1. INTRODUCTION

As Amy Singer wrote in her book, "study on charity and philanthropy offers profound insights into the nature of human societies and historical changes" (Singer, 2008). Investigating on the Islamic culture of aid and its contemporary evolution, this paper wants to understand the role of Islamic finance in the charitable sector and, consequently, its role in promoting humanitarian and development aid in Muslim countries. Starting from 9/11, the Islamic charity has attracted the attention of the public opinion negatively and it was built the idea of the interconnection between Muslim charity and violence, stigmatizing aid coming from Islamic-based associations but forgetting that charity strongly belongs to Muslim practice and society.

Nowadays, Muslim and non-Muslim donors and actors of relief coexist and work in the same context simultaneously, but often they do not look for dialogue or synergy. The risk is an overlap of interventions and a reduction of the impact that funds could have on the context. Western and Arab donor organisations should share a joint vision when they work in the same area,
building a dialogue and partnership also with local organisations. According to the Global Humanitarian Assistance Report 2019, in 2018 an estimated 206.4 million people living in crisis contexts were deemed in need of humanitarian assistance and most of these crises are concentrated in sub-Saharan Africa and the Middle East. Comparing data from 2014 to 2020 there is an increase of countries and populations which live in crisis contexts and are displaced. In 2014, 122.7 million people needed humanitarian assistance in 48 countries, with the highest average of them in the sub-Saharan African region and the Middle East. In 2019, an estimated 215.6 million people living in 69 countries were assessed to be in need of humanitarian assistance. More than half (57%) of those in need lived in just 10 countries. According to the report of 2020, a high number of people in need were concentrated in just 6 of these 10 countries (Yemen, DRC, Venezuela, Syria, Afghanistan, and North Korea) and UN response are located in just 4 of these 10 countries and received the largest amount of funding for humanitarian assistance. Data analysis shows a gap in humanitarian assistance funding in its geographic and demographic distribution, also due to the increasing number of countries at risk and people in need.

Crises are frequently protracted and actors and donors should improve collaboration and have a common long-term strategy to fight poverty and build resilience. Among other donors, a substantial increase was made by Gulf states (UAE and Saudi Arabia), Muslim organisations and Islamic banks in providing funds and it makes them key players in the development and humanitarian cooperation. Analysing the role of Islamic finance and Islamic banks in charity, this study wants to increase knowledge about these actors, with a particular focus on the Islamic Development Bank, to avoid the so-called polarisation of aid and understand if Islamic finance could produce sustainable financing for development interventions.

This research starts with investigating principles and Islamic tools used by Islamic banks in order to enhance financial inclusion and alleviate poverty. Islamic finance addresses financial inclusion in two main ways: through the specific instrument of redistribution of wealth, such as zakat, sadaqa, waqf and qard al-hassan; and also providing risk-sharing contracts which represent a way for expanding access to financial services.

In a shared perspective of development, the Islamic Development Bank represents an interesting case to analyse. Its effort to improve partnerships with other international agencies of development and Multilateral development banks, together with the attempt to better the allocation of aid in recipient countries on the base of their development needs and SDGs financing requirements, express a shift of aid vision from a religious-based approach to a needs-based approach.

The potential of the Islamic finance in alleviating poverty and promoting growth can be strengthened by the global approach of the Agenda 2030 and, simultaneously, it can provide innovative financial instruments able to fill the SDGs funding gap. In this regards, the Islamic Development Bank has aligned its Ten-Year Strategy (2016-2025) with the strategic objectives of the Agenda 2030, contributing also to build social and economic resilience and the NEXUS between humanitarian and development interventions, through the Fragility and Resilience Policy, in line with the New Way of Working carried out by OCHA in 2017. The IsDB also contributes to funding SDGs towards the Global Islamic Finance and Impact Investing Platforms in partnership with UNDP, where a blended financial method is applied for supporting and implementing SDGs.

In order to investigate the potential of blended finance and the mobilisation of resources by Islamic and international donors for enhancing resilience and supporting SDGs, this research analyses the Lives and Livelihoods Fund. Towards this Fund, IsDB finances programs in member countries and it could represent a best practice for enhancing sustainability both in financial method and positive impact of foreign aid.
In this scenario, Islamic finance and Islamic Political Economy could offer not only new resources available for development and humanitarian aid, but also a theoretical framework for a more comprehensive development strategy. It can provide its own approach to development that may be integrated into the international strategy to enhance development and reduce poverty.

Studies in this field have traced the ethical framework of Islamic finance and its link to aid and charity, the contribution that it can give the achievement of the SDGs but there is a lack of literature regarding the importance of cooperation with Western actors and which efforts should be implemented in this direction. It is important to build the idea, through evidence and data analysis, that a synergy is required between Islamic and non-Islamic actors.

2. Research Method

The main assumption of this research is to investigate how Islamic finance can contribute to support humanitarian and development aid also in synergy with the other international actors. For this purpose, the methodology is built on the literature review concerning the link between Islamic finance principles and charity, and data analysis of the Islamic Development Bank reports. The data available on this institution can offer a qualitative and quantitative analysis on projects financed and tools used for fostering foreign aid in conflict-affected communities and countries. Lives and Livelihoods Fund, as a case study, can show the funds available for this purpose and the extent of interaction among Islamic and non-Islamic donors.

It is a start point of research that will aim, in the future, to analyse the evolution and the impact of these projects financed through an evaluation of concrete indicators and benefits on the target groups.

3. RESULT AND DISCUSSION

The Islamic culture of aid and Islamic Finance

Islamic theology of aid

In order to understand the ethical framework in which Islamic economics, and consequently, Islamic Finance are linked to aid and charity, this chapter starts with the description of the system of this economic model, its ontological values, fundamental principles and axioms. According to the major experts, the failure of economic development in 1960s and 1970s was attributed to capitalist economic development strategies, which ignored the importance of human being and its well-being. Among different theories of development, the Islamic economics system emerge with the aim to establish a parallel system inspired and based on Islamic norms, rules and institutions. In the attempt to describe Islamic economics, Chapra argued that it was emerged in Muslim countries as a system to contrast the domination of Western countries and regain independence from colonialism. Tracing a framework of the Islamic economics paradigms, he argued that “it is based on a paradigm which has socio-economic justice as its primary objective”. This objective takes its roots in the awareness that human beings are the vicegerents of Allah on earth. In this vision all the resources belong to Him and mankind is responsible to the administration of those resources (Chapra 2001).

Islamic economics, and consequent its segment of Islamic banking and finance, includes principles that strongly influenced charity and institutions created for wealth redistribution. Regarding principles that inspire the relationship between Islamic economics and Islamic charity, the
ethical framework contains two main concepts: amanah (trusteeship) and 'adala ijtima'iyya (social justice).

The concept of amanah is strongly linked with charitable obligations and differentiates Islamic economics to the conventional one. Amanah is a form of trusteeship where all things that belong to God are handed over to human beings for their collective well-being. Humans are not the owners of wealth and property; rather, they are entrusted with resources. What they have is not a right but a privilege. This privilege to possess resources should go with the moral and spiritual responsibility to use those resources for expanding ihsan or beneficence (Atia, 2013). In this ontological system and approach to development, individuals should be aware that all resources are ultimately owned by Allah, and for this reason they are not available for individual benefit only, but they should be shared equitably, and justly among mankind. These rules, hence, provide the framework for economic activity in a social sphere to take place within Islamic norms; and also implies the vertical justice in the sense that each individual is equal in terms of their proximity to Allah and hence in their access to the resources created by Allah. About the redistribution of resources in Islamic economics according to Akram Khan it “aims at the human falah (salvation), achieved by organising the resources of earth on the basis of cooperation and participation” (Khan, 1984).

These concepts of trusteeship and redistribution of resources have created practices and institutions for establishing the duties of Muslim believers in the society. As Zubair Hasan argued, to the extent that people observe the Islamic norms, income equalities and social justice will be achieved. But if people refuse amanah obligations, the state have the duty to ensure distributional equity and redistribution of resources (Hasan, 1988). The point is that amanah is linked to the charitable practice but it does not avoid income inequality that, according to some Islamic economists, is inevitable but it could be possible to avoid extremes in wealth, elimination of exploitative practice and a balance between support for the accumulation of wealth and economic growth, on the one hand, and concerns for justice and protections for the poor, on the other (Atia, 2013). Amanah leads to charitable practices as a form of redistribution and it should make resources available for poor. The type of the charitable practices depends on the concept of social justice and on the idea of what kind of method is the most effective to respond to the poor’s basic needs. About the concept of social justice and social solidarity ('adala and takaful), the work of Said Qutb in 1949 on this topic has influenced the Egyptian and Arab World. In his major publication, Al-'adala ijtima'iyya fi al-Islam (social justice in Islam), in order to understand and explain the concept of social justice, Qutb starts examining the Islamic theory of the universe, life and mankind (Musallam, 1993). Islam itself contains the concept of social justice: the Qur’an and the hadith describe creation which was produced deliberately by a single, absolute, and comprehensive Will forms an all-embracing unity in which each individual part is in harmony an all-embracing unity in which each individual part is in harmony with the other parts. In this universal scheme, Islamic social justice is essentially and all-embracing justice which takes account of man’s body and soul and not merely the material and economic factors (Hardie, 2000). The doctrine of tawhid (unitarity and complementarity) suggests that none cannot be hegemonic over the others and it indicates equality in the sight of the creator. Therefore, it provides rationale for a particular social contract based on essentialisation of social justice and social welfare. Individuals are expected to establish justice ('adl) and promote beneficence (ihsan), resulting in attaining high levels of good life (hayat al-tayyebah), both individual and collective. Social justice is one of the main axiom of Islamic Moral Economy and it refers to equality of individuals and their equal access to resources created by Allah. In other words, al-'adl is the framework within which falah, as an ultimate objective, can be achieved through ihsan. Ihsan and 'adala are complementary parts in an ontological system that want to ensure “balance and reciprocity in human relation” in terms of expansion of beneficence. In the perspective
of this social justice, it is not enough that the poor and the weak take equal share with the others in a social environment (equality), but it is necessary that the poor and the weak take more than their share in social cooperation in order to achieve an overall social equality of the human condition.

The concept of charity and giving in Islamic Moral Economy and Islamic Finance is completely linked to the Islamic principles and the theology of aid. Islamic traditions of charitable giving have existed since the birth of the religion and the idea of charity is rooted in how Quran describes prosperity and poverty. They are part of the same order, where the rich has the duty to help people in need through the redistribution of wealth mainly in an obligatory way (zakat) and voluntary way (sadaqa and waqf) (Francesca, 2013). These are not instruments of charity, altruism or beneficence but are instruments of redistribution of wealth in the name of a social justice (Iqbal, Mirakhor, 2012).

Zakat is the third pillar of Islam coming only after a declaration of faith and prayer. The social importance of zakat is its role in helping in the treatment of poverty; it is seen as a tool for acquiring a more equitable distribution of wealth, for achieving social stability and solidarity, discouraging hoarding, and encouraging the circulation of capital in the economy. Zakat plays a fundamental role in the economic system, ensuring the proper distribution and circulation of wealth and "keeps the social, economic and political structure of the Umma from deterioration" (Atia, 2011).

The idea of zakat as a tool of redistribution is as old as Islam, but it has been revitalised in the last decades within the discourse of those 'ulama', like Qaradawi, who tackled the issue of cooperation and social responsibility in the contemporary Muslim world. For Qaradawi, for instance, zakat has three main functions: the first is that zakat is a form of worship, like prayer and fasting. The second is that it is a source of income for the state in the financial and economic system of Islam. The last is that zakat is the first institution for mutual social responsibility in Islam and aims to free the community from poverty. The mutual social responsibility in Islam involves both small units -the individual, family and neighbourhood- and bigger units -states and Umma- and its universality is always relevant, in all periods and places, and zakat should be extended to all Muslim societies in the world, as its distribution should reach all part of the world. The concept of mutual social responsibility and the use of zakat as a financial source for the Umma are main principles that inspire the financial assistance and aid flow in the Muslim world.

According to the study of Tittensor and Clarke (2018), in recent years aid flows coming from Muslim countries have increased in a significant way and observing these flows also means to understand how Muslim actors and donors could have an impact on fragile contexts and poverty alleviation. More broadly, Hoffstaedter and Tittensor (2013) set out the arguments that religious-based aid agencies may have certain advantages over non-religious actors in working with communities of faith. This theory is supported also by De Cordier (2009): the aid is not neutral and, starting from 2001, a polarization between what is seen as "the West" aid and the "Islamic aid" emerged. In the development and relief sectors, religious actors and donors are able to reach communities and distribute aid, taking advantage of privileged access to communitarian networks. It is the so-called cultural proximity or communitarian aid: how communities and beneficiaries identify themselves with Islam and the role that formal and informal Islamic institutions can play in specific contexts. Nowadays Muslim donors and actors work in the charitable sector with a policy based on Islamic principles, supporting Muslim communities in need all over the world. In addition to emergency relief, Islam also encourages humanitarian act which will bring about lasting change in people's lives. There are numerous hadiths on this subject, in one of which, according to Aisha (the Prophet's wife), the Prophet says: "the good work which God likes the best is the one which lasts, even if it is small". In another hadith he affirms the continuity of the reward even after death: "When a man dies his works stop bringing him a reward except for three actions: continuous charity,
a useful science and a pious son who invokes God" and again "He who gives alms is rewarded for as long as it is lasting". Thus, the length of the reward is connected to the durability of charitable action (Krafess, 2005). Therefore, the aim of programs financed should be a durable impact on the context, realizing poverty alleviation with a long-term view and inter-generational use of resources.

**Islamic Finance and Charity**

The Islamic culture of aid is rooted in those tools of Islamic Finance which contributes to funding international aid in Muslim communities and countries in need. Islamic Moral Economy provides the moral foundations of Islamic Finance and Islamic banks' system, incorporating in them the concept of social justice. The aim is to conduct economic and financial activities considering their larger social impact and contribution to social good. Islamic Moral Economy emerges in the post-1960 as a response to the economic development failure in the large part of the Muslim world, in order to shape the economic and financing system on the Quran and Sunna and producing policy bases for the underdevelopment of Muslim society. In this regard, the Islamic Moral Economy is related to the issue of charity, to the extent that social justice and beneficence (adalah and ihsan) represent one of the main axioms for building horizontal equality among individuals, implying they are equal to each other and they can reach salvation throughout beneficence. These two concepts together mean "giving everyone their due", realizing both individual and collective good life also in the perspective of takaful (mutual assistance) and the inter-Muslim solidarity towards Umma (Asutay, 2013). In this perspective and with the aim to reduce poverty, Islamic banks have implemented access to credit, schemes for financial inclusion and also the microcredit schemes (Kamla, Rammal, 2013). With the same aim and different approach, they promote the circulation of funds, coming from different sources that are directed to finance aid.

**Tools Of Charity In Islamic Banks: Redistribution Of Wealth**

The connection between banks and charitable sectors, in a perspective of redistribution of wealth, works throughout the circulation of two types of funds: zakat money and halalized money, which represent considerable income for the charitable sector and the main tool for redistributing wealth (Benthall, 2009).

Regarding zakat money, Islamic banks, as a business entity, have to pay zakat on savings (including deposits, trust funds and employee provident funds), and zakat on business. The first one is generated by means of a percentage (2.5%), which is levied annually by Islamic banks on depositors' accounts (Benthall, 2009). Zakat on business is zakat that is obligatory to be paid on the business property whether it is based on production, mining, fishing, shipping, supplying, agriculture, or service provided. The business can be in the form of private business, partnership with fellow Muslims or non-Muslims, business corporations, business shares or any other forms of businesses. Both of them shall be treated as a non-operating expense and shall be used as a charity fund (Ghafar, 2010). In some cases, Islamic banks like other companies are more inclined to contribute some of their profit to the Corporate Social Responsibility program rather than paying zakat to the zakat institutions. In fact, the zakat paid to zakat institutions is still low and the companies prefer CSR because it mirrors the good reputation on companies in the eyes of stakeholders and the public (Samad et. al, 2015).

In regard to money, which is reconverted or halalized money, the mechanism is different. These funds are generated from the money that for the Islamic finance is illegitimate. In some cases, investment activities can concern companies that are marginally involved in haram (prohibited)
activities (as long as the unacceptable income does not exceed 5% of the total). It means that during the profits' distribution, dividends received by these companies have to be in some way "purified", identifying an amount to devolve to charity. The purification of dividends is calculated as follows: Dividends X (Unacceptable revenue /Total revenue). According to some Shariah advisors, the purification process should concern not only the dividends distribution but also the capital gains: in this case, the purification should be calculated on realized gains. The issue is quite controversial because the purification of a fund, which value depends on a gain accrued and not realized, would be difficult and could lead to unequal treatment among investors. Moreover, on the amount received after the purification process, every Muslim investor has to pay the zakat. Conventionally, managers avoid acting as "tax substitutes" and leave that investor is responsible for fulfilling his religious obligations (Forte et. al 2011).

There is an open debate on the impact of zakat in reducing poverty: a study carried out by Shirazi and Amin in 2010 already highlighted the importance of zakat in OIC countries, in order to reduce poverty, estimating that towards its institutionalisation the maximum that can be collected ranges between an average of 1.8 per cent to 4.3 per cent of GDP annually. Every Muslim country, particularly the IsDB member countries, have a different way of managing zakat, and to adopt a method of zakat management system is not simple. There is the need to find ways of instituting a uniform, efficient and effective zakat system. To achieve this goal, IsDB together with the Islamic Research and Training Institute (IRTI) have established a unified framework for zakat management, starting from the Bank Indonesia in 2014 (IRTI, 2019). It may be evidence of how Banking Institutions can play an important role in collecting and managing zakat to improve its impact on poverty alleviation.

Redistribution And Risk-Sharing: Islamic Instruments For Enhancing Financial Inclusion

Redistribution of wealth by Islamic banks is one of the tools used in order to enhance financial inclusion. The core principles of Islam lay great emphasis on social justice, inclusion and sharing resources between the have and the have nots. The Islamic finance addresses the issue of financial inclusion from two directions: one through the specific instrument of redistribution such as zakat, sadaqa, waqf and qard al-hassan, but also to provide risk-sharing contracts which represent a viable alternative to conventional debt-based financing. The notion of risk sharing is based on the principle of liability, which states that profit is justified on the basis of taking responsibility, possibly even becoming responsible for the loss and the consequences (Mohieldin et. al, 2011). Both offer a comprehensive approach to eradicating poverty and to build social equality.

In other words, Islamic social finance sector, on which this study is focused, includes institutions based on philanthropy, such as zakat, sadaqa and waqf; and cooperation like qard (loan) and takaful (insurance). It also includes social investments through sukuk (bonds), and non-profit Islamic microfinance organisations that aim to reduce poverty by giving out qard al-hassan (interest-free loans). Qard al-hassan is a more effective means of providing credit to those who cannot access formal credit channels.

Islamic bonds, sukuk, are structured to generate returns to investors without infringing Islamic law. Sukuk is defined by the Islamic Financial Services Board (IFSB) as the "certificates with each sakk representing proportional undivided ownership right in tangible assets, or a pool of predominantly tangible assets, or a business venture (such as mudarabah). These assets may be in a specific project or investment activity following Shariah rules and principles". According to IFSB, sukuk are basically different from conventional bonds based on:
1. The funds raised through the issuance of Sukuk should be applied to investment in specified assets rather than for general unspecified purposes. This implies that identifiable assets should provide the basis for an Islamic bond.

2. Since the sukuk are based on the real underlying assets, income from the Sukuk must be related to the purpose for which the funding is used.

3. The Sukuk certificate represents proportionate ownership right over the assets in which the funds are being invested. The ownership rights are transferred, for a fixed period ending with the maturity date of the sukuk, from the original owner (the originator) to the sukuk holders.

Sukuk are also used in humanitarian Islamic financing and this "popular" mention of humanitarian sukuk is born from the efforts of the NGO Islamic Relief Worldwide in 2016, to generate funds to overcome the humanitarian crisis, including the Syrian refugee crisis in Europe. Mohd Zain and Adawiah in their study (2019) have highlighted the great impact that sukuk could have on the refugee crisis and in general on the charitable sector, defining the humanitarian sukuk as the certificates of sakk used as an innovative financing mechanism to promote human welfare and providing humanitarian aids. Humanitarian sukuk are developed to provide financial funds that aim to put an end to the refugee crisis or to promote human welfare (within a certain country or community) in line with Islamic contracts, structures and interventions. Different from the profit-making purpose, humanitarian sukuk should provide a channel for the application of the Islamic social finance (Mohd Zain, Engku Ali, 2017) and could be implemented within a country or provide cross border humanitarian aids. Moreover, other Islamic philanthropic mechanisms such as zakat, waqf and sadaqa, have the potential to be matched with the humanitarian sukuk's structure.

In this scenario, Islamic banks and financial institutions can play a key role in financing aid in Muslim contexts, operating next to other Multilateral Development Banks and development agencies. They provide alternative tools for fostering poverty alleviation, financial inclusion, and social and economic development. The Islamic Development Bank represents an example of an Islamic bank involved in financing aid in line with the Shariah principle and also in a joint effort with international actors and donors in the achievement of SDGs. From one hand, this financial institution easily operates in Muslim contexts, where has a strong network in the community and is perceived as a non-invasive actor, in line with the theory of cultural proximity. On the other hand, its inclination to collaborate with other international actors could represent good practice in order to avoid waste of resources, the polarisation of aid and implement a synergy in financing aid.

The Islamic Development Bank: its role in financing aid
The Islamic Development Bank Group is a South-South multilateral development bank that works to promote social and economic development in Muslim countries and Muslim communities worldwide. The IsDB was established in response to the interest of the Organisation of Islamic Cooperation in providing its member states with access to Shariah-compliant financial resources. The idea was encouraged by King Faisal of Saudi Arabia and first discussed during the Second Islamic Finance Ministers' Conference held in Jeddah in 1974 (Warde, 2000).

IsDB Group activities include projects in the public and private sectors, development assistance for poverty alleviation, technical assistance for capacity-building, economic and trade cooperation among member countries, trade and SME financing, direct equity investment in Islamic financial institutions, research and training programmes in Islamic economics and banking, waqf in investment and financing, special assistance and scholarships for member countries and Muslim communities in non-member countries, emergency relief, and advisory services for public and private entities in member countries. Financial services delivered within this banking schemes follow three core principles: prohibition of interest rates on loans, the share of financial risk between provider and customer and investing solely in businesses that provide goods and services in
accordance with Islamic values. Interest-free loans are extended to governments to provide long-term financing for development projects in basic infrastructure, agriculture and health. They are free of interest rate charges but they do bear a service fee to cover administrative related expenses incurred by the Bank, which must not exceed 2.5% per annum (Hernandez, Vadlamannati, 2017). Considering that 15 IsDB member countries are low-income countries and 18 are lower middle-income countries, the effort of the Bank is to promote economic growth and development also through the foreign aid and assistance in line with the Ten-Year Strategy (2016-2025) and the Agenda 2030.

The Development Effectiveness Report 2018 observes results of the Bank efforts in this field: a total of 71 projects financed and 272 grant operations completed in 2018. The Bank's contributions in these projects were approximately US$6.5 billion covering 34 MCs. The grants were extended to MCs and nearly 80 organizations and institutions in non-MCs. In 2018, IsDB approved projects worth US$1.27 billion. The energy sector accounted for 31% of the approvals followed by transportation (19%), health and agriculture (13% each) and water, sanitation and urban services (9% each). The projects appear to be consistent with the development needs of the MCs which are at different stages of developmental aspirations.

Regarding the allocation of aid by the IsDB, there are studies in this field (Hernandez, Vadlamannati, 2017; Mustafa, Razak, 2012) that underline some critic aspects. First of all, the limited number of studies on aid allocation by Arab donors agree that predominantly Muslim countries are their main beneficiaries. This finding can also be extended to the IsDB, as it was set up with the very purpose of providing development assistance only to countries affiliated to the Organization of Islamic Cooperation (OIC) and to facilitate their access to Shariah-compliant monetary resources (Warde, 2000). Though Islamic solidarity is expected to play a dominant role in IsDB lending decisions, Muslim communities are not homogeneous and recognizing a grasp of countries' affiliation to specific Islamic denominations is crucial to understanding politics in the region. Saudi Arabia, as the largest donor of the Bank, pays special attention to the different Islamic denominations in forging political alliances in the Islamic world and it is reflected in IsDB lending patterns (Clark, 2012). The analysis -carried out by Hernandez and Vadlamannati- of aid allocation by the IsDB to its 56 members during the 1976–2007 period reveals a bias towards Sunni countries, and towards Shia countries in exceptional occasions, while non-Muslim countries are the least favoured. These lending patterns closely mirror the political stance of Saudi Arabia in the Islamic world. Specifically, the IsDB delivered on average 78% more resources to member countries in which the head of state is Sunni affiliated. Member countries with Shia majority populations experience significant increases in lending from the Bank only when religious tensions with non-Muslim communities are high. Interestingly, along with country size, religious affiliation is the core driver of IsDB aid commitments. In contrast, World Bank allocation decisions are not influenced by the religious characteristics of the same group of recipient countries during the same time frame: merit and loan demand factors explain its lending (Hernandez, Vadlamannati, 2017). The two authors conclude that, about future perspective, development aid activity will very likely witness the proliferation of specialized development agencies under the control of rising developing countries and that this trend will only cease with the democratisation of the International Financial Institutions.

Nevertheless, a way to mitigate the polarization and manipulation of aid could be identified in two main trends of the IsDB: the introduction of the development and financial assessment index (DEFAI) to ensure systematic and transparent allocation of resources among member countries; and growing bias in cooperating with UN agencies and other international organisations in programming and implementing projects.
The IsDB Development Effectiveness Report 2019 introduces the DEFAI that determines country allocations by giving due consideration to MC's developmental needs, SDG financing requirements, absorptive capacity and implementation efficiency of the ongoing and completed projects financed by IsDB. The DEFAI is a composite index consisting of eight sub-indices, three of which focus on the financial assessments of a MC from an operational perspective (Potential Commitment, Operational Efficiency and Exposure) and the other five focus on developmental performance and needs assessment (Depth of Project Completion Index, Projects' Age, Human Development, SDGs and Regional Cooperation and Integration). This is a way to improve accountability and transparency, avoiding the allocation of aid and resources relying on the political interests of donors.

Regarding the second aspect, it is possible to observe an increase of strategic partnerships signed between IsDB and UN agencies such as UNDP, WFP, UNICEF, UNESCO. In January 2020, for instance, The United Nations World Food Programme (WFP) and the Islamic Development Bank (IsDB) signed a Memorandum of Understanding (MoU) to set out a new framework for collaboration in areas of food security, nutrition and innovative investment solutions. The MoU reflects the commitment of these two actors to cooperate on the innovative, high impact food security and nutrition projects in member countries. “It is based on principles of co-development, co-financing, and mutual benefits, making full use of our complementary strengths and expanding the role of our institution as a bank of developers” (IsDB, 2020). The increasing number of partnerships is a positive sign of collaboration between a religious aid institution, such as the IsDB, and international non-religious aid agencies.

A critical analysis conducted by Mustafa and Razak in 2012 underlines the real impact of the IsDB’s development assistance, especially in African Muslim Countries (AMCs), and its influence on economic growth. The study provides empirical evidence through the Simultaneous Equations Model (SEM) and the Seemingly Unrelated Regression Estimate (SURE) method. Outcomes from these two methods demonstrate positive and significant result for growth, investment and human capital in the AMCs considered and confirm the hypothesis that the DA of IsDB positively impact the investment drive. Moreover, foreign aid of IsDB in the period considered (1987-2010) provoked a significant reduction in infant mortality, which is an important indicator of human capital development. The most important finding in this research is that not only does DA of IsDB contribute positively to growth in AMCs but it has also an indirect impact on human capital and investments. For sure, this positive impact should be accompanied by good governance in the target country that can contribute to enhancing it. Together with DA, IsDB and its partners should empower political institutions of recipient countries to “scale-up aid by making a big-push in the continent” (Mustafa and Razak, 2012).

The role of Islamic Finance in supporting SDGs

In a perspective of dialogue and cooperation between Islamic actors and donors and the "Western" ones in the field of development aid and humanitarian relief, it could be interesting to observe where their policies and strategies in financing aid should converge. In the effort to realize sustainable development at the global level, the United Nations proposed 17 Sustainable Development Goals that require ambitious financing to implement them. The post-2015 agenda needed to go beyond the traditional financing approach in order to reach the 17 Goals until 2030. Reports by the UN Intergovernmental Committee of Experts on Sustainable Development Finance and the World Bank both highlight key pillars of financing for development: domestic resources (public and private) and international/external resources (public and private), as well as blended finance. Regarding blended
finance, its potential for generating needed investment for the 2030 Agenda for Sustainable Development and the Paris Agreement is constrained by the absence of a mutually agreed understanding of blending even within the development cooperation community. In this context, the definition of blended finance, according to the OECD DAC principles, concerns the strategic use of development finance for the mobilisation of additional finance towards sustainable development in developing countries. Strategic use of Islamic financing tools, together with traditional instruments for financing SDGs, could represent a mobilisation of additional resources towards sustainable development in developing countries (OECD, 2018).

Studies in this field (World Bank, UNDP) have demonstrated that Islamic finance has the potential to play a role in supporting development and, in regards to SDGs, it can support outcomes with positive social impact, improve financial inclusion, and enhance the resilience of the financial sector (Ahmed et. al, 2015). So, according to the United Nations Development Programme and World Bank, Islamic Finance can become a vital innovative financing programming to fill the SDGs funding gap.

In 2006, M. Siddiqi underlined that Islamic finance failed to fulfil social goals and economic development in Muslim countries because most of the funds mobilized by IFIs end up in Western financial markets, instead of supporting poverty alleviation and social justice in accordance with the paradigm of the economy and equitable society. As the author said, "the challenge is whether the walls of separation between profit-motivated activities and charitable or welfare-oriented activities can be demolished" (Siddiqi, 2006).

In this regard, the potential of the Islamic Finance impact would be enhanced if the Shariah goals were integrated with the SDGs in the achievement of a sustainable development and poverty reduction. Moreover, Islamic finance provides innovative financial instruments that can be used to mobilize resources and fund in a sustainable way for the implementation of SDGs. For instance, sukuk can be used to mobilize resources to finance infrastructure development projects (throughout the public-private partnership) such as water and sanitation projects (SDG-6), or sustainable transportation systems (SDG-11). Sukuk can be used in promoting investments in climate change solutions (SDG-13) or funding health programmes in developing countries (SDG-3) (Kammer et. al, 2015). Istisna contracts can be used to finance sustainable and affordable energy facilities (SDG-7), musharakah and mudarabah can be used to support financial inclusion of the poor through innovative business models (SDG-12), which could be instrumental in ending poverty (SDG 1), reducing inequalities (SDG 10), empowering women (SDG-5) and promoting peaceful and inclusive society (SDG 16). Islamic funds can invest in Shariah-compliant businesses across a broad set of sectors, such as renewable energy (SDG 7), sustainable fisheries (SDG 14), forestry (SDG 15), agriculture (SDG 12), health (SDG 3) and education (SDG 4). Takaful can increase the resilience of individuals and businesses to catastrophes or disasters (SDG 11). With its principles of risk-sharing, Islamic finance is well suited to the financing of SMEs and start-ups, thereby contributing to more inclusive growth (SDG 8) (IRTI, UNDP, 2017).

Regarding the IsDB, the Sustainable Financial Framework Report 2019 underlines that it is committed to the UN SDGs and established a dedicated Community of Practice to raise awareness and enable innovative solutions for member countries to achieve SDGs. To support the implementation of the SDGs, IsDB has undertaken specific initiatives and policies elaborated into the Ten-Year Strategy (2016-2025) which established strategic objectives for the Bank, in line with the Agenda 2030.

In 2017, the IsDB published the Five-Year Program to accelerate the achievement of SDGs and enhance capabilities of Member Countries to implement financing solutions through the mobilisation of resources and the involvement of the private sector. Moreover, this Program provides a framework to decentralize operations management in regional hubs and established
Global Practices Departments with the aim to prioritize thematic areas like Climate Action, Resilience, Youth and Women Empowerment and Science, Technology and Innovation. Each of these areas has its own policy and appropriate financing instruments for the implementation, which establish the direction of the IsDB’s operations in its Member Countries. In order to measure outputs and outcomes of the Bank's projects in terms of achievement objectives, IsDB has elaborated the Core Sector Indicators (CSIs), that are also mapped to SDGs targets. The goal is to understand and monitor, throughout (CSIs), the contributions of the Bank to the achievement of the Agenda 2030.

Evidence From The Fragility And Resilience Policy: Achieving SDGs And Building The Humanitarian-Development Nexus

Among the Selected Strategic Initiatives of 2019, there is the Fragility and Conflict Affected Region Financing to respond to humanitarian, reconstruction, and resilience development, which refers to the framework of Fragility and Resilience Policy. It contributes to the implementation of SDG 16: Peace, Justice and Strong Institutions and it is aligned with the third pillar of the 10YS where the Bank tries to address to the needs of people left behind, including education, sanitation, women empowerment, building institutions and alleviation from extreme poverty. The policy considers the decentralized structure, strategic priorities and business model of the Bank.

The purpose of this Fragility and Resilience Policy is to define the IsDB's strategy in the response of fragility and conflict through strengthening institutions, building resilience and contribute to social cohesion in Member Countries. To respond to these three objectives, the project is based on 4 pillars which provide relatively outcomes. The first one, investing in prevention, regards all of the countries that are not involved in the conflict but present risks and social fragility.

This pillar is composed of 4 outcomes: promoting growth and equity, facilitating inclusion, addressing the root causes of fragility. Conflict prevention and the mitigation of risks are based on the Fragility and Resilience risk analysis, a country-level analysis which aims to highlight and address the root causes of fragility.

The second pillar is the transition from relief to development that concerns situations of ongoing conflicts in which the Bank tries to implement activities that bridge emergency to reconstruction and long-term development.

The third pillar concerns recovery and resilience, during the post-conflict phase, and has the aim to rebuild four types of capital that are impacted by conflict: physical capital, including infrastructure and trade; financial capital, reactivating markets and investments; human capital, investing in education, health, social services and empowerment of women and youth; finally social capital, strengthening institutions and cohesion in the community. This pillar is a fundamental part of the IsDB’s contribution to peacebuilding and reconstruction based on a multi-donor, post-conflict joint needs assessment. Programmes on recovery and resilience require a joint effort from different actors and a common resource mobilization but also the involvement of local authorities and communities.

The fourth pillar regards the mobilization of resources for resilience. Building resilience plays a central role in the construction of the humanitarian-development NEXUS but also in the construction of stability and peace but it requires financial resources to be implemented. The Bank uses existing financial resources such as the Islamic Solidarity Fund for Development, Cash Waqf Sukuk, the Lives and Livelihoods fund and the Transform fund. Moreover, the Bank could use rapid, innovative and flexible financing methods in response to a crisis. One potential financing instrument is the fragility financing facility ("Triple F"), an innovative, quick-disbursing financing mechanism that makes grants and concessional financing available to support prevention, transition,
recovery and resilience. When these funds are not sufficient, there are other ways to allocate resources during an emergency or transitional response. IsDB tries to establish crowd-funding platforms and activate multi-donor funds mobilization, considering also local resources, remittances and the involvement of private sector.

The methodology of this Program is based on six guide principles: country ownership, adaptability, selectivity, solidarity, context and conflict sensitivity and partnerships. The latter is the key to maximize the efficiency of resource use, building synergies between different actors and avoid overlapping of interventions in fragile contexts and communities in need. IsDB aims to find synergy with other partners to achieve shared goals in line with the Agenda 2030 and these global practices should be empowered with international forums and dialogue.

In this regard, the description of this policy wants to underline the importance of partnership and dialogue with UN Agencies and local institutions in fragile contexts, especially in focusing on prevention and bridging the transition between relief and development. This is an important effort, the construction of the so-called NEXUS between humanitarian and development, that all of actors and donors are committed to achieving. Building this NEXUS means investing in the construction of social and economic resilience and Islamic finance could play an important role in this direction. IsDB poses attention to the social and economic challenges and threats that require innovative and alternative financial methods but also flexible access to funds, especially during a crisis. The effort of Multilateral Development Banks, UN, ECHO, DEVCO and bilateral organisations in facing the challenge of preventing conflict and building NEXUS is highlighted in the need to implement a "New way of working". During the World Humanitarian Summit in 2017, UN Agencies together with World Bank agreed that a "New way of working" was necessary to meet people's immediate humanitarian needs and, at the same time, reduce risks of vulnerability and bridge the gap between humanitarian and development's interventions. For this reason, actors should work towards collective outcomes. A collective outcome is a concrete and measurable result that humanitarian, development and other relevant actors want to achieve jointly, usually over a period of 3-5 years, in a country to reduce people's needs, risks and vulnerabilities and increase their resilience (OCHA, 2019). This response is based on the Agenda for Humanity: a five-point plan, elaborated by OCHA, to prevent and reduce human suffering during crises. During the discussion of the implementation of the Agenda, it was clear the central role of the Islamic finance and the IsDB, in the achievement of SDGs but also in building resilience toward innovative investments in humanitarian actions, such as for instance sukuk, which can lead to long-term social improvements but also to long-term resilience and to adaptive capacity-building for communities at risk. Such investments will empower communities to recover more strongly from shocks as well as facilitate social and economic inclusion within their populations.

UNDP And IsDB In Financing SDGs: Global Islamic Finance And Impact Investing Platform

An example of a blended financial method for supporting and implementing SDGs is represented by the Global Islamic finance and impact investing platform. UNDP and Islamic Development Bank jointly established the Global Islamic Finance and Impact Investing Platform (GIFIIP) in 2016 with the aim to put together Islamic finance and impact investing as leading enablers of SDGs implementation, especially for the empowerment and involvement of private sector. By bringing together different actors in the Islamic finance and impact investing arena, this Platform wants to create a collaborative working space among different stakeholders.

Basic principles of Islamic finance, such as financial stability, financial inclusion and shared prosperity, can be tools for a successful implementation of policies on ending poverty (SDG-1), achieving food security (SDG-2), ensuring healthy lives (SDG-3), achieving gender equality (SDG-
5), and promoting peaceful and inclusive society (SDG-16). Regarding the impact investing, it refers to investments that generate a measurable and beneficial social or environmental impact alongside a financial return on investment (Rockefeller Foundation, 2007).

The Report "I For Impact" 2017, carried out by the Islamic Research and Training Institute and the Istanbul International Center for Private Sector in Development, underlines all the positive aspects of this blended finance and why Islamic Finance and Impact Investing can work together. First of all, Islamic financing and Impact Investing are value-based investment structures. In this type of structures, the core concepts are represented in a set of values that define the parameter of investment.

Second, in both investment structures, investors associate themselves with a moral purpose: "doing good and avoiding harm to others" and both of them share a broader understanding of the relationship between business and society. Islamic finance and Impact investing accept returns of investments but alongside financial returns, investment should have a positive impact on society and the environment. In this way, there is no clash of interest between society and the investor.

The third point is that both sectors provide access to finance global population to avoid marginalisation of people that are directly or indirectly kept out of the formal financial sectors. These common aspects suggest that these two sectors might represent an opportunity for collaboration in fostering inclusive economic growth and support the implementation of the Agenda 2030 but, at the same time, an opportunity to develop outcome for both.

The Platform has been built on a three-pillar strategy:
1. Conceptualization & Capacity Building: Maintain a network of Islamic finance impact investors to foster Islamic finance and impact investing ecosystem. Knowledge products, tools and data will aim to equip its members from the impact investment industry and the Islamic finance industry with the necessary know-how for the establishment and growth of this new niche industry.
2. Advocacy & Inter-industry Collaboration: advocacy has a key role in raising awareness on the compatibility of Islamic finance and impacts investing and the Platform will realize this goal through international conferences and forums.
3. Deal Sourcing & Matchmaking: Play a matchmaking role between investors and other players such as business incubators, development agencies and inclusive business ventures seeking capital (IRTI & UNDP, 2017).

Blending the goals of private for-profit commercial ventures with those of philanthropic, non-governmental and state actors has been a growing trend within the investment community in the twenty-first century. According to the research carried out by Kappen and Mitchell in 2019, despite significant recent work comparing and contrasting conventional and Islamic finance, there are few examples such as the work of Bennett and Iqbal (2013) that call attention to the lessons these sectors can learn from one another. Considering the socially-oriented religious mandates of Islam, and the significant potential of the MENA region and other Muslim societies to benefit from impact investing, the study concludes that the integration of Shariah guidance into social impact investing has a significant potential for Muslim countries and societies. Specifically, this blended mechanism provides an opportunity to bring together significant pools of values/mission-based capital (impact capital and Shariah-compliant capital) that have not been utilized previously across both markets. This multiplier effect increases sources of capital for values/mission-based investing (Kappen, Mitchell, 2019).

The Lives and Livelihoods Fund: an innovative financing model for poverty alleviation
The fourth pillar of the Fragility and Resilience Policy concerns the mobilisation of resources for enhancing resilience towards different financial mechanisms and programs. The Lives and
Livelihoods Fund is one of them, a global partnership between different donors for financing projects in the IsDB's member countries. It was launched in 2016 by the Islamic Development Bank in partnership with the IsDB's Islamic Solidarity Fund for Development (ISFD), the Bill and Melinda Gates Foundation, the Qatar Fund for Development, the King Salman Humanitarian Aid and Relief Centre, and the Abu Dhabi Fund for Development. In 2018, the Impact Committee has also approved the joining of UK's Department for International Development (DFID) as a member of LLF with initial funding of £20 million.

The LLF scales up the concept of using grants to boost concessional lending- lending on terms more affordable than loans at market rates- as a way to drive economic growth and raise living standards. Towards the donor's funds, the LLF more than doubles the IsDB's capacity for concessional funding in social sectors and development aid. For financing projects in selected countries, it offers them a 30% grant portion and 70% IsDB financing, helping countries to take responsibility for their own development. In particular, donors' grants can cover a maximum of 35% of project costs. The donor grants funds and the Islamic Development Bank financing funds (in form of loans) are blended in a single LLF package that finances all the project components.

In this case, blended finance can be defined according to the definition given by Mustapha, Prizzon and Gaves: "the complementary use of grants (or grant-equivalent instruments) and non-grant financing from private and/or public sources to provide financing on terms that would make projects financially viable and/or financially sustainable" (Mustapha, Prizzon and Gaves, 2014).

Regarding the management and structure of the LLF, it is important to underline that the Bank monitors the appropriate Islamic mode of finance for each project. The Impact Committee is composed by IsDB, Islamic Solidarity Fund for Development and other donors and the Management Unit that monitors the implementation of projects (towards each Project Management Unit in the country) and reports the progress of projects twice a year to the Impact Committee.

The Fund targets the root causes of poverty and funds projects in three main sectors: agriculture (SDG 2), health (SDG 3) and infrastructure (SDG 6 and 9). Cross-cutting SDGs are also well covered under these three major sub-sectors.

The Lives and Livelihoods Fund finances projects in health, agriculture, and rural infrastructure that meet three criteria: relevance, readiness, and results. Relevance concerns the alignment of the financed projects with the mandate of the Fund and the Poverty reduction strategy of the member country benefiting from the finance. Readiness concerns effectiveness in delivery projects, considering the quality and expected impact. Results regard the immediate impact that projects financed by the LLF have on the life of people in need and the efficiency of the beneficiary country in implementing projects. In regard to countries targeted by the Fund, most of them (95%) are the least developed IsDB’s member countries and the lower middle-income countries and in 2018, the LLF financed 19 projects in 18 countries.

To enhance efficiency and development effectiveness, the Annual Report 2018 underlines some aspects that aim to accelerate the impact of the LLF: a process of decentralisation and the enhancement of the procurement delivery project. The decentralized approach has been realized setting up ten regional hubs, where LLF project officers are located bringing them closer to the beneficiary countries, local authorities, stakeholders and implemented projects. This change may improve the efficiency and the relevance of the LLF projects, also due to the new Member Country Partnership Strategies (MCPS). This is a tool useful for elaborating a strategic prioritization of intervention that considers specific needs of the context.

The process of decentralization is linked to the effort of enhancing projects procurement. According to the IsDB definition, procurement refers to the process of acquiring goods, works and services resulting in the award of contracts under which payments are made in the implementation of projects, in accordance with the governing Rules and Procedures and Guidelines of the donors,
financing agency or agencies. The IsDB project procurement model has shifted from a "Sponsor Model" to a "New Procurement Framework" based on market best practices and Multilateral Development Bank's experience. This new approach wants to optimize the implementation of LLF projects and maximize the resulting impact. Moreover, in September 2018 IsDB approved a new Procurement Guidelines for obtaining maximum benefit from its financing and boosting the impact of LLF projects.

**Sahel Sustainable Pastoralism Development Project**

An example of a project financed by LLF is the Sahel Sustainable Pastoralism Development Project through Infrastructural Development, Natural Resources Management and Small Ruminants value chain improvement. This is the first cross-border development project financed in 2016 for establishing a regional framework between Mali, Burkina Faso and Senegal and providing to smallholder farmers and pastoralists in the Sahel better access to markets, with a focus on small ruminant and livestock production. It aims to increase the value of rural household farms, make nutrient-rich foods more affordable, and support animal health and production. The program (2017-2020) directly benefits 1.3 million people in three countries and targets nomadic Sahelian pastoralists, who have to fight with climate change and a fragile political context. These nomads lack skills in natural resources management, access to market and measures to control transboundary livestock diseases. LLF financing is promoting better natural resources management by:

1. Promoting livestock entrepreneurship to create jobs for young people
2. Supporting improvements in animal health to boost livestock productivity
3. Accelerating a significant improvement in the entire value chain of some 90,000 operators

Strengthening governmental institutions and building community resilience, in particular the Sahelian pastoralists community, the program unlocks resources that contribute to the agricultural development and poverty alleviation in these three countries. The ownership of the project by countries institutions and partnership between IsDB and different stakeholders, including private sectors and market, are key elements for sustainable growth in the Sahel region where a fragile natural environment combined with human-related factors have provoked during years a protracted emergency. The Head of Middle East Relations for the Bill & Melinda Gates Foundation underlined that "pastoralism is one of the dominant economies of the Sahel and has a big impact on regional stability and food security. This project takes into consideration the mobile nature of pastoralists and will benefit numerous secondary beneficiaries including public and private services providers". As stated by Mustafa and Razak in their research regarding the impact of the IsDB on the economic growth in Africa, one of the main efforts should be the improvement of governance and strengthen institutions in African member countries. Towards foreign aid, this should be the area of majors focus by IsDB and other development partners in order to preclude the so-called African growth paradox of "excessive wealth, excessive poverty". Foreign aid must be delivered to foster economic growth but, at the same time, to reinforce a virtuous cycle of development which requires good governance and strong institutions (Mustafa, Razak, 2012).

In conclusion, the Lives and Livelihoods Fund represents an innovative mechanism to finance projects in the sectors of health, agriculture, and infrastructure in the Islamic Development Bank member countries through a combination of grants and concessional loans (The Global Fund, 2017). This new model reflects the international effort to combine financial mechanisms and build a coalition of fundraising partners. It combines grants from donors with traditional market-based lending supplied by IsDB. The recipient countries only pay back the IsDB financing while the Fund's donors indirectly cover the financing mark-up rate. This mechanism reduces the costs of borrowing and ensures considerable resources for beneficiaries. In 2018, the Fund made available US$2.5 billion for financing development projects in lower-income countries. This blended
mechanism makes LLF an innovative instrument for financing development cooperation and provides aid keeping in view the prioritization strategy of the recipient country and its ownership in realizing development.

The sustainability of the projects financed relies on the financing method adopted but also on the long-term vision and impact of the activities implemented. This multi-donor fund, where resources available are invested in development projects, tries to combine efforts and financing mechanism in line with the IsDB mandate and the achievement of SDGs. Regarding the future challenges, the LLF will try to accelerate project deployment and enhance resources transfer to member countries, increasing decentralization and partnership with all the stakeholders involved.

4. Conclusion
The salient finding of this paper is that Islamic finance and Islamic banking system can represent an important source for financing aid and support humanitarian and development interventions. Its ethical aspiration for a more equitable society and its tools for realizing social justice and financial inclusion make the Islamic financial system a key factor in promoting growth and alleviating poverty. Islamic actors and donors live a parallel existence to the mainstream system of humanitarian and development agencies. This phenomenon has produced, during the time, a polarisation of aid and a reduction of the impact that joint efforts and resources should have on a context in the long-term.

This research shows that Islamic finance and Islamic banks, such as the Islamic Development Bank, can fill the gap of conventional financing system in supporting the implementation of SDGs and fostering foreign aid for Muslim communities in need. The contemporary aid architecture demonstrates the inefficiency in dealing with humanitarian needs and risk reduction. But this is not just a matter of policies. It depends also on the allocation of funds and resources available to face current crises.

Blending Islamic finance and impact investing may represent an alternative way of supporting the achievement of SDGs. The Global Islamic Finance and Impact Investment Platform constitutes the attempt to align the Islamic ethical values with impact investing which aims to produce social and environmental effects in addition to financial gains. From one side, SDGs require new sources of capital, which must be used innovatively and Islamic finance with impact investing can contribute together in this sense, to offer financial returns and social impact for shared prosperity. On the other side, Islamic finance can take advantage of the political guidance of the Agenda 2030, besides the Shariah principles. This trend could express a shift from a strictly religious-based approach to a need-based approach in the aid vision, and it can be identified also in the introduction of a development and financial assessment index (DEFAI) by the IsDB, with the aim to improve transparency and efficiency of foreign aid allocation in member countries. The aid remains directed to Muslim communities and Muslim countries, for the benefit of the Umma, but the allocation of resources and funds is based on a concrete need assessment. In a shared perspective of development, the Islamic Development Bank is making an effort in increasing partnership with international organisations and development agencies, supporting SDGs, building resilience and the NEXUS between humanitarian and development during a crisis.

The Lives and Livelihoods Fund, analysed in this research, represents at the same time an innovative financing model for fragile and underdevelopment contexts and a way to build resilience. These two elements, together, give sustainability to projects financed both in financial and impact aspects. On one hand, this multi-donor fund is created by blending loans and grants and it ensures the financial feasibility of the projects. On the other hand, the specific objective of building resilience and strengthening institutions makes projects and their impact positive for recipient communities and countries, which will continue to benefit even after their conclusion. A critical
aspect could be identified in the nature of donors, mainly Arab and Muslim countries. In a future perspective of the Fund, it should engage Western donors, an effort that has already started in 2018, with the inclusion of the UK Department of the International Development (DFID) among its members. In this way, the LLF would benefit from a greater amount of grants but also increase the involvement of different donors and visions that can contribute to the mission of the Fund. The LLF could be a positive model for financing and implementing aid in a joint effort of Muslim and non-Muslim donors.

**Recommendations and further research**

Presented below there are recommendations and advice for further studies in this field.

1. First of all, Islamic Moral Economy and Islamic finance should foster a development paradigm, in terms of flexibility in financing and strategic approach to crises.

2. Islamic Finance should be embedded in the international strategy of development, not only enhancing the power of its tools and resources. A more comprehensive dialogue between international organisations and the Islamic ones should lead to integrate into SDGs the Islamic vision of development, which can bring benefit and fill the gap between regional and international actors on the ground.

3. Regarding further research, studies in this field should continue to strengthening evidence from projects financed by Islamic actors and donors, and their impact on conflict-affected contexts. They should highlight how Islamic financing tools can be available for supporting development and dealing with crises. Limits in this sense may be identified in the accountability in terms of resources and transparency in the allocation of aid and funds from different donors. An effort in this direction is currently underway by the Islamic multilateral organisation and state institutions.
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