Foundations
in the Kingdom of Saudi Arabia

Facts and Statistics 2016
About The John D. Gerhart Center
for Philanthropy, Civic Engagement and Responsible Business

The Gerhart Center promotes social change in the Arab region through building a culture of effective giving, corporate social and civic responsibility. In addition to disseminating research and policy papers, the center strives to build leadership capacity among Arab youth and to enhance their abilities to become more civically engaged. Established in 2006, the center aims to further AUC’s mission to advance social responsibility and active citizenship. These goals are pursued with a wide range of national, regional and international partners in the academic, civil society and corporate sectors. The center is named after the late John D. Gerhart, ninth president of the AUC, whose career provided a model of public service.

About King Khalid Foundation KKF

King Khalid Foundation (KKF) is a royal, independent, national institution that pursues its vision to “be the leader and role model in the philanthropic and development work in the Kingdom of Saudi Arabia” by providing leadership and funding for social and economic development projects. KKF’s projects include, but are not limited to, capacity building of the social development sector as well as improving corporate sustainability practices; youth economic development; support for social entrepreneurship; research and policy development; and awarding the most outstanding citizens, nonprofits and corporations for their contribution to the social and economic development of the Kingdom of Saudi Arabia.
Acknowledgments

Foremost, we would like to thank the foundations in Saudi Arabia who took an interest and invested the time to respond to the survey, and without whom this report would not have been possible.

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Foreword

King Khalid Foundation, in partnership with the John D. Gerhart Center, is pleased to announce the completion and launch of the first report of this kind in the Kingdom titled “Foundations in the Kingdom of Saudi Arabia: Facts and Statistics.”

Given the lack of comprehensive and publicized data on the foundations in the Kingdom, the aim of the survey is to elicit information regarding the existing types of foundations and their mode of operation, to open a dialogue on these and related issues, and to encourage further research. King Khalid Foundation and the John D. Gerhart Center for Philanthropy, Civic Engagement and Responsible Business are committed to the data-driven approach in order to understand the sector, document its performance, and identify gaps and overlaps for which interventions can be designed to improve overall foundation effectiveness. This report is not an end in itself, but is the start to an ongoing and evidence-based discussion on the performance and impact of foundations in Saudi Arabia.

Through the info-graphics, and the robust statistical analysis adopted in this report, we hope we have succeeded in capturing the inspiring work and contribution of Saudi foundations for the public benefit, as well as the strategic approaches adopted herein. Enhancing the visibility of the strategic role and contribution of the Saudi foundations to the Saudi public, civil society, government and the foundations themselves is a journey on which we have embarked. It is with pleasure that I share with you this report as a key milestone in this journey.

HRH Princess Banderi AR AlFaisal
Director General
King Khalid Foundation
MAIN FINDINGS

**Education sector**
Receives the highest support and investments from Saudi foundations

50.0%

**Of foundations**
In Saudi have waqf proceeds as a source of income

25:75
Is the ratio of administrative to programmatic costs in Saudi foundations

40.5

**Million riyals**
Is the average of the annual budget of grant-making foundations in the Kingdom
Of foundations
In the Kingdom conduct a formal evaluation of their implemented programs and grants

79.9%

Of foundations
Perceive the lack of an enabling regulatory and legal framework as a main challenge

72.9%

Foundations perceive the philanthropic sector
To be a major contributor to development in Saudi Arabia
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Introduction

In Saudi Arabia, the emergence of wealth from oil in the 1970s and its intersection with a strong tradition of giving have resulted in one of the richest philanthropic landscapes in the Arab region. Based on a strong, social capital foundation, Saudi Arabia has forged ahead as a leading provider of humanitarian assistance worldwide, and two percent of the country’s GDP is philanthropic resources. While these are powerful indicators, the sheer size of resources does not sufficiently reflect important transformations in the Saudi philanthropic landscape. An example of such transformation is the shift from state public welfare and basic services provision to a more active shouldering of responsibility by the civic sector. In this context, the evolution of more strategic and thoughtful giving in the philanthropic landscape, and specifically, the emergence of an institutionalized and modern foundation sector in Saudi Arabia is at the center of this shift. Change is most visible in the strategic causes adopted, efficiency in deployment of resources, application of good governance, and the efforts of these foundations to achieve an impact.

In light of this important transformation, our choice to focus on the foundation sector, as opposed to the charitable and philanthropic sectors at large, is guided by the need to fill a clearly identified knowledge gap on philanthropic organizations that promote social change, and strategically address the root causes of poverty and socio-economic challenges. With the lack of reliable evidence to date on the size, scope and contribution of foundations in Saudi Arabia, as well as the paucity of data on philanthropic organizations in the Arab region at large, this report is based on a first-of-its-kind survey tool that builds on local knowledge, while at the same time integrating globally comparable indicators on foundations. Based on the collection of comprehensive and comparative data on the nature, scope and operating model of foundations, the report demonstrates a breakthrough in obtaining the qualitative and quantitative knowledge necessary to formalizing this emerging sector. Staffing, governance, beneficiaries, philanthropic assets, institutional expenditures, investments by sector, monitoring and evaluation systems, and the challenges of the eco-system are also examined.

The report is further based on the data-driven approach of the King Khalid Foundation and the John D. Gerhart Center for Philanthropy and Civic Engagement with the aim of understanding the sector, charting its performance and identifying gaps and implementation overlap for which interventions can be designed and introduced to improve overall foundation effectiveness. This report is not an end in itself, but is the start to a continued and evidence-based discussion on the performance and impact of foundations in Saudi Arabia, promoting an understanding regarding how the sector can work with philanthropy infrastructure support organizations, research organizations, specialists, governments and other stakeholders to collectively advance the sector.

The report is organized into six main sections, the first of which explains the nature, administrative structure and operational mode of foundations in Saudi Arabia. This section also provides an overview of their grant recipients and programs implemented by these foundations, as well as their geographical scope of work. The second section identifies the sectors that the foundations support and their institutional expenditures and investments per sector. Section three describes the diverse sources of annual funding for foundations, as well as their annual budgets. The fourth section addresses how foundations apply the principles of good governance with a focus on the role of the Board of Trustees. The fifth section discusses the monitoring and evaluation (M&E) mechanisms which are applied by foundations, as well as how these are deployed to assess institutional performance. The last section identifies and ranks external and philanthropy eco-system-related challenges affecting the operations of foundations.
Methodology

The John D. Gerhart Center for Philanthropy, Civic Engagement and Responsible Business at the American University in Cairo, in cooperation with the King Khalid Foundation, carried out a comprehensive survey of foundations in the Kingdom of Saudi Arabia in order to draw a general picture of the nature of the foundations, the size of their funding, how the funds are allocated, what sectors foundations are active in, and how the philanthropic sector contributes to development. To carry out the survey, the framework of the Saudi Arabian Ministry of Social Affairs has been adopted, which indicates that there are 121 foundations operating throughout the Kingdom.

Researchers designed a questionnaire and organized workshops together with experts in the field of philanthropy and field research at both the local and international levels. The questionnaire was initially piloted among a small number of respondents, and was amended with their feedback before the field research was implemented.

Experienced field researchers were hired to collect the data, and they received intensive training on the questionnaire prior to the data collection. A manual was also prepared explaining the data the questionnaire aimed at collecting data, as well as a clear explanation for all the terms used in the questionnaire. Appointments were then made with foundation presidents and managers for filling out the questionnaire, and the questionnaires were shared with the foundations prior to the actual appointments. The aim was to allow foundations to have the data pertaining to their budgets and employees readily available for completing the questionnaire, allowing, for the fieldwork to be completed within the period from 11 January 2015 to 14 May 2015.

Due to the inaccuracy of some of the contact details, the research team was able to reach only 76 foundations. It should be noted that the research team exerted strenuous efforts in order to obtain the contact details of the foundations that have not been reached. Of these 76 foundations, 59 participated in the research and 17 abstained. Some of the abstaining foundations expressed reservations about the nature of the research, while others did not express the reasons behind their refusal.
## Section I: The Nature and Mode of Operation of Saudi Foundations

### Typology of foundations in Saudi

Given the lack of comprehensive and publicized data on foundations in the Kingdom, the survey set out to answer basic questions regarding the existing types of foundations and their mode of operation. The results show that 86% of the foundations are private foundations owned by individuals within Saudi society. The percentage of royal foundations in the sample is 12%. The sample also includes one governmental philanthropic foundation. This diverges from the commonly identified typologies of foundations which, with the exception of public-private foundations, are mainly classified as independent and non-governmental organizations. It is worth noting that while royal foundations are established by royal decree, private foundations and charitable organizations are established under the Decision of the Council of Ministers 107 of 25 Jumada al Akheera 1410 (23 January 1990).

### Modes of operation

Conventionally, foundations are considered grant-making institutions that disburse funds to charitable organizations and non-profit organizations, yet, worldwide, this assumption is being challenged as more foundations venture into administering their programs in-house. While there is no conclusive evidence regarding which approach delivers better outcomes, survey results show that the majority of Saudi foundations (66.1%) execute their own programs in-house. At the same time, 40.7% of the surveyed sample indicate that they give loans to individuals or institutions, or provide in-kind donations. It should also be noted that none of the foundations rely on a single mode of operation, but rather combine several programmatic approaches.
**Recipients of the grants**

The survey responses indicate that 62.7% of the foundations direct a part of their grants and programs toward individuals. 55.9% give some of their resources directly to charitable organizations, and 27.1% to organizations that act as intermediaries between the foundations and philanthropic agencies. These intermediaries typically administer ongoing projects which they recommend to foundations for funding.

**Philanthropic funding for projects outside Saudi Arabia**

Despite the regulations restricting philanthropic organizations in the Kingdom from sending funds abroad, an interesting finding revealed by the interviews is that 22% of the responding foundations do have the means of funding international partners. Of these foundations, most are royal foundations, but also includes some non-royal private foundations.

**Geographical scope of the foundation**

With regard to the geographical scope of the foundations, results show that 47.5% of foundations work nationwide, without focusing on one specific area, while 13.6% work within a governorate, and 16.8% target a specific district. The latter could qualify as community foundations, given that they have a local or community focus and rely on local resources for funding.
Sectors of Focus: From Charity to Strategic Philanthropy

While philanthropy and charitable activities have traditionally focused on social welfare and religious causes in the region, the survey reveals the expanding role of foundations in non-traditional sectors, reflecting more of a development approach. Foundations in Saudi Arabia embrace diverse philanthropic interests in developmental areas, such as preparing youth for the workforce, funding small and medium enterprises, science and technology, and arts and culture. Characteristically, the majority of foundations do not focus on a single sector, but work to support multiple sectors at the same time. According to the survey results, the sector receiving the highest support and investments is the education sector, ranking first among 71.2% of the foundations that prioritize their programs and grants. This finding is comparable to other foundation surveys conducted in Latin America, South Asia and the United States where the education sector receives the lion’s share of foundation investments. Family development ranks second at 52.5%, followed by a three-way tie for the third rank between the health, local development and special-needs sectors, each scoring 47.5%. Similarly, foundations also support humanitarian assistance and religious causes, at 44.1% each, although the latter receives the third largest percentage of the program budget. The arts and culture sector, and the science and technology sector, receive 20.3% each, while 13.6% of the foundations support the sports sector. The agriculture and fishing sectors receive the smallest contribution with only 3.4% of the foundations allocating funds to these sectors.
Results indicate that foundations allocate an average of 23.8% of their program budget to religious activities. Foundations active in the family sector allocate an average of 23.7% of their budgets to that sector, followed by allocations of 21.6% and 20.1% to the education and microfinance sectors respectively. The local development sector has an allocated share of 19.9%.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building mosques, teaching Quran</td>
<td>23.8%</td>
</tr>
<tr>
<td>Family</td>
<td>23.7%</td>
</tr>
<tr>
<td>Other</td>
<td>22.9%</td>
</tr>
<tr>
<td>Education</td>
<td>21.6%</td>
</tr>
<tr>
<td>Funding projects (SME’s)</td>
<td>20.1%</td>
</tr>
<tr>
<td>Local community development</td>
<td>19.9%</td>
</tr>
<tr>
<td>Arts and culture</td>
<td>16.9%</td>
</tr>
<tr>
<td>Health</td>
<td>15.3%</td>
</tr>
<tr>
<td>Youth preparation for workforce</td>
<td>12.5%</td>
</tr>
<tr>
<td>People with disabilities</td>
<td>12.5%</td>
</tr>
<tr>
<td>Sports</td>
<td>11.4%</td>
</tr>
<tr>
<td>Disaster relief / humanitarian assistance</td>
<td>11.2%</td>
</tr>
<tr>
<td>Agriculture and fishing</td>
<td>7.5%</td>
</tr>
<tr>
<td>Science and technology</td>
<td>6.3%</td>
</tr>
</tbody>
</table>
Breakdown of expenditures

One of the important indicators of efficiency in foundations is the ratio of budget allocation between operating expenses (salaries and administrative expenses) and grants and programs implemented by foundations. While there is no consensus on what this ratio should be, common practice in this area indicates that budget allocations to administrative costs should not exceed 35% of the total annual budget. Asked about the ratio between operating expenses, and grants and programs in their annual budgets, foundations responded that, on average, 25.6% of the total annual budget is allocated to operating expenses while the remaining 74.4% is directed towards grants and programs, reflecting local best practices.

Grant distribution according to age bracket

Respondents were also asked about the target beneficiaries of their grants and programs by age bracket. 72.9% of the foundations identified the age groups targeted by their grants and programs. Results show that 45.5% of grants and programs target the age group, 15-35, followed by 30.5% targeted at ages 35-60, 15.2% targeted at 15 and younger and 8.8% targeted at 60 and older.
Section III: Sources of Funding

One of the most salient challenges facing philanthropy data collection efforts globally is the tension between the transparency of philanthropic investments and funding sources, on the one hand, and the need to safeguard the privacy and security of foundation data, on the other. Depending on the context, this tension plays out differently; in Saudi Arabia and in the Arab region at large, culture is a strong, intervening variable which explains the discretion in philanthropic giving, even when non-faith based.

In the context of this survey, it was surprising to find that 75% of the foundations surveyed had no objections to the questions pertaining to their annual budgets. On the other hand, of the 25% of the sample who did not answer questions pertaining to philanthropic investments, some explicitly stated their desire to keep their philanthropic investments confidential, basing their practice on citations of Islamic religious hadith.

Among the most important factors that contribute to the effectiveness of foundations in particular, and charitable organizations in general, is the sustainability of funding. Foundations in Saudi Arabia are not dependent on a single source of funding but rely on several sources, including proceeds from religious trusts (awqaf), alms (zakat), gifts and donations, in addition to owners’ private capital, bank profits, or a share of the companies’ profits, as well as returns from investment funds. The survey results show that 54.2% of foundations in the Kingdom rely on donations and contributions from outside the foundation, amounting to 48.4% of their total funds. 49.2% of the foundations indicated that funds from the religious trusts amount to 53.6% of their total funds.
Section III: Sources of Funding

Total value of the annual budget of foundations in 2014

The average annual foundation budget is 40.5 million Saudi riyals, while the average value of religious trusts for foundations is 92.6 million Saudi riyals. The budgets range from 470 million Saudi riyals, for the largest foundation, to 300,000 Saudi riyals for the smallest. Funds from religious trusts range from 600 million Saudi riyals to 150,000 Saudi riyals.
Section IV: Governance and Management

The Board of Trustees (BOT)

88% of the foundations have a BOT, while 12% indicated that they do not.

Foundations that have BOT have an average of **10 members** on the Board, who convene on a quarterly basis.

The average number of times a BOT meets is **4 times** annually.

In this survey, results showed that the maximum years of service of BOT members is **6 years** on average.

Number of workers

- **45** Average number of full-time employees in the organization
- **14** Average number of part-time employees in the organization
- **12** Average number of employees on a seasonal basis in the organization
- **34** Average number of volunteers in the organization during the previous year
Section IV: Governance and Management

Opinions vary over the allocation of responsibility for selecting grant recipients or implementing organizations. The results show that 25.4% of the respondents give responsibility to the Board of Trustees, while 23.7% give responsibility to the executive director. A similar percentage indicates that a specialized internal committee undertakes these decisions.

Mechanism for selecting board members

76.9% of the foundations appoint members through direct appointment, while 13.5% elect their members and 5.8% employ both methods.

Decision-making within the foundation

Opinions vary over the allocation of responsibility for selecting grant recipients or implementing organizations. The results show that 25.4% of the respondents give responsibility to the Board of Trustees, while 23.7% give responsibility to the executive director. A similar percentage indicates that a specialized internal committee undertakes these decisions.
Challenges of grant-making

The survey identifies a number of challenges imposed on Saudi foundations by the philanthropy eco-system which are validated by other reports on the philanthropic sector at large. 72.9% of the surveyed foundations cite the lack of laws and regulations which encourage the work of foundations and philanthropic organizations while protecting them from ad hoc discretionary intervention as the main challenge. 69.5% of the surveyed foundations cited government bureaucracy, a main challenge. Equally ranked with government bureaucracy is the need for more professional expertise in the management of foundations. Additionally, 59.3% voice a concern over the lack of what they consider worthy charities that could receive their funds. This underlines the dependence of foundations on an effective civil society sector with whom they can partner in implementing grant-making objectives and developing the sector collectively. Finally, 57.6% of responding foundations cite the challenge of irregular cash flows.
Section V: Monitoring and Evaluation

Monitoring and evaluating philanthropic impact

Accountability towards donors, beneficiaries, the public, and within the foundation itself should be mandated by the leadership and management of any foundation. Increasingly instituting a clear monitoring and evaluation system to evaluate the performance of foundations is no longer a best-case scenario, but has become the norm for foundations and other non-profit organizations, seeking to fulfill their mission and achieve impact.

Significantly, 79.7% of the foundations in the Kingdom were found to conduct a formal evaluation of their implemented programs and grants, as opposed to 20.3% of the foundations that do not conduct any evaluations. The survey has further identified the different ways by which foundations monitor and evaluate their implemented programs and grants through a set of questions.

Who conducts the evaluation?

Of the foundations that conduct evaluations of their programs and activities, 55.3% use an internal team for this process. In 27.7% of the foundations, the reports submitted by the receiving organizations are considered sufficient for evaluation purposes. External consultants are hired for this purpose by 8.5% of the foundations.
Dissemination of evaluation reports

With regard to circulating the reports within and outside of the foundation, 86.1% indicated that they allow their beneficiaries and relevant stakeholders access to their reports.

Responsiveness to the technical support needs of partners

Along with financial support, 45.8% of the foundations also offer technical support to their grant-receiving organizations. This additional assistance helps the recipients to build the necessary administrative and financial expertise for carrying out their programs. Organizations that provide support for infrastructure and research can offer important assistance to philanthropic foundations. They provide capacity-building resources, disseminate best practices, and encourage supportive regulatory and legal frameworks for philanthropy, based on independent, evidence-based research.
Section V: Monitoring and Evaluation

Greater foundation transparency through annual reporting

Pursuant to the principles of accountability and transparency, 89.8% of the foundations prepare annual reports documenting their activities.

Dissemination of annual reports

57.6% of the foundations share their reports with their Board of Trustees, 52.5% share them with their Board of Directors, and 27.1% either publish the reports or present them to the community.

Medium of communicating annual reports

- Printed publications: 59.3%
- Through email: 37.3%
- Through website & social media: 33.9%
- Other: 16.9%
Section VI: General Overview of the Philanthropic Sector within the Kingdom

Challenges facing the philanthropic sector

While this report underscores the main contextual challenges facing foundations, this section expands our understanding with a wider perspective on how the philanthropic sector in the Kingdom contributes to the development of Saudi society, and the main challenges the sector faces from the perspective of the foundations themselves. Opinions of respondents vary over what challenges facing the philanthropic sector were considered most significant. The survey indicates that 72.9% of the foundations cite that the lack of qualified employees poses a significant challenge, followed by grievances towards the laws and regulations at 71.2%, and government bureaucracy at 64.4%. Another 61% indicate that irregular cash flows pose a challenge, while 54.2% voice a concern over the lack of what they consider worthy charities that could receive their funds voice a concern over the lack of good charities to receive their funds.

How much has the philanthropic sector contributed to developing the community in Saudi Arabia?

A five-point scale ranging from no contribution to very strong contribution, has been used to identify the extent to which foundations believe philanthropy contributes to the development of Saudi society. Responses indicate that 42.4% foundations believe that philanthropy contributes fairly well to development, 37.3% believe it contributes strongly or very strongly, and 20.3% indicated that philanthropy barely contributes or does not contribute at all to development in the Kingdom. This finding is illustrative of the need to engage foundations and non-profits in a sectoral, local and nationwide manner to address challenges hindering the philanthropic sector from fulfilling its potential.
Foundation contributions to development

Foundations were asked to cite the two most important sectors that philanthropy contributes to. The family sector ranks first at 50.8%, followed by religious activities at 44.1%, the education and health sectors at 27.1% and 23.7% respectively, the emergency relief sector at 18.9%, and employment and employability at 15.3%. Consistent with the results on sectors of focus, respondents do not believe that philanthropy contributes to the development of the agriculture, fishing, science and technology, culture and arts, and sports sectors in any way.