



Thailand's Zakat Funds Bill Regulating charities with sensitivity

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ALONG WITH money laundering, terrorism financing continues to pose a serious threat to the economy and financial sector as well as the security of countries. Past regulatory measures to curb the flow of terrorism money have only dented or temporarily disrupted the flow of funds. Today, as funding for terrorism and insurgency activities continues to flow unabated, charity organizations have unwittingly come under scrutiny as well.

Most charities are bona fide causes. Some charities however have found their funds channelled to terrorist organizations due to a lack of control. Al Qaeda and its affiliates continue to be the beneficiaries of millions of dollars of such misdirected funds. In 2003 it was believed that 15 – 20 percent of Islamic charity funds in Indonesia were diverted to terrorist groups, while in the Philippines the estimate was around 50-60 percent. Regulation has helped reduce the numbers to some extent, although authorities in the region continue to grapple with the extremely delicate task of regulating charities to prevent misuse.

Thailand's dilemma

Southern Thailand provides a classic example of how the state faces the dilemma of preventing unregulated money from ending up with politically militant groups. Since the flare up of violence in 2004, the insurgents in Southern Thailand have relied on charities to at least partially finance their struggle. The Thai government is now addressing this critical issue, through drafting new legislation to monitor zakat or charitable giving in the far South. This needs careful handling because zakat is one of the pillars of the Islamic faith wherein Muslims with the means are required to donate a small portion of their assets to charity. The new regulation seeks to ensure efficiency and transparency in the distribution of funds to needy Muslim families in the far south while safeguarding against funds landing in the hands of insurgents.

Abuse of charities is a double-edged sword. The diverted funds help to fuel the insurgents and permit them regular access to materials. But perhaps even more critically, the misdirected funds are then not available to support bona fide charitable projects for the poor in the south. The inability to address this grievance provides increased frustration amongst southerners, and broadens the support base, thus increasing the number of potential recruits for the insurgents. The Thai government seems to have realized this dilemma.

Nonetheless, the Thai authorities believe that regulating the charities in Southern Thailand through some regulatory legislation is an important first step in stemming the insurgency. At present, Thai and international Muslim charitable organizations, such as Saudi charities, give their money directly to administrators of mosques and religious institutions. There are no checks and balances to prevent fund abuse. Ismail Lufti, Rector of the Yala Islamic College,

mentioned in interviews that charitable funds, which his college receives from benevolent Saudi donors, were often disbursed to needy Thai Muslims without question.

There is just no way of knowing how dispensed funds are used. The passage of the legislation will not fully mitigate the end users' ability to abuse the funds, of course. However, there will at least be some pressure on the individual disbursing the funds to act responsibly as action could be taken against him or her if deemed to be supporting the insurgency.

The draft legislation is being prepared by the Social Development and Human Security Ministry and will be submitted to the Cabinet over the next few weeks. If the Zakat Funds Bill becomes law, a new government administrative institution, the Zakat Funds Administrative Office, registered as juristic persons, will be created to monitor the activities of Muslim charities. This will be the first official body with legal authority to monitor, regulate and if the need arises, clamp down on illegitimate charities in the south. All provincial and community level zakat funds officers, as well as councils handling donations taken by mosques, will be required to register as juristic persons and be subjected to official scrutiny. This will minimize the likelihood of funds being siphoned off into the hands of insurgents at the various stages of money transfer.

Critically, the Zakat Funds Administrative Office will be responsible for collecting and distributing donations from Thai Muslims, international Muslim charities, as well as government funds for Muslim community development, and development grants from non-Muslim organizations. The funds will be administered in separate accountable streams, rather than in the current one common pool that makes the original source difficult to trace. More significantly, these funds will be administered separately. With greater accountability of the funds and a central body that is subject to official scrutiny, the likelihood of abuses of zakat money will be minimized.

Need to address issue sensitively

If this important legislation is to work, there is a need to address the issue sensitively. Zakat is ideally supposed to be raised and managed by Muslims for Muslims. If the Southern Thai Muslims misinterpret the Zakat Funds Bill to mean additional initiatives by the Thai government to exert more restrictions over their culture and religion, the implementation of the Zakat Funds Bill will be counter-productive.

The key is to win the support of the local leadership, but this is not necessarily a supportive group. Perhaps the most influential individuals in the south are the mosque and religious school administrators, who derive their influence, in part, from the distribution of the income generated for the zakat. If this group sees the programme as solely an attempt to undermine their influence, they may object. The loss of this constituency will have wider implications for the conflict, which may then escalate.

The Zakat Funds Bill has the potential to undermine one of the critical elements in the insurgency -- the access to unregulated funds. If introduced appropriately, the Zakat Funds Bill could reduce the intensity of the insurgency over the long term, both through denial of funds, but also through the distribution of the funds for their original intent. If the funds can be used to reduce poverty, it will help wean the public from the insurgents, potentially providing the opportunity for a peaceful settlement. It will however take a very nuanced

approach to even achieve the more limited intent of the bill, let alone the larger objective.

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