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INDIANA UNIVERSITY
Lilly Family School of Philanthropy

The 2022 Global Philanthropy Environment Index Saudi Arabia

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QUICK FACTS

Legal forms of philanthropic organizations included in the law: Association, Cooperative, Endowment, Foundation, Society, Trust, Endowment-Based Company, Organization Established by a Royal Decree

Five main social issues addressed by these organizations: Basic Needs, Health and Medical Research, Housing and Economic Development, Religion, Youth and Family

Average time established by law to register a philanthropic organization: 61-90 days

Average cost for registering a philanthropic organization: USD 1,800

Eleven board members are required to provide USD 1,800 in fees and investment to register the philanthropic organization (PO).

Government levels primarily regulating the incorporation of philanthropic organizations: Central/Federal Government

Philanthropic Environment Scores:

Year	Ease of Operating a PO	Tax Incentives	Cross-Border Philanthropic Flows	Political Environment	Economic Environment	Socio-Cultural Environment	Overall Score
2022 GPEI	2.00	N.A.	1.00	4.00	4.00	3.50	2.90
2018 GPEI	2.00	3.00	2.75	3.00	N.A.	4.00	2.95

Source: Indiana University Lilly Family School of Philanthropy, 2022 *Global Philanthropy Environment Index*

Key Findings

I. Formation/Registration, Operations, Dissolution of a Philanthropic Organization (PO)

The three indicator questions in this section pertain to the laws and regulations governing philanthropic organizations (POs). The scoring questions for this category cover three aspects of regulations: (A) formation and registration; (B) operations; and (C) dissolution.

Question One: To what extent can individuals form and incorporate the organizations defined?

Score: 2.0

Individuals are mostly free to form organizations except for any political organizations or organizations that can be seen as against the government, religion, or sensitive issues (LGBTQ+). There are some government restrictions on the types and purposes of organizations. The process is now relatively easy compared to before and doesn't require too much except for a minimum of 11 board members and USD 1,800, and it takes about a couple of months. However, the political and religious sensitivities are still there and must be respected.

Question Two: To what extent are POs free to operate without excessive government interference?

Score: 2.0

Organizations are restricted and/or monitored on their communication activities and on their cooperation with domestic and international entities, and there are restrictions on the activities of a PO (for example "political" or "extremist" activities or activities that undermine "national security," morality, or religious values/freedom, among others). However, the reporting requirements are clear and consistent, and most organizations are able to complete them. Restrictions are also in place by the international community, which restricts any Saudi POs from working with or sending funds internationally.

Question Three: To what extent is there government discretion in shutting down POs?

Score:2.0

The organization's governing body is able to voluntarily terminate its activities as long as it clears all its financial obligations. Involuntary termination by a government entity occurs only during severe violation with government discretion in providing the opportunity to correct said violation. However, in case of political, religious, and other sensitive issues, government can do anything and may not provide opportunity for correction.

II. Domestic Tax and Fiscal Issues

The two questions in this section pertain to laws and regulations governing the fiscal constraints of giving and receiving donations domestically.

Question Four: To what extent is the tax system favorable to making charitable donations?

Score: N.A

This question does not apply, as there are no tax incentives or any income taxes in Saudi Arabia.

Question Five: To what extent is the tax system favorable to POs in receiving charitable donations?

Score: N.A

This question does not apply, as there are no income taxes or tax exemptions in Saudi Arabia.

III. Cross-Border Philanthropic Flows

The two questions in this section concern laws and regulations governing the fiscal constraints of giving and receiving cross-border donations. The scoring for these questions pertains to the donor and receiving entities.

Question Six: To what extent is the legal regulatory environment favorable to sending cross-border donations?

Score: 1.0

Cross-border charitable donations are significantly impeded and not permitted by international financial laws and regulations (due to terrorism threats).

Question Seven: To what extent is the legal regulatory environment favorable to receiving cross-border donations?

Score: 1.0

Cross-border charitable donations are significantly impeded and not permitted by international financial laws and regulations (due to terrorism threats).

IV. Political Environment

The four indicator questions in the next three sections concern the political context, economic conditions, and socio-cultural characteristics that influence the environment for philanthropy.

Question Eight: To what extent is the political environment favorable for philanthropy?

Score: 4.0

There is good collaboration between government and the philanthropic sector. The government recognizes the role of POs as change agents. However, any activities against the government, religious norms, or any political issues are strictly prohibited. It is hard to answer this one; as long as

POs are not working against the government or religious establishments, the political environment is highly supportive of POs.

Question Nine: To what extent are public policies and practices favorable for philanthropy?

Score: 4.0

The government promotes philanthropic values and generally facilitates equal access to national and limited international resources and opportunities as long as they are not against the government, political, or religious rules.

V. Economic Environment

Question Ten: To what extent is the economic context favorable for philanthropy?

Score: 4.0

The country possesses the required economic stability for the success of philanthropy. Economic conditions (economic freedom and economic growth) nurture individual and institutional philanthropy in the country. The economic outlook is strongly favorable for the development of philanthropy. Women's economic power is improving; however, it is still not at a level that is acceptable.

VI. Socio-Cultural Environment

Question Eleven: To what extent are socio-cultural values and practices favorable for philanthropy?

Score: 3.5

Things have been changing and improving rapidly when it comes to support for institutionalized philanthropy in Saudi Arabia. However, philanthropic traditions and societal values are sometimes an obstacle for philanthropic success. People sometimes distrust POs due to issues with transparency and accountability. There were cases of corruption in the third sector in the past and also issues with support for terrorist organizations, so it will take time to change mindsets, but the situation is improving.

VII. Future of Philanthropy

These questions are used to provide a general picture of the future of philanthropy in this country as well as recommendations to improve the philanthropic environment.

Current state of the philanthropic sector

The philanthropic sector is rapidly improving and changing for the better. Laws and regulations are clearer and easier. The government's support for philanthropy is increasing and the third sector is now an important part of the national Vision 2030. a unique transformative economic and social reform blueprint. However, there are still limitations when it comes to anything sensitive and related to political and religious issues.

Three major recent events affecting the philanthropic landscape between January 2018 and December 2020

- 1) Sustainable Development Goals (SDGs) – Saudi Arabia committed early on to reporting on SDGs' alignment. More and more NPOs are aware and starting to align their work with SDGs. The government has SDG offices within the Ministry of Labor and Social Affairs;
- 2) National strategy implementation – Vision 2030; and
- 3) COVID-19 pandemic.

Future development trends in the philanthropic landscape

Philanthropy is improving: there is more strategic and institutionalized philanthropy and some beginnings of impact investing, venture philanthropy, and new financial tools, although they are still in the early stages. The country expert believes that in the next 3-5 years there will be even more dramatic positive changes. The key is to build the capacity and leadership of philanthropic players.

Three key recommendations to improve the environment for philanthropy

- More capacity building for POs and university degrees in PO management;
- Lifting international financial restrictions; and
- More internal freedom when it comes to politically and religiously sensitive issues.

VIII. Philanthropic Response to COVID-19

These questions are used to provide a general picture of the philanthropic response to the COVID-19 pandemic in this country and recommendations for improving cross-sectoral collaboration.

Areas where the nonprofit sector and philanthropy are playing a role in responding to COVID-19

POs are contributing a huge amount to government's efforts in fighting COVID-19 and also providing support to the population with basic services.

Innovation and new trends in the nonprofit sector and philanthropy related to COVID-19 responses

Innovation and trends include providing funding and essential services, better technology use, and creativity in program delivery.

Impact of COVID-19 on the philanthropic environment

There has been a huge impact. According to a survey of around 500 POs, 70 percent say their funding and activities have been affected in some way; 40 percent say their funding almost disappeared, but as many say they are able to survive, and almost 20 percent say their funding increased.

Anticipated impact of COVID-19 on the philanthropic environment in 2021

The country expert thinks things will stabilize a bit and not get worse if the situation in the country continues to improve (with vaccines and fewer infections) but does not think there will be a huge change in 2021.

References

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