

Non-signatory donor States and UNHCR: questions of funding and influence

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Non-signatory States are increasingly important as donors, and UNHCR has been targeting some of these new funding sources. With funding, however, come influence and challenges.

As UNHCR has sought to plug an increasingly large gap between operating costs and donations, the agency has targeted new 'growth markets' for philanthropic and State-based funding, many of which are in wealthy non-signatory States. This has implications for how UNHCR operates within these countries, as fundraising strategies need to be considered alongside the organisation's other goals, such as encouraging accession to the 1951 Refugee Convention. The nature of these donations also affects UNHCR's operations wherever those funds are spent, thereby shaping refugee protection on a more global scale. To fully understand the ways that non-signatory States influence both the implementation of UNHCR's mandate and the provision of refugee protection more generally, we must therefore 'follow the money'. In this brief case-study, and with the intention of

raising, rather than answering, questions about this evolving area of donorship, that 'money' will be the Refugee Zakat Fund.

The Refugee Zakat Fund

In September 2016, UNHCR launched the first iteration of its Zakat Initiative. It did so in partnership with the Tabah Foundation, a non-profit organisation based in the United Arab Emirates that provides support to organisations seeking to build their services "in alignment with Islamic, and faith-based values".¹ The Initiative was designed to encourage Muslims to give their Zakat contributions (monetary donations indexed to individual wealth that form one of the Five Pillars of Islam) for distribution to refugees and other persons of concern through UNHCR's extensive humanitarian networks. In the Initiative's first year, all the funds raised were distributed through

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cash assistance programmes to Syrian refugees in Jordan to help them cover essential living costs and repay their debts.

In April 2019, UNHCR completed a rebrand of this initiative and unveiled the new Refugee Zakat Fund, intended to “help individuals and Islamic financial institutions to realise their social responsibility with global impact”² and targeting the approximately \$76 billion in Zakat contributions donated by Muslims each year. The Fund’s publications and marketing material emphasise the enormous and unmet needs among displaced Muslims, and that the private sector – including private philanthropists – has a key role, if not responsibility, to play in assisting them. The rebranded Fund indeed aims to support predominantly displaced Muslims in a series of non-signatory States (Jordan, Lebanon, Bangladesh, Malaysia and Iraq) and signatory States (Egypt, Yemen and Mauritania). For the research firm hired to assist UNHCR with the Fund’s conception and launch, the initiative presents a promising “solution to address UNHCR’s funding gap”.³

Islamic finance and non-signatory States

While in theory UNHCR’s embrace of Zakat as a potential solution is aimed at all Muslims globally, in practice the Fund has prioritised building support and partnerships with wealthy non-signatory States, particularly those in the Gulf and Indonesia and Turkey. Zakat, Islamic finance and Middle Eastern wealth are regularly spoken of together in UNHCR’s statements, showing the organisation’s inclination to target them collectively. UNHCR has stated that the potential value of Zakat “is modest in the context of \$1.7 trillion in wealth held by high net worth individuals in the Middle East, and separately, \$2.5 trillion in assets held globally by the Islamic Finance Industry”.⁴ The Zakat Initiative was consciously relaunched in Dubai as “the capital of Islamic economy”, and UNHCR’s Head of Private Sector Partnerships in the Middle East and North Africa region made it clear that the fund had been remodelled in order to

“evolve into a structure that better appeals to the global Islamic finance industry”.⁵

This targeted fundraising strategy is beginning to yield results. In its first year, the Fund raised \$38.1 million, although \$35 million of this came from just one donor: His Excellency Sheikh Thani Bin Abdullah Al Thani of Qatar, who was appointed UNHCR’s Eminent Advocate just a few months after donating. UNHCR has also been trying to harness individual donations, particularly from “tech-centric Muslim millennials” in the Gulf States.⁶ In 2019 nearly 60% of all digital donations to the Refugee Zakat Fund came from individuals based in the UAE and Saudi Arabia.

These funds have enabled UNHCR to support programmes and populations that have been historically neglected. Donations of Zakat have bolstered UNHCR’s cash assistance funds and provided the organisation with funds to address chronic underfunding of humanitarian programmes for Muslim-majority refugee populations, such as Afghan refugees, Yemenis and Rohingya in Bangladesh. When donating, donors are able to select which population group they would like their money to go to from a drop-down list which includes ‘Where it’s most needed’ alongside specific nationality groups in specific countries. In the year the fund launched, UNHCR’s response to Rohingya refugees in Bangladesh was augmented by almost \$22 million of Zakat donations. Donations from individuals and governments within non-signatory States have thus benefited protection-oriented activities across the organisation’s programmes, while enabling citizens in these States to contribute towards humanitarian efforts even if overarching legal reforms around refugee protection remain off the agenda among their governments.

Further implications

Both types of donations targeted from these Muslim-majority non-signatory States – namely smaller, individual donations based on Zakat and other Islamic principles, and large private or government contributions –

nonetheless may have broader implications for refugee protection that are worth considering.

In terms of collecting and distributing Zakat, UNHCR has to uphold three key principles as laid out in a series of *fatwas*,⁷ all of which have an impact on the organisation's operations. First, the recipients of the Zakat donations must fall within one of the eight categories that are considered eligible in verse 9:60 of the Qur'an – including the poor, needy, in debt and 'stranded travellers' – and most *fatwas* specify that these recipients should be Muslims. As 60% of displaced people worldwide are currently eligible to receive Zakat, however, this is unlikely to require any change in UNHCR's activities for the foreseeable future.

Second, 100% of the funds received through Zakat donations must be channelled to eligible families without the deduction of any wages or fees for administering these programmes, which must be covered from other funding sources. Only in locations where the population's need for in-kind distributions exceeds the demand for cash, or when the distribution of hard currency is not feasible, can UNHCR distribute goods instead of cash and cover the charges for their storage and transport through Zakat donations. The organisation must therefore make up its standard 7% overhead operating costs from other sources of finance, with potential budgetary implications for projects elsewhere.

Third, in order to guarantee that UNHCR donates every penny of Zakat directly to beneficiary populations, the organisation is largely expected to distribute these donations through cash assistance programmes. While UNHCR has therefore marketed these programmes as a key way to ensure 'dignified support' for refugees, the need to accurately report that Zakat funds have only reached eligible populations has reinforced the organisation's move towards more controversial monitoring strategies, such as iris scanning. The distribution and accountability mechanisms that accompany Zakat funds thus, like most donations to the organisation, have specific and tangible impacts on the recipients and types of UNHCR's activities.

The receipt of large-scale humanitarian funding from non-signatory States raises a separate series of questions. His Excellency Sheikh Thani Bin Abdullah Al Thani of Qatar provided UNHCR with the largest contribution it has ever received from an individual donor, and yet Qatar has ratified neither the 1951 Convention nor its 1967 Protocol. What are the implications for UNHCR's advocacy work in Qatar when members of its ruling Al Thani family have donated such significant sums to the organisation? Similarly, UNHCR has voiced its intention to target Saudi Arabia, Indonesia and Turkey as three countries which it considers offer the greatest potential for Zakat donations in the Islamic world. With Saudi Arabia and Indonesia not signatories to the 1951 Convention, how might UNHCR's financial courtship of prominent businesspeople and politicians in these States translate into less leverage for conversations about enhancing refugee protection *in situ*?

As with any donor funding, donations from non-signatory States are also connected with those States' political and economic priorities. To give one example, through first the Dubai International Humanitarian City, and then under the umbrella of the Mohammed Bin Rashid Al Maktoum Global Initiative, Dubai is now the largest humanitarian hub in the world. The country has supported huge humanitarian efforts in Yemen – a country that it has also blockaded – including through reconstructing the country's port infrastructure. Dubai's rulers have been clear, however, that part of this support is to enable market opportunities for the Emiratis as part of a market-led humanitarianism that openly seeks to ensure return on investment. While non-signatory States are thus being lauded by agencies such as UNHCR, UNICEF and UN OCHA for filling funding shortfalls (particularly for protracted relief operations in Muslim-majority countries), partnerships on the ground risk entangling these multilateral actors in the particular processes of social and political engineering that Gulf States are attempting to achieve through their targeting of humanitarian aid.

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Non-signatory States may remain reluctant to insert themselves into the international refugee regime through legal ratification of the 1951 Convention but they are increasingly important as donors and 'investors' and their citizens are increasingly being called upon to uphold their philanthropic responsibilities. With funding, however, comes influence. This is nothing new in the history of development and humanitarian aid, and continues through countless current agendas for refugee protection, such as European Union-funded initiatives across Africa that are largely oriented towards addressing the bloc's priorities on migration management. Alongside exploring how signatory and non-signatory States exert influence over

each other and over UNHCR through laws, norms and actions, these financial connections and interdependencies may also warrant further investigation.

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1. www.tabahfoundation.org/en/
2. UNHCR (2019) 'UNHCR unveils the Refugee Zakat Fund, a global Islamic finance structure to help displaced populations worldwide', bit.ly/UNHCR-ZakatRefugeeFund-2019
3. See endnote 2.
4. UNHCR (2019) *Refugees: The most in need of Zakat funds* bit.ly/UNHCR-Zakat-report-2019
5. See endnote 2.
6. UNHCR (2019) *Refugee Zakat Fund: 2019 Mid-Year Report* bit.ly/UNHCR-Zakat-report-mid2019
7. A non-binding legal opinion on a point of Islamic law.