to begin with a small pilot project to ascertain strengths and capacities for more sizeable projects. Research elsewhere has found that some large international organisations (INGOs) recruit local skilled workers, termed an 'internal brain drain', as a way of achieving effective local performance.[48]

Sharing and standardising policy

Standardisation is another policy approach to maintaining consistency and quality control across organisations and countries. With a major headquarters in London and a newly-established centre in Ramallah, for example, A M Qattan Foundation has set out areas for co-ordination of approach across the two institutions, determined by the Board. These cover fundraising policy (that external funding should not exceed 40% of the Foundation's annual budget); project design and implementation; and reporting requirements. Several organisations, however, noted limits to standardisation policy in the light of varying country circumstances.[49] In one example, a regulation 3-metre distance between water facilities and drainage systems could not be enforced in refugee camps which lacked sufficient space. In such situations, organisations try to work with other local stakeholders, like local governments to solve the problems.[50] One interviewee said they did not standardise policies and adjusted approaches to the country and partner to make things easier and more practical. Another reported a mixed approach, providing policy templates to their own country offices, while asking to review the policies of independent partners. Even local offices sometimes have to adapt standard policy to local regulations, and are provided with guidelines within which to

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[48]Lemay-Hébert, Marcelin, L.H., Pallage, S. and Cela, T. (2020) The internal brain drain: foreign aid, hiring practices, and international migration, *Disasters, 44,4, 621-640.*

[49] Muslim Aid, Annual Trustees' Report and Financial Statement, 2019

[50] Muslim Charity, Annual Report and Financial Statements, 2019

work. For example, financial control policies were adapted in Sudan where banking systems are different from the UK. If independent partners have their own policies, due diligence checks governance, control, and working standards are carried out. As one funder said,

'We can't be 100% accurate, no one can, but we try to make sure our partners have the required policies to be compliant with international working standards'.

Challenges to policy implementation

The main challenges around policy implementation tended to be of a practical working nature. One organisation specifically said that they had had no problems with financial controls or fraud. Responses to policy implementation difficulty were related largely to the seriousness of the situation. Significant financial irregularities, and negligence or risk in relation to beneficiaries prompts immediate action. Where possible, however, funders preferred to carry out a review and offer opportunities to improve performance, usually within a timescale. In large funding organisations, policy review is led by programme teams, supervised by senior management and approved by trustees. Training and back-up might be provided, especially where there was poor partner communication and feedback because of language barriers or the difficulties of operating in risky areas. The use of IT for training is proving increasingly popular and helpful, especially since the pandemic. If such approaches are not successful, the relationship is terminated.

Impacts of the COVID pandemic on policy

During the COVID crisis, UK-based funders have helped their international partners by adopting a similar range of policies to those developed to meet domestic need. They have relied more heavily on the uses of IT and the web to manage partner relations. They have been flexible in enabling delivery plans to be amended to provide services through digital platforms, and have provided funds for training in IT skills and equipment. No-cost extensions were offered to ensure additional time to conclude activities. Some organisations have carried out 'virtual' monitoring visits with local staff and beneficiaries. Sadly, however, the overall effect of the pandemic has been to restrict already limited face-to-face contact even further and the scope to support international grantees.[51] Communications have been problematic at times, especially in fragile states where internet services are suboptimal. Country programmes have been severely disrupted by the lack of advance funding during COVID, with detrimental impacts on the beneficiaries.

Managing risk

Risk management has an increasingly prominent place within institutional governance, and it has featured prominently in many of the aspects of policy-making raised here. Key risks from internal and external sources are identified in annual reports by most organisations, along with their risk mitigation measures. Sources of external risk to existing programmes identified as tangible and current include geo-political events, the global economy, humanitarian and natural disasters (including COVID), national and local conflicts and governmental policy or actions. Internal risks include poor project delivery because of general difficulties in transferring funds to other countries and different operating mechanisms, banking issues, misuse of funds, and local political instability.

Policies towards external risks include environmental scanning and media monitoring; diversification of funding sources and partners; and maintaining reserves and readiness preparation for emergencies. Some charities call in specialist risk assessment around policy relating to anti-money laundering and countering terrorist financing policy, or employ a risk controller or advisor. Interviewees described policies for regular review of their risk registers at board meetings or sub-committees (including audit), with one noting a monthly CEO report on the current top 3 risks. In relation to local politics, one funder said that to mitigate risks arising from competitive tensions and rivalries in some regions and localities, they try to distribute funded activities fairly across different areas, and focus on the most marginalised or impoverished communities (eg rural areas or

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[51] Muslim Aid, ibid

refugee camps). Another interviewee described disaster-preparedness as a key strand of policy, which included keeping reserve funds for emergencies (the amount assessed on the basis of the previous three years' experience), as well as regularly updating a list of countries at risk of natural and man-made disasters. Issues of legitimacy and effectiveness of intervention are addressed through a policy only to work in countries where governments declare a national emergency and request help.[52]

For a large foundation like AKF which works with other major donor partners and co-funders, a key risk is failure of delivery agencies to adhere to donors' guidelines or compliance requirements. Mitigation policy involves enhanced communications, tougher monitoring requirements, independent evaluations, donor assessments and other information-gathering, and strengthening grant agreements. Several organisations carry out regular or one-off training, including on policy updates, as part of risk reduction policy. As one interviewee said

'*We are always working to improve the capacity of our partners, for example, we provide annual training to our partners face-to-face. Before Covid 19 we invited all our partners to Turkey, where we organised a series of training for them, delivered by external experts. During COVID 19 we organised remote training*'.

Training topics include in-depth understanding of funding requirements and the proposed use of funds, risks and regulations around potential funding of terrorism, sanctions, and paying or facilitating the use of bribes. A further aspect is how to document investigations and their outcomes.

Risk appetite varies. Some funders adopt a strategic stance on risk avoidance policy, and, for example, re-focus investment towards longer- term projects in fewer countries, with well-established partners, while reducing funding to smaller organisations. US studies[53] have shown that counter-terrorism regulations were disruptive for US international grant-making regimes, causing uncertainty, administrative and funding delays and communications breakdowns. For some organisations the only option is to play safe. As one funder reported

'*The trustees have adopted a 'safe and cautious strategy' in all areas of our work to protect reputation and future work of the charity*'.

Another said that a critical success factor for the organisation is only to commit to projects it knows it can deliver. However, other organisations also recognise that in certain situations (eg Syria) some risk is inevitable if they are to meet the humanitarian needs of those most affected.

How are policies monitored and reviewed?

Monitoring is important and organisations often detail their outputs and results in their annual reports, partly as feedback to donors. Main issues covered include:
  o approaches and disruption
  o disruption
  o policy review process
  o values, development and change

Approaches and disruption
Monitoring is approached in several ways, both formal and informal. Feedback plans may be set as part of the original contracts and service agreements, and then modified to suit the size of organisations and conditions on the ground. Approaches can range from requirements for hard quantitative performance assessment to lighter touch qualitative tools. Formal policy includes, for

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[52] Muslim Charity,ibid

[53] Indiana University Lilly Family School of Philanthropy(2019), *The Changing Landscape of U.S. Cross-Border Philanthropy*, with support from USAID, Indianapolis and Washington DC; Winkelstein , M. and Whelpton, S. (2017) Foundations Don't Know What They're Riskin*g, The Foundation Review, 9, 2 , 93-108.*

example, local management accountability, progress and finance reports (sometimes tied to payment schedules), performance or internal systems reviews (larger charities), policy reviews (sometimes in response to a particular incident), internal project audits and end-of-project reporting. More informal types of feedback, encouraged particularly for smaller charities, include case studies, pictures and videos, in-person visits from the funder or a trusted local partner (sometimes on a surprise basis), meetings with beneficiaries and attendance or participation in activities. Some funders ask for data to be collected or for participant feedback surveys following activities, and may rely on experienced third-party local partners or associates to provide this. Where the latter is the case, there is a view that charities should clarify this to donors. For specific or high-profile programmes or projects, a formal and independent external programme evaluation may be commissioned, with results made public.

Circumstances outside organisations' control can interfere with monitoring plans. A M Qattan Foundation notes that lack of freedom of movement due to Israeli military intervention in the Occupied Palestinian Territory, including East Jerusalem and the Gaza Strip, hindered the foundation from properly monitoring many of its supported projects. Constraints imposed by the pandemic also interfered with monitoring activities.

Policy review process
Policy reviews are carried out by funders both routinely and in response to particular incidents. Independent partners are also responsible for updating their own policies. One organisation reviews its partners every year as part of risk minimisation because
> *'when someone is in a different country and especially in war-torn countries, 12 months is a lot of time. Sometimes things change very fast in those areas – trustees change, someone may have been convicted of fraud, there may be change in government policy or conflict in the area'.*
Ultimately if funders are not happy with the feedback they are getting, they have to change the partner, but generally funders seemed reluctant to change partners unless they felt there was no other course of action. As one said
> *'Sometimes we demote our partners if they are consistently failing to improve on things – we do not increase their funding or give them funding for other potential projects. We put them under a one-year deadline to improve their systems*.'
One interviewee felt that although the organisation preferred to build up long-term trusting relationships, their partnerships were fundamentally contractual, because partners had to pass their review process each year.

Values, development and change
Issues relating to local empowerment are a complex area for international grant-makers, where the power imbalances may be huge. The research found little general consensus on approach or appropriateness, or as yet any strong direction of change. Some organisations emphasise the role of values and principles in how they develop their work with local organisations, for example, ethical policy that initiatives should not be detrimental to the local economy or community, aiming to use locally sourced labour, materials and supplies where beneficial, respectful communications, observing the laws and customs of recipient communities and showing compassion and consideration for the difficulties people may be facing. The justice and equality policies of the ECT mean reaching out to inaccessible locations overlooked by most other service providers, and maintaining organisational independence in decision-taking about the best interests of users.[54]

Respect is not the same as active local involvement and participation. Some grant-makers believe that working collaboratively is important and take a more active approach to empowering partners through involvement in decision-making and programme design or review. Muslim Aid's new strategy emphasises 'inclusive and locally driven action', such as building the autonomy and capacity

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[54] Euro Charity Trust, Annual Report and Financial Statements, 2019

of existing country offices, community participation and local partnership, engagement of both faith and non-faith-based actors for sustainable solutions, and more local fundraising.[55] However, views on involvement and power-sharing with partners varied widely. One organisation said that it does not change its basic way of working with partners, but learns from its mistakes and its peers and is consequently in a constant process of incremental development. Some were clear that their overseas partners made no input at all into policy development. Control over partners' relationships can be a problematic area and policy varies. One interviewee said their policy was not to allow overseas partners to take on other partners, except where it is the only way to get a service delivered, and they would explore recommendations from their own UK partners first. However another did allow partners to have further partners, particularly where this could extend their reach.

Relationships may come under strain over time for external or internal reasons. External events such as sudden natural disaster, unforeseen breakdown in local government structures, or unexpected additional requirements can precipitate breakdown in existing agreements with partners. Alternative approaches or even the curtailment of activity may be inevitable. However, emergencies can also have the effect of releasing underlying resilience in partners and communities, and one grant-maker called its partner response in a particular situation 'inspirational' and 'motivational'. Where internal issues such as capacity, power disparity, or differences of ideology have not been resolved satisfactorily relations may break down over time, particularly where partners include new or less experienced organisations. Previous research has found challenges to collaboration, for example, where traditional ways of working come under pressure to change, or agreements risk simply reinforcing existing power imbalances.[56] An example was given in this study where local organisations proved to lack capacity and expertise, and resisted working in more open and accountable ways, with the funder accused of central dominance. The situation was addressed successfully through the diplomacy of an intermediary partner, though the funder also acknowledged that the power imbalance led to a grantee incentive to sort things out satisfactorily. One interviewee commented that building trust with partners is not easy. While clear policies and shared faith and values have an important place they are not enough in themselves. Grant-makers also have to demonstrate their 'added value', bringing expertise as well as money and 'a mutual desire to solve problems'.

What is the scope for further development of knowledge- sharing and exchange?

There is much evidence of how international grant-makers in the Muslim philanthropy context share information with each other at an individual level, and value the knowledge and experience which other foundations, local partners and other contacts can bring. This final section of the report looks briefly at:
   o   current state of, and appetite for data and knowledge-exchange
   o   how greater knowledge-sharing could be achieved?

Current state of, and appetite for data and knowledge-exchange

Individual data-gathering exercises are widely carried out when organisations are considering new countries or regions in which they might work, and looking for potential partners and programmes. For example, external information sources which were mentioned include the UN, WHO, UNCHR, national governments and intelligence agencies like Reuters. The Euro Charity Trust (ECT) says that it

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[55] Muslim Aid, Annual Trustees Report and Financial Statements, 2019

[56] Hibbert P, and Huxham C. (2010) The Past in Play: Tradition in the Structures of Collaboration.*Organization Studies*. , 31,5, 525-554; Havercamp, J. (2021) Collaborative survival and the politics of livability: Towards adaptation otherwise, *World Development,* 137, article 105152.

first got involved in India following the evidence published by the Sachar committee report in 2006 and further research reports on the dire state of India's minority. However, though information related to operating in particular contexts is shared between individual organisations, interviewees generally commented that wider, or more formal, knowledge management or exchange amongst Muslim charities was limited:

'…in the Muslim charity sector I think we might be good at sharing the knowledge internally, but we don't do any knowledge-sharing externally.'

'..knowledge-sharing is almost non-existent and there is a general feeling of mistrust and discomfort with the sector when it comes to knowledge-sharing, we have a long way to go……'

'…knowledge-sharing is very personal…some people feel they should create a good legacy so we can improve…but some feel if they share anything..then others will become better than them'

'…our sector struggles with both knowledge management and knowledge-sharing'.

But some interviewees also felt that the situation had begun to change:

'…knowledge-sharing within the Muslim sector has made some progress in the past few years but it's still very slow-paced… '

'…knowledge-sharing practice has improved in the Muslim sector since 2015…this was not the case before 2015, when organisations were hesitant to speak about how they operate…..'

Some organisations are beginning to build knowledge-management into their future policy. For example, organisational learning is valued as enabling the funder to challenge its own performance and achieve greater impact, and one organisation is including a knowledge management policy within its new strategy. Another interviewee said they were trying to integrate organisational learning into their programmes, and that this '*shouldn't be felt as extra work but part of the work*.' Finally, several felt there was a need for more Muslim-led research, and more open attitudes:

'…there is not enough research conducted by the Muslim sector about their policies and programmes and systems'.

'…externally we should be brave enough to think that sharing knowledge will not impact our organisations negatively…our sector needs to learn this from mainstream organisations…'

How could greater knowledge-sharing be achieved?

Several positive ideas for progressing knowledge-sharing within the Musllm sub-sector were put forward by interviewees, which fell into a number of clusters.

Develop internal organisational learning and data management
Organisations should start with self-knowledge, build their own organisational knowledge and learning first, and be more transparent about what they do.

Make more use of existing information channels
Muslim philanthropy sector knowledge initiatives should start with existing forums such as MCF, which is already involved in knowledge-sharing and research. Existing forums should be promoted and more forums developed. More use could be made of dedicated media houses like 'Islam Channel' to share knowledge.

Develop the evidence base
There is a need to carry out more research and develop the evidence base about Muslim philanthropy. Organisations should develop more platforms for sharing the evidence they have on good practice.

Strengthen civil society as an information provider
Looking more outwardly, some organisations emphasise the responsibility of civil society itself to be a source of information and awareness which promotes global democratic participation. Examples include the Asfari Foundation which has set up the Asfari Institute for Civil Society and Citizenship at the American University of Beirut as an expert regional centre supporting civil society through

research, convening and education. Building a platform of diverse and international partners who engage in knowledge production and dissemination, as well as social dialogue, is at the heart of the A M Qattan Foundation's vision for change in the Middle East.

4   A COMPLEX AND DEVELOPMENTAL SPACE: KEY FINDINGS AND CONCLUSIONS

This pilot study has shown that organisations face many common policy objectives and challenges in internal policy-making towards international grant-making. A strong body of policy experience and approaches has developed and is continuing to evolve. The research findings reveal some of the difficult issues to be resolved, and provide pointers to thinking about the future development of internal policy, the potential for organisational learning and knowledge-sharing and the environment for international philanthropy, and these are highlighted and discussed in this final section.

Internal policy-making

Policy-making towards overseas grant-making is complex and developmental
Key findings are that internal policy-making towards overseas grant-making by UK organisations working in the context of Muslim philanthropy is both increasingly complex and developmental. The challenges of risk, uncertainty and unequal capacity which characterise much international grant-making are a dominant policy focus. In many organisations policy articulation and formulation are becoming increasingly formalised in response to a number of important influential factors. These include increasing regulatory and fiscal requirements; the growth in major British Muslim donors and founders who conduct their philanthropy from the UK; growing donor expectations of transparency around governance, both in relation to the principles of UK charitable regulation as well as faith and culture: and changing expectations around achieving sustainable global change, including the UN Sustainable Development Goals. Different organisational models for international operation are emerging to address how to deliver compliant, effective and sustainable overseas services and programmes. An emerging support infrastructure around British Muslim philanthropy is beginning to identify and address some of the problems of working internationally. Given the pace of change in the environment and in individual organisational development around international grant-making, the sharing of experience and further dialogue around lessons and challenges would be hugely valuable, and further the policy-making process.

International grant-making organisations share a common core of policy-making issues
A common core of organisational policy has been developed around opportunities, challenges and risks in international grant-making. This is based largely on the experience of working in multiple areas of the world, including in highly deprived communities, which UK-based international grant-makers have built up. This is always partly a 'work in progress' because of evolving regulatory requirements and changing geo-political environments. Common components of organisational policy towards international grant-making include the identification of reliable knowledge sources, the use of trusted international partners, the development of protocols for transacting and managing finance, the establishment of partner capacity, and systems for feedback and monitoring information. Structures for sustaining policy over distance and time is also recognised as a critical success factor, and policy-making includes provision for regular risk assessment, updates and

training. Reporting, feedback, performance monitoring and outcome or impact measurement also feature prominently in policy-making. Formal data-gathering exercises, however, present significant challenges where small local partners are involved, and policy involves organisational judgements around the balance of recipient need and donor/regulator expectation. The research has also shown how organisations vary in how they tackle and resolve common policy concerns. The variation in policy and practice widely noted in this research represents a major opportunity for data gathering at organisational and sector levels, shared learning and future development in this sub-sector.

Partnership approaches and models
Partnership approaches are embedded 'end-to-end' in the delivery of international programmes. Whether knowledge-gathering, carrying out advocacy, managing risk, transmitting funding or delivering services, grant-makers rely heavily on partnership and collaboration. But while many share the same anxieties and stringent policy approaches to selecting partners, there is wide variety in how partners are managed, and considerable development and experimentation around effective partnership models. A central challenge is how organisations can achieve the control needed for reasons of compliance and accountability to different stakeholders, and a central tension is balancing control and local capacity-building. There is a need for much more evaluation and evidence around partnership approaches in international philanthropy. Does working with multiple international partners require too high a level of organisational resource? Are fewer, and more strategic, partnerships, or single partner models. more cost-effective? Would a move to fewer partnerships squeeze out small grassroots organisations, often in hard-to-reach areas? What is the scope for, and value of, greater investment in international civil society infrastructure? Partnership issues are likely to be crucial for the successful expansion of future international aid, whether funded by existing or new donors. Ambitions to expand international philanthropy and help address global inequities in new areas, such as parts of Africa, are particularly dependent on forging partnership models which will work in difficult circumstances. This is clearly an area where much could be learned from existing grant-maker feedback on experience of challenges, successes and failures, and on the strengths and weaknesses of partnership in different sectors and circumstances. It could provide a basis for the potential development of new models of collaboration which built on complementary strengths.

Going beyond tick-boxes
Risk appetite varies across organisations, and while some are developing 'score-card' approaches to ensure watertight due diligence and assessment, others working in challenging international contexts feel they sometimes need to go beyond the tick-boxes. They are factoring imbalances of capacity and resources into their policy approaches, allowing for flexibility, adaptability and a certain amount of local tailoring. In trying to support more vulnerable and hard-to-reach beneficiaries and to build local capacity, organisations sometimes have to exercise judgement about what is appropriate and acceptable. Serious matters like fraud or beneficiary abuse lead to contract termination or even criminal proceedings, but many grant-makers want to avoid last-resorts, prefer a policy of improvement through agreements and mutual trust. There is a need for more support for organisations working in challenging and vulnerable territory, including the development of sympathetic peer forums for discussing difficult issues which arise, and multi-stakeholder platforms to tackle regulatory barriers and penalties, and facilitate new ways of operating.

Value of further knowledge exchange

Amongst the organisations in this study there is an extensive body of policy-making and experience around delivering aid to some of the world's most deprived areas, and organisations often draw on the knowledge resources of their individual contacts and networks. There is a huge opportunity to build the evidence base around policy, practice and impact, and to develop knowledge exchange with wider networks of potential donors, funders and beneficiaries inside and outside the Muslim

sub-sector, nationally and internationally. Looking to the future more research is needed around difficult issues such as decision-making in conditions of uncertainty and risk; accessing hard-to-reach communities; developing local participation, empowerment and fundraising or income generation capacity; and exploring innovative and sustainable change. Most interviewees felt that the evidence base for British Muslim philanthropy was growing but still small, that many organisations were at an early stage in developing their own data, and that mutual problem-sharing and learning was limited. There was a consensus that more knowledge-exchange would be valuable, around both internal and external issues, and a general belief that initiatives should begin by building on the work of existing forums and media.

External policy environment

Empowerment and impact
The evidence in this study indicates that wider or more strategic policy-making in relation to equality and empowerment at the local level is still at a developmental stage, and focusses mainly on local organisational and community capacity-building, including the use of local resources and supplies where possible, and building respect for the differing values and complementary contributions within local communities. These approaches help strengthen community resources and can achieve longer-term, compliant service delivery, but are nonetheless led by the need to adopt the models and culture of the funder, rather than those of the beneficiary. Impact assessment appeared at an early stage. If international philanthropy is to play a stronger part in social change, there needs to be more assessment of the pathways from addressing basic humanitarian need to building strategies for sustainable change, and of how philanthropic resources can be used to bring added value around empowerment, strengthening local assets, ownership and inclusion.

Aligning policy and need, reducing complexity and barriers
UK-based policy-making towards international giving has to navigate a considerably more complex course than that towards domestic giving. This additional complexity derives from:
— extra regulatory requirements imposed within the UK as well as the regimes of the multiple countries in which organisations often work
— volatile political, social, economic and geographical contexts of beneficiaries
— observation of faith-based and cultural as well as regulatory principles
— knowledge gaps on both grant-maker and grantee sides
— development and capacity gaps between grant-maker and grantee.

There has been little impact assessment, whether from researchers, practitioners or policy-makers, of the additional demands these complexities place on the resources needed for international grant-making, on policy-making and on ability to achieve the mission. It is clear from this research that organisations are devoting increasing resources to policy-making around the challenges of international grant-making. With a growing global imperative to address inequalities, there is a need for much greater data and evidence on transactional costs and impact, to inform policy development around reducing or easing barriers. Currently the risks of international philanthropic aid are carried by the grant-makers, and ultimately their beneficiaries.

It is also vital that knowledge and understanding of the policy directions, rationales, networks and partnerships of international grant-makers in the UK is shared with fund-seeking civil society organisations if they are to become more effective in attracting philanthropic funds and contributing to the achievement of the global SDGs. Finally, there is a need for governments (national and international) and regulatory authorities to acknowledge the experience of international grant-makers in the Muslim philanthropy sector, and create opportunities for more sympathetic discussion with this sub-sector and other relevant philanthropic agencies about how to facilitate and promote international philanthropy, and reduce its complexities.

Appendix: Summary of Research Method

Use of existing data and approaches The research draws on the data on trustees, mission, finances, programmes and grants in the Annual Reports submitted to the regulators by registered UK charities. It uses the methodology of a well-established tradition of UK foundation research [57], adapted to the Muslim context.[58] Limitations to using such data exist including, for example, where Muslim philanthropic contexts could not be identified from the information available.

Defining foundation Existing UK research defines foundations as 'independent philanthropic organisations which achieve their mission mainly through funding others'. These are not straightforward to identify. Unlike the US, all UK charities have the same registration and there is no objective way to identify a 'grant-making foundation'. For this research relevant foundations were selected from the Charity Commission database using the following functional criteria:
- devoting a large part of spending to making grants (sometimes called donations)
- income from almost solely private, philanthropic sources (incl. endowments)
- not set up principally to support a single institution/beneficiary or narrow cause eg
- religious schools of a particular faith, narrow geographic areas like a small town.
- largest by value of grants.

UK Grant-making in a Muslim context Two features of grant-making found in the context of UK Muslim philanthropy led to the adaptation of criteria used in previous studies. Organisations were more likely to combine grant-making with direct services than in the wider UK grant-making foundation population, and many service-providing charities operate mainly through grant-making to overseas partners. Therefore a more flexible approach to the balance between these two modes of operating was taken in selecting the sample of grant-makers than in previous studies.[59]

Muslim philanthropy   Defining 'Muslim philanthropy' for research purposes is challenging. Action for the 'public good' is a legal condition of UK charitable registration, but Siddiqui[60] points out this '*definition excludes religious duty to give which is involuntary, and would exclude zakat which is required as one of the five pillars of the faith..(and) generosity that is primarily inspired by obligation to God rather than the public good*.' Moreover, Muslim philanthropy can encompass faith, cultural, community or geographic contexts as well as donors, staff and beneficiaries. It was decided to adopt the inclusive definition of the Muslim Philanthropy Digital Library [61], which is geographic, cultural and not only faith-based though might be 'faith-expressive'. Keyword searches on *'Muslim', 'Islam', 'makes grants to organisations/ individuals'* were carried out on the Charity Commission's database of charity names, objects or activities, yielding a list of foundations, some of which received zakat. A £500k annual income cut-off was used, although some smaller organisations were included to achieve balance. Some, though not all, say in annual reports that their philanthropic mission is inspired by and embedded in their faith (as often seen in UK foundations within other faiths).

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[57] Pharoah et al. *Foundation Giving Trends* (incorporating *Family Foundation Giving*), Editions 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018. Cass Business School, Association of Charitable Foundations, Pears Foundation.

[58] Pharoah, C (2020) ibid

[59] While the focus is on grant-makers, it is recognised that the 1000- 2000 mosques in the UK[59] are vital hubs for Muslim philanthropy. https://fullfact.org/news/Muslims-uk-viral-poster-factchecked/

[60] Siddiqui (ibid)

[61] El Taraboulsi,S. *Muslim Philanthropy And The Production Of Space:The Muslim Philanthropy Digital Library Case*