

Cultures of Giving Country Profile

Saudi Arabia

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SAANED for Philanthropy Advisory and King Khalid Foundation

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About WINGS

WINGS is a network of more than 180 philanthropy associations, networks, academic institutions, support organisations, and funders in 58 countries around the world whose purpose is to strengthen, promote and provide leadership on the development of philanthropy and social investment.

About this report

This report has been prepared for the WINGS Cultures of Giving Working Group by [Natasha Matic from the King Khalid Foundation](#) and [Atallah Kuttub from SAANED for Philanthropy Advisory](#). The WINGS Cultures of Giving Working Group explores and shares the many different types and ways philanthropy exists in the WINGS network, as well as the diverse cultures of giving around the world.

The members of the Cultures of Giving Working Group have created a series of country profiles that provide a general overview of the culture(s) of philanthropy in different countries. While this report may include a historical backdrop, the information included reflects a snapshot in time. The author draws on multiple sources, which may include secondary literature, surveys and/or information gathered from colleagues in the sector. Given the challenges of preparing such a broad overview, this publication should not be construed as either definitive or exhaustive. The contents of this report and any opinions expressed are the authors own. They should not be taken to reflect the views of WINGS, the Cultures of Giving Working Group, or any others who supported WINGS in this project.

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Section I: Country context



Social Data

Indicator	Description
Total Population	32.4 Million
Population Density	Four cities with high population density: Riyadh, Jeddah/Medina, Dammam/Eastern Province and Asseer
Major Ethnic Groups	90% Arabs and 10% Afro-Asian
Major Languages	Arabic
Literacy Rate	97% for males and 92% for females
Largest Religious Groups	Islam
Life Expectancy	73.67 years for males and 76.48 years for females
HDI [human development index] or life expectancy rate	0.857 ¹

Governance Data

Indicator	Description
Total Population	32.4 Million
Capital	Riyadh
Largest City	Riyadh (6.5 Million) followed by Jeddah (4 Million)
Administrative Divisions (States/Districts/Provinces)	13 regions divided into 188 governorates

¹ Inequality Adjusted HDI.

Government Structure	King, Parliament (Majles Al Shoura), Government
Major Alliances	G20, Organisation of Islamic States, Arab League States, Gulf Cooperation Council (GCC)
Life Expectancy	73.67 years for males and 76.48 years for females
HDI [human development index] or life expectancy rate	0.857

Economic Data

Indicator	Description
GDP (PPP) + Rank	\$ 1,924,253 Million, Rank is 18
GDP (per capita PPP) + Rank*	\$55,944
Unemployment rate	5.92%
Population below poverty line	2-4 Million ²
Inflation Rate	-2.2% Feb 2019
Debt	19% of GDP at \$150 Billion
Deficit	6.5% of GDP at 50 Billion

² 2-4 Million live below \$530/family/month level believed to be the poverty line by experts; KKF came up with the sufficiency line which stands at \$2500/family/month.

Section II: The Philanthropic Context in Saudi Arabia

This section is meant to provide the reader with background for the philanthropic context in the broader Arab region and the Kingdom of Saudi Arabia (KSA).

The Arab region

The Arab region is a large one, spanning from the Atlantic Ocean in the West to Iran in the East, and from the Mediterranean in the North to sub-Saharan Africa and the Indian Ocean in the south. Despite this vastness, one can classify the region into three: The Western part (Maghreb), The Eastern part (Mashreq) and the Gulf Cooperation Council (GCC) States. Philanthropy in the Arab region is embedded in its culture, however, each region has its own distinct philanthropic characteristics, rules and practices. Giving is generally mandated for all the people that reside in this region by the three Abrahamic religions (Christianity, Judaism and Islam). From limited observations through the work of SAANED for Philanthropy Advisory, people give at least 2% of their income. Giving less incurs ‘eternal shame’. Everyone gives, from the very rich to the very poor, and the tradition appears to remain strong among the younger generations. This is true for the majority of Muslims in the region and for other religions as well. There are few places where the gap between the potential for giving by individuals for social causes and the reality is greater than in the Arab region. When considering the potential funds for giving to social causes, 2% of a country’s GDP seems to be a reasonable and realistic amount that people strive to. This is where it stands in Saudi Arabia, the United Arab Emirates and the United States of America. In Muslim countries, the guideline for *zakat*³ is 2.5% of one’s accumulated income over one year.⁴

However, giving is fragmented, with giving by individuals going mainly to family, friends and communities. In some countries, *zakat* giving goes directly to the government,

³ *Zakat* is one of the pillars of Islam, giving a portion of one's wealth on an annual basis to the needy.

⁴ A. Kuttab, ‘The Rich Diversity of Global Philanthropy’, Alliance Magazine, 2015, <https://www.alliancemagazine.org/feature/a-philanthropic-map-transcending-traditions-beginning-anew/>

especially in the Gulf, where it is regulated by the government and only certain NGOs are allowed to receive it.

More formal giving by individuals is still under development. Experience at SAANED is that fundraising in the region can be ‘extraordinarily easy’, especially for causes close to the heart (like support to Palestine, especially in emergency cases), and people of different means show great generosity. This observation was confirmed by the 2016 Arab Giving Survey,⁵ which analysed the giving patterns and motivations of GCC residents aged 18 and above from varying socioeconomic backgrounds and found that almost nine out of 10 people in GCC countries had made a donation in the last year, often inspired by friends, family and colleagues. In Saudi Arabia and Kuwait, crowdfunding for *waqf*, or endowments, is carried out successfully. Data shows that the majority of giving in Saudi Arabia is local, within the national borders.

There are 23 crowdfunding platforms in the Arab region⁶, but many of them are not operating, and most would have challenges supporting non-profits due to existing financial regulations by governments. Zoomaal does fund NGOs, but not necessarily in a way that is well suited to their needs, so a decision was taken to create a space specially designed for them, GivingLoop. GivingLoop aims to enable NGOs to raise regular monthly funding to cover basic costs rather than having to fundraise every year for projects to sustain existing operations. It also meets donor concerns about transparency by insisting that NGOs send monthly reports to regular donors.

According to SAANED’s experience, most donors in the Arab region support services projects rather than tackling causes of inequity in society. Most funding will support the provision of services in sectors such as health, schooling and orphanages, with little focus on the quality of services. Wealthy donors in the Arab region are mostly unwilling

⁵ Philanthropy Age, UKAID and YouGov, ‘Arab Giving Survey’, 2016, <http://www.arabgivingsurvey.com>.

⁶ C. Hartnell, ‘Individual Giving in India Russia the Arab Region and Brazil’, Philanthropy Study, 2019, <http://www.psjp.org/wp-content/uploads/2019/07/Individual-giving-in-India-Russia-the-Arab-region-and-Brazil.pdf>

to risk alienating the government by supporting organisations working on sensitive issues like human rights, violence and poverty. As an example, most giving in Saudi Arabia focuses on social services, housing and religious causes. In the long term, it might be easier for these organisations to gain support from less wealthy people – though there is no evidence yet of their doing so. One example that gives hope for the future is the successful campaign by young activists in Lebanon in 2013/14 to shame the government over its inaction in dealing with garbage collections. This was funded purely by crowdfunding. It was a cause-driven campaign with very clear objectives, and it was hard for the government to clamp down on it as it involved so many people.

According to the Arab Giving Survey, giving to individuals is more popular than any other cause, favoured by 51% of GCC residents. Poverty alleviation is also a popular cause, mentioned by almost half of GCC residents, while 42% of GCC residents support refugee causes.

The most critical barriers to individual giving are lack of experience and expertise, trust in NGOs, and people in the sector not fully understanding the importance of their mission. This mistrust is especially true in the Arab region and is aggravated by the lack of support of the governments to the sector and lack of transparency and accountability within the sector. In Saudi Arabia, over 70% of people trust the non-profit sector, however, 50% believe that the government should provide most of the development money and NPO work should be focused on charity.

Kingdom of Saudi Arabia (KSA)

Background

The brief on KSA is primarily based on an Arabic study by the King Khalid Foundation in Riyadh based on the data from the 2018 Non-profit Sector Establishments Survey from the General Authority for Statistics and King Khalid Foundation (KKF) published in 2018 called 'Horizons of the not for profit sector'⁷.

Defining the philanthropy sector is tricky. The philanthropy sector in KSA is part of the non-profit sector in the country, which is regulated by the same law. Among the first non-profit organisations (NPO) established in the early 1960s were the Red Crescent, Scout Association and the Women Awakening Association. One NPO preceded those and was established in 1934 during the Saudi-Yemeni war to treat injuries from the war. However, it was not until 1990 that the government issued guidance for effective operations of the NPOs and modified the law that existed since 1963. The government started accepting applications for NPOs in 1996 and the period after that saw a surge in the establishment of NPOs. In December 2015, a new NPO law was issued after dedicated work by the sector spanning over ten years. New laws which have been slowly implemented in the past 3-5 years have dramatically increased the number of NPOs and foundations, and the process has been significantly simplified. This is a positive sign, and we expect more organisations will be formed in the near future, and the quality will improve. In addition, the National Council for Nonprofits has been established with a mandate to support the development of the sector.

⁷ King Khalid Foundation, 'Saudi Nonprofit Trends Report 2018', 2018, <https://kkf.org.sa/media/ctbb4fi5/4-saudi-nonprofit-trends-report-2018.pdf>.

The civil society sector has many organisations affiliated with it, and all are accommodated by the law, including NPOs, trade unions, trade associations, etc. However, within the encompassing sector of civil society, and according to the General Authority of Statistics, non-profit establishments are “legal or social entities created for the purpose of producing goods and services but whose status does not permit them to be a source of income, profit or other financial gains for the units they create, control or finance. In other words, there is no distribution of profits to stakeholders.”⁸

KKF defined the philanthropy sector as:

- All forms of social activities comprising volunteering, corporate social responsibility, social entrepreneurship
- Not for profit organisations created by local groups that support volunteering and are independent of the government with clear social objectives (and, as the name indicates, does not seek profit).

Within such a definition, some universities that are structured as NPOs are included in the family of philanthropy organisations or NPOs.

Size of the sector

KKF estimates the number of NPOs in the kingdom at 7,000. While this is a significant improvement, there is still plenty of room to grow. This translated to one NPO for about 5,000 citizens, which is lower than most other countries.

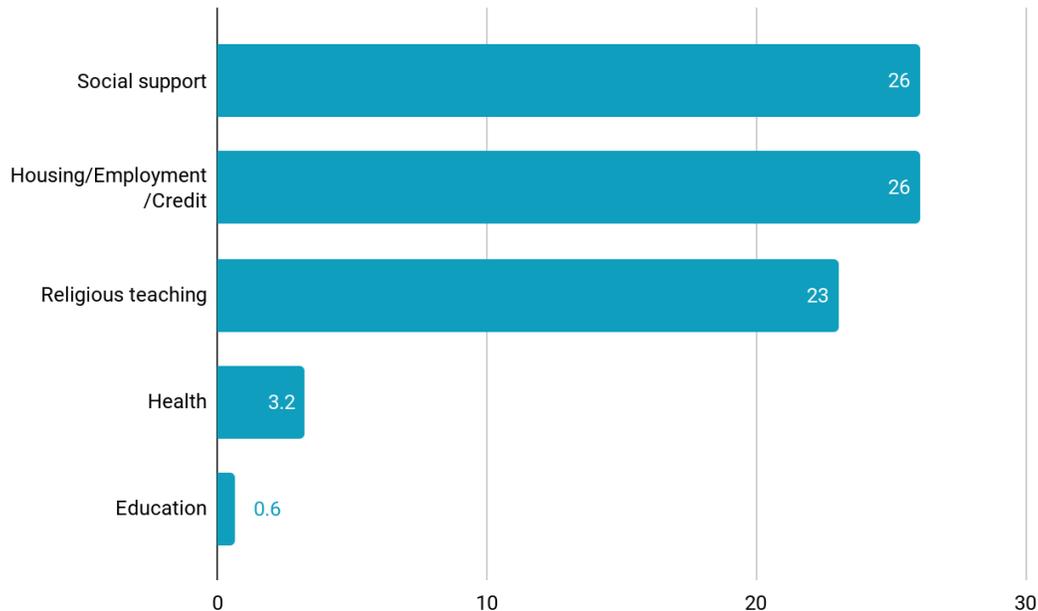
There are three concentrations of NPOs: Riyadh (23%), Mecca (18%) and Aseer (11%). Following the issuing of the 2015 NPO law, more than 9,015 civil society organisations have filed for registration (roughly four times the number of existing organisations registered then).

⁸ King Khalid Foundation, ‘Saudi Nonprofit Trends Report 2018’, 2018, <https://kkf.org.sa/media/ctbb4fi5/4-saudi-nonprofit-trends-report-2018.pdf>.

The focus of the sector is on three key activities: social support (26%), housing/employment/ credit (26%) and religious teaching (23%). Social services like health and education attract less support than general social support at 3.2% and 0.6%, respectively. The modality of operation is:

- 31% direct implementation
- 33% grant-making
- 6% charity distribution

Graph 1. Thematic focus of the philanthropic sector in Saudi Arabia



More than 80% of the NPOs plan their programmes to fit the objectives of Vision 2030, and these include:

- Enabling social responsibility
- Well-being and quality of life
- Enhancing Islamic and national identity

More than 36% of the NPOs plan their programmes to fit the SDGs, with most emphasis on the following:

- Poverty alleviation
- Quality education
- Quality health and well being

Financial resources

The financial resources of the philanthropy sector come from several sources. Around 27% of it comes from the government (partly redistribution of *zakat* funds that are collected by the government), 38% comes from individual donations, and for the large foundations and/or NPOs, a large part of their income comes from their endowments. The endowments or *waqf* in KSA exceed 354 billion Saudi Riyal⁹: 54 billion Riyal is destined to public projects like schools, hospitals and mosques (excluding the *waqf* for the great mosque in Mecca), and 300 billion Riyal is destined to private organisations. Recent research by KKF indicated that the average annual giving by individuals in KSA is 14,489 Riyal, of which 2,769 Riyal (19%) is donated to foundations or NPOs. In-kind donations by individuals like volunteering average around 100 hours annually. The low percentage of donations to NPOs reflects lower levels of trust than one would wish to have in the sector. The high percentage of administrative costs from the total annual budget, which averages around 36%, might contribute to this trust issue.

⁹ 1 US Dollar is 3.75 Saudi Riyal.

Philanthropic mechanisms and key players

The government generally supports giving, and *zakat* is the legal mechanism closely monitored by the government, especially to oversee that the funds are not used for illegal purposes. Adjunct to the *zakat* (which is official), there is another mechanism of giving called *sadaka*. It entails extra giving by the individual destined for social good, on top of the donation through *zakat*.

Multiple factors drive the increase in philanthropy organisations in the kingdom: an increase in wealth, government policies that are more supportive than 30 years ago, increased skills, and legacy building by the kingdom's leading businesses. Family businesses are the backbone in Saudi Arabia specifically, and in the GCC states generally, where it accounts for more than 90% of the private sector. This makes business and family legacies one and the same.

Section III: Challenges

The top challenges are philanthropy's lack of positive perception by governments and society and the very recent institutionalisation of non-profit and philanthropic work (in the last 10 years). This is also related to the issue of trust. Unlike other countries with a shortage of funds, in Saudi Arabia, funds are available as most Saudis donate a *zakat* and, in many cases, *sadaka*. This is reflected in the high level of capital in the various *Waqfs* in the country. However, a limited number of NPOs measure the impact of their programmes and are able to demonstrate their impact. Undertaking such measures goes a long way to building society's trust in the philanthropy sector.

Though the regulatory atmosphere has improved during the last 25 years, still more needs to be done to create a better enabling environment for the sector. Around 13 different government departments supervise NPOs, complicating the compliance issue and causing delays in many cases. Additionally, the present law needs to accommodate the newcomers to the field like social businesses and philanthropication through privatisation endowments, for example, if some shares of the recently privatised Aramco Company are allocated for social good.

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