

---

# Empowering the Saudi Social Development Sector

NATASHA M. MATIC, PH.D. AND  
H.R.H BANDERI A.R. ALFAISAL

---

Saudi Arabia is the world's largest donor of humanitarian assistance outside the West.<sup>1</sup> In recent natural disasters from Haiti to Japan, Saudi Arabia's financial contributions far surpassed those of any other donors. For development and aid to the Arab and Muslim world, Saudi Arabia is the undisputed leader.<sup>2</sup> Internally, the country's annual philanthropic giving to causes within Saudi Arabia by individuals, foundations, corporations, and the government ranks among the highest in the world – 1.5%-2.0% of its GDP compared to 0.5-1.0% in most Western countries.<sup>3</sup>

These statistics suggest that the pace of social development, with this level of financial support, must be vibrant and thriving. Yet, this is not the case in the Kingdom of Saudi Arabia (KSA). While the Kingdom's generosity is impressive and inspiring, the impact of giving remains weak. In a country of 27 million people, there are 700 registered nonprofit organizations (NPOs). To put this in context, there are 3.3 million NPOs in India, or approximately one organization per 400 Indian citizens.<sup>4</sup> In Russia, there are 227,000 NPOs or approximately one NPO for every 500

---

*Dr. Natasha M. Matic is the Senior Strategy Advisor at the King Khalid Foundation in Saudi Arabia and an independent consultant. In her current advisory and consulting capacity, Natasha has been in charge of developing a number of capacity building programs for foundations and nonprofit organizations in Saudi Arabia in partnership with the Columbia Business School, CEDPA, Exxon Mobil, National Commercial Bank and other organizations. H.R.H. Princess Banderi Abdul Rahman AlFaisal has been the Director General of the King Khalid Foundation from 1999 till the present. She has been a volunteer and then Member of Al-Nabda Philanthropic Society for Women from 1985 till the present. She volunteered as a Nurses Assistant at Shimaisy Hospital from October 1990 till March 1991. She worked on the Review of Administrative Regulations, Al-Nabda Philanthropic Society for Women from October 1993 till March 1994.*

---

Russians.<sup>5</sup> In the KSA, however, there is one NPO for every 39,000 Saudi citizens. Clearly, there is ample room for nonprofit organizations, as well as enterprises, to be more active and provide necessary products and services for this sector.

Many of the non-profits in the KSA are non-operational, the majority lack a clear mission, and almost all indicate a “lack of funding” as the main obstacle to success.<sup>6</sup> It is estimated that only twenty cents of every philanthropic dollar spent in Saudi Arabia reaches the intended beneficiaries and has its intended impact.<sup>7</sup>

It is clear that the manner in which Saudi Arabian generosity is distributed, managed, and implemented leaves much to be desired. It is our belief that successfully building organizations’ capacities will improve the delivery of social services, strengthen education, and bolster entrepreneurship in the community.

#### WHY FOCUS ON THE SOCIAL DEVELOPMENT SECTOR?

With unemployment rates ranging between 10 and 20 percent, 80 percent of students scoring below international mathematics standards, and the events gripping the Arab world in the past year, it is clear that a vibrant civil society sector and a flourishing business and entrepreneurial community is the *sine qua non* for the growth and competitiveness of Saudi Arabia.<sup>8</sup> Moreover, with over 65 percent of the population below the age of twenty-five, job creation and employment opportunities for young people are the top priorities for the country and the region.

Emphasis on the social development sector, particularly on non-profit organizations, could turn this tide. In the United States, a 2012 Johns Hopkins study, *“Holding the Fort: Nonprofit Employment During the Decade of Turmoil,”* indicates that the nonprofit organizations (NPOs) in the US have responded to the aftermath of the 2007-09 economic recession with enormous resilience. Indeed, nonprofits have been “holding the fort” for much of the rest of the economy, creating jobs at a time when other sectors have been shedding jobs at accelerating rates. The research shows that this pattern is seen in nearly every state and for most major fields of nonprofit activity.<sup>9</sup>

NPOs represent a “middle way” between relying on the market and relying on the state.<sup>10</sup> Furthermore, some compare the current rise of the civil society sector to the significance of the rise of the nation-state in since the eighteenth century.<sup>11</sup>

Some of Saudi Arabia’s philanthropic and business leaders are gradually recognizing the social sectors’ crucial role in the future development of

the Kingdom. Again, this has become especially clear in the area of youth. The past three years show marked improvements in this direction; however, there are still important changes that need to be made.

Starting with “changing the mindset” from “charity” to “social development,” necessary improvements to create a vibrant social development sector include refining policies, building capacity, and strengthening organizational infrastructure. Similarly, government, corporations, and NPOs in the Kingdom are finding that in order to create large scale and sustainable change, they cannot act alone.

Through the expansion of scale and improvement of skills, along with the alignment of strategies and policies, all the stakeholders can complement each others’ efforts while maximizing investment in high-impact initiatives. This approach will require managerial investment of time and outreach to build skills and align approaches across organizations to best serve particular issues or geographies.

*Starting with “changing the mindset” from “charity” to “social development,” necessary improvements to create a vibrant social development sector include refining policies, building capacity, and strengthening organizational infrastructure.*

Addressing these challenges will require efforts to be made on all sides – the government, corporations, the donor community, nonprofit organizations, academic institutions, and individuals.

#### WHERE IS THE PROBLEM?

Charity has always been an integral part of the Muslim heritage of Saudi Arabia. Saudi culture and tradition encouraged and required every person to lend assistance in many ways long before NPOs evolved; Zakah, one of the five pillars of Islam, obliges the giving of charity. Sagadah, a voluntary form of charity, is also a key Islamic concept. Formally, however, the first NPO in Saudi Arabia was established fifty years ago and the majority of other NPOs have only been active in the last decade. In Saudi Arabia, the old axiom is reversed; it has been more common to “give people the fish” rather than “teach them how to fish.”

Yet, the country’s actual human and infrastructure capacity to effectively distribute and use donor funds hardly matches the Saudi people’s philanthropic instincts and contributions. Even the scale and scope of Saudi citizens’ philanthropic contributions are sometimes difficult to determine

and trace. Only a fraction of the philanthropic money is institutionalized – or collected, managed, and used by registered and professionally run organizations – with the remainder often given through informal channels or hand-to-hand.<sup>12</sup>

According to the recent Harvard Kennedy School and King Khalid Foundation report, “the nonprofit sector in Saudi Arabia remains highly undeveloped and underleveraged in terms of institutional capacity, human capacity, laws and regulations, transparency, and impact. The growing awareness of social responsibility, the increase in, and recognition of, poverty and other social problems such as a 10 percent national unemployment rate and a youth unemployment rate at nearly 40 percent, a shortage of governmental social services, and a lack of clearly defined national social policy are just some of the major factors behind the recent increase in the number of NPOs in KSA. It is increasingly apparent that the NPO sector must be significantly improved in order for Saudi Arabia to continue to prosper and compete in the global community.”<sup>13</sup>

“Charity” organizations or associations registered with the Ministry of Social Affairs (MoSA), represent the bulk of the NPOs in the country. The geographic distribution of these organizations, as well as their focus, markedly lack in diversity. The majority of NPOs are concentrated in Riyadh, Makkah, and the Eastern region (over 50 percent). Moreover, over a third of all NPOs focus on the poor and almost a quarter of them serve orphaned children.

If we look even deeper into the reasons for NPO weakness we find that:

1. The majority of giving is informal, given hand-to-hand, which makes it harder to track and evaluate.
2. There is a limited scale of professionalism, and existing nonprofit organizations are limited in their effectiveness.
3. There is a lack of human capacity on the part of foundations and nonprofit organizations to provide grants and funding responsibly and to create scalable and sustainable programs.
4. Most of the giving focuses on poverty alleviation through cash contributions instead of on investments in development and sustainability.
5. Finally, Saudi citizens resist working at or accepting what are perceived as lower-paying and lower-skilled jobs. This results in subscale initiatives, limited investment in delivery capacity, an under-developed NPO sector, and a waste of precious funds.

## INFORMAL GIVING AND LACK OF IMPACT

To date, informal giving has been the norm in the KSA. Whether through religious institutions, informal volunteer groups, or by direct contributions of money to the poor, a significant amount of donor money is unaccounted for and thus untraceable. The focus is on the actual giving itself and not on the effects of giving.

Although financially they are highly regulated by the MoSA, NPOs lack many of the basic management practices required for these types of organizations. The King Khalid Foundation's survey of 165 NPOs in Saudi Arabia shows that 93 percent of NPOs surveyed lack a clear mission statement, 73 percent lack clearly defined goals and objectives, and over 90 percent of do not have systems and processes in place for fundraising. Only 33 percent the surveyed organizations have a recently updated website and only 13 percent have web or mail servers. Moreover, standards for good monitoring and evaluation systems, or the conception of what constitutes a good proposal, are far from international best practices.

Generally, foundations are built around the aspirations and financial means of one person, a family, or one community leader. These foundations tend to focus on issues of high interest to that individual. This is in contrast to building the foundation around issues of national, regional, or international significance. Funding is fragmented, therefore, by a lack of focus of these foundations. Only a small number of existing foundations have a specific and narrow focus of giving. The majority fund a variety of one-off programs with limited impact and scale. Moreover, NPOs are not seen as a viable career choice and are something supporters do in their spare time on a voluntary basis. Greater professionalism, as well as awareness amongst and coordination of all stakeholders would result in greater scale and impact.

## LIMITED PROFESSIONALISM AND THE NEED FOR CAPACITY BUILDING

Nonprofits require many of the same human capital resources as private firms or government agencies in order to flourish; namely, qualified, motivated individuals to plan and execute the work needed to attain organizational goals. Capacity building increases "the ability of nonprofit organizations to fulfill their missions in an effective manner."<sup>14</sup> But even at a basic level, capacity building can be challenging. There are no Saudi academic programs at the university or graduate level focusing on social development or nonprofit management and there are no quality certification programs for this sector at all.

Increasing the skill base of NPO staff has been slow and difficult. Further, NPOs have not been able to attract, develop, and retain professional staff. Saudi Arabia does not have a local pool of executives with strong regional philanthropic experience. Likewise, limited career progression options in relatively small organizations coupled with uncompetitive compensation and strict cultural norms are unlikely to attract the limited number of talented individuals in the field, both at a local and international level.

**POVERTY ALLEVIATION THROUGH CASH CONTRIBUTIONS**

A unique aspect of Saudi culture is the presence of zakat as one of the main tools for poverty alleviation. Zakat, which is often compared to the system of tithing and alms, serves principally as welfare contribution to poor and deprived Muslims. It is the duty of an Islamic community not only to collect zakat but also to distribute it fairly. The Saudi government mandates a 2.5% zakat tax from both businesses and individuals, which is used to help fund the country’s social security system and distributed by organizations in the form of cash contributions.

While zakat is yet another example of the Saudi people’s generosity, zakat regulations are very strict and NPOs cannot keep any part of the zakat money for operating costs, capacity building or program develop-

*Both male and female Saudis find it more acceptable to receive welfare money from the government or hand-outs from nonprofit organizations, which often add up to more than low-paying salaries, rather than work as receptionists, coffee shop baristas, cleaners, construction workers, or even nurses.*

ment, or other internal expenses. The full amount of zakat money that NPOs receive has to be distributed directly to the beneficiaries. Thus, methods of zakat collection and distribution can be improved greatly. Transforming the use and distribution of zakat money from a cash contribution to a development tool would make a significant difference in strengthening the NPO sector, elevating the poor out of poverty, and ensuring long-term sustainability of development projects.

**CULTURAL LIMITATIONS**

Finally, the Saudi citizenry’s reluctance to accept low-paying, low-skilled jobs—or even entry-level positions—is proving to be a significant obstacle to growth. Both male and female Saudis find it more acceptable to

receive welfare money from the government or hand-outs from nonprofit organizations, which often add up to more than low-paying salaries, rather than work as receptionists, coffee shop baristas, cleaners, construction workers, or even nurses. Even after receiving training in basic skills and being matched with specific jobs, a number of young people still refuse to accept them out of embarrassment or unwillingness to perform low-end jobs. Although this has been gradually changing in recent years, this system and mindset will require significant effort and involvement by all stakeholders to create change.

### OPPORTUNITIES FOR IMPROVEMENT

Social and humanitarian progress is not one-dimensional. Development means expanding and improving health, education, and employment opportunities for all. Although there are a number of challenges constraining the growth and impact of social development in the KSA, there is increasing determination to overcome them. The social development sector can either continue to struggle with these challenges on its own or attempt to achieve better outcomes with the help of others.

In the past decade, increased transparency regarding nonprofit funding, goals, and activities has been required to provide greater insight into the internal actions of nonprofit organizations in the Kingdom. This trend resulted generally in greater scrutiny of the nonprofit sector and illuminated many of its specific challenges and weaknesses. Yet, as noted in the Harvard Kennedy School and King Khalid Foundation study, “the pace and quality [of change in Saudi Arabia’s nonprofit sector] must improve significantly for this sector to become an important stakeholder and contributor to the Saudi society, and to contribute to the overall competitiveness of the country.”<sup>15</sup> ■

### ENDNOTES

- 1 Khalid Al Yahia and Nathalie Fustier, “Saudi Arabia as a Humanitarian Donor: High Potential, Little Institutionalization.” GPPi Research Paper #14, Global Public Policy Institute, Berlin, February 2011.
- 2 Ibid.
- 3 McKinsey and Company, “Increasing the Impact of ‘Giving’ in Saudi Arabia.” Riyadh, KSA, 2009
- 4 “India: More NGOs, than schools and health centres.” *OneWorld.net*. July 7, 2010. <<http://southasia.oneworld.net/todayshadlines/india-more-ngos-than-schools-and-health-centres>>. Retrieved 2011-10-07 (accessed May 29, 2012).
- 5 “Hobbled NGOs wary of Medvedev.” *Chicago Tribune*. May 7, 2008. <[http://articles.chicagotribune.com/2008-05-07/news/0805060608\\_1\\_civil-society-russian-authorities-russian-president-vladimir-putin](http://articles.chicagotribune.com/2008-05-07/news/0805060608_1_civil-society-russian-authorities-russian-president-vladimir-putin)>.

- 6 King Khalid Foundation, "Survey of the Nonprofit Sector." Riyadh, KSA 2010.
- 7 McKinsey and Company, "Increasing the Impact of "Giving" in Saudi Arabia." Riyadh, KSA, 2009.
- 8 Ibid.
- 9 Lester M. Salamon, S. Wojciech Sokolowski, and Stephanie L. Geller. "Holding the Fort: Nonprofit Employment during a Decade of Turmoil (2012)." *Nonprofit Economic Data Bulletin #39*, Baltimore, MD, January 2012.
- 10 Lester M. Salamon, Helmut K. Anheier, and Associates, "Civil Society in Comparative Perspective," in *Global Civil Society Dimensions of the Nonprofit Sector*, The Johns Hopkins Center for Civil Society Studies, Baltimore, MD, 1999. Page 5.
- 11 Lester M. Salamon, S. Wojciech Sokolowski and Regina List. "Global Civil Society: An Overview," The Johns Hopkins Comparative Nonprofit Sector Project, Baltimore, MD, 2003.
- 12 McKinsey and Company, "Increasing the Impact of 'Giving' in Saudi Arabia." Riyadh, KSA, 2009.
- 13 Jane Nelson and Shannon Murphy, "Strengthening the Capacity of Nonprofit Organizations." Harvard Kennedy School CSRI and King Khalid Foundation. Cambridge, MA 2012.
- 14 Penelope McPhee and John Bare, "Building Capacity in Nonprofit Organizations." The Urban Institute, April 2001.
- 15 Nelson and Murphy.