

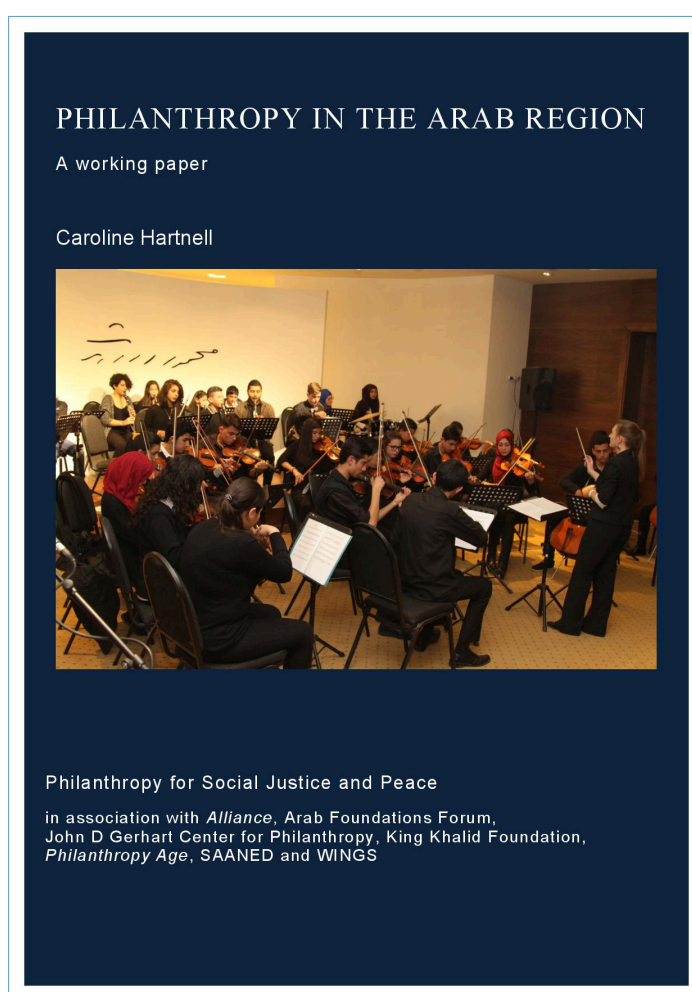
# PHILANTHROPY IN THE ARAB REGION

## Summary Report

### INTRODUCTION

Philanthropy in the Arab region has a long history of giving by individuals and social giving, all tied to religious giving. The emerging trend of moving from these charitable/religious traditions to more of a developmental approach is a constant theme in this paper. From 2000 to 2010 a new generation of Arab foundations emerged with a more secular and developmental focus. After the Arab Spring, a further shift took place and concepts like social justice, equity and democracy began to appear in public and professional discourse. Sadly all this went into reverse in the following years as successive governments in the region began to believe that civil society could threaten the stability of the government. As a result they began to pass restrictive laws, and donors have been withdrawing from progressive giving.

One promising trend is the emergence of social enterprise, seen by many as the key to development in the region, particularly venturing into innovative social initiatives and creating employment opportunities for young people – more than 28 per cent of the population of the Middle East is aged between 15 and 29.



This new working paper aims to provide an overview of the current state of philanthropy in the Arab region today, particularly shining a light on new areas and innovations. It aims to present trends across the region, highlighting differences between countries and subregions where they became apparent. It is a work in progress, not a finished document. The insights it presents can only be a starting point, to be built on by others.

## WHAT CURRENTLY EXISTS IN TERMS OF PHILANTHROPY IN THE ARAB REGION?

### Traditional philanthropy

Faith-based charity and giving to family and relatives is widespread throughout the region. People give to local organizations directly and in cash. Tunisia has no foundations but people are very supportive to each other and there is a lot of philanthropy stemming both from religion and from social solidarity, supporting kindergartens, schools, community health centres and so on.

Syria is another country that has always had a strong social support network. Giving and receiving grants was very complicated even before the uprising, so cash was often given person to person or person to organization, focused on basic needs. There have always been many informal community groups, but since the uprising Syria has seen a blossoming of its civil society sector, with hundreds of organizations being set up in non-regime areas and by expatriate Syrians abroad.

There are also examples of traditional, faith-based charities focusing on social development, for example Masr El Kheir in Egypt, which is based on the *zakat* spending of millions of Egyptians. In Saudi Arabia, where *zakat* funding is regulated by the government, it is beginning to be made contingent on its use for specific purposes such as children, health or education.

### Private foundations

The incidence of foundations is very uneven across the region. In many countries there is no legal framework for setting up a foundation; this includes most countries in North Africa. Foundations are relatively well established in the Levant and in Gulf states like Saudi Arabia and the UAE. In Saudi Arabia in 2017, the government's Vision2030 actually included philanthropy as part of Saudi national strategy and development plans. The UAE government declared 2017 the 'Year of Giving'.

The upsurge in Arab philanthropy in recent years has seen both the formation of 'modern' foundations, subject to modern management principles and methods and not constrained by Sharia principles, and a revival of *waqf* – a form of endowment established by individuals under Sharia law, the oldest and most common form of religiously motivated social giving. Alongside the Western-inspired foundations that

have appeared in the last three decades, new forms of *waqf* have emerged such as crowdfunding for *waqf*, prevalent in Saudi Arabia and Kuwait, where the culture of *waqf* is particularly well developed and widespread. In addition to advancing religious causes, *waqf* are now playing a notable developmental role in many sectors.

A 2017 survey to ascertain the extent to which foundations are engaging with the Sustainable Development Goals throws some light on what they see as their role. While they see education, gender equality and employment creation as high priorities, environment and poverty barely register. Whatever causes they support, most Arab foundations implement their own programmes rather than making grants to NGOs. While only the Emirates Foundation and Alfanar say they are doing venture philanthropy, more foundations are taking a 'strategic' approach – being long-term, hands-on, scalable.

A major problem for Arab foundations is protection of endowments. Under religious law one third of a person's wealth can be put into a *waqf*, which gives a revenue stream in perpetuity, but most countries have no legal protection for endowments. So for any foundation a key question is: 'is the money properly fenced off? If the donor went bankrupt, what would happen to the foundation?' The UK-based A M Qattan Foundation is one that has a proper endowment, the Palestinian founder, the late Abdel Mohsin Al-Qattan, having taken steps to safeguard the money in the foundation in the event of his death.

### International foundations

The role played by international foundations varies from country to country. In Tunisia, where there are no local foundations, almost all philanthropic money currently comes from foreign sources, while in Saudi Arabia almost all philanthropic money is local and locally spent. A few international foundations have offices in the Middle East, including the Ford Foundation and the German Heinrich Böll Foundation.

The area that is most dependent on foreign funding is progressive/social justice philanthropy. Local funding amounts to 5 per cent of the Arab Human Rights Fund's total income at best. This comes solely from individual donors, not from the business sector. Unfortunately, foreign funding has been shrinking over the past years with shifting priorities and focus among international donors, and it is becoming extremely difficult to bring money into many countries in the region. The regulations relating to receiving funding from abroad are burdensome, and even cross-border funding within the region is becoming more restricted.

### Corporate philanthropy

There are clear signs that companies in the Arab region, especially the larger and more internationally minded ones, are taking CSR seriously and moving, albeit slowly, from traditional, unstructured philanthropy to more institutionalized, sustainable and innovative approaches. Companies are also just beginning to engage in social investment, with an increasing interest in sustainable social

enterprises. Most companies have a CSR or community engagement department, but many more progressive companies establish a separate foundation that receives a percentage of profits for a very specific purpose.

One of the first companies to move in a more strategic direction was Abraaj Capital. Other good examples are MBC (Middle East Broadcasting Corporation) and Aramex. Ruwwad for Development is a not-for-profit that operates through an annual endowment from corporations and business entrepreneurs. Around 450 young people benefit annually from university and college scholarships, giving back 84,600 community service hours a year.

Companies are involved in a wide range of issues, but business typically shies away from dealing with root causes, so as to avoid conflict with the state, the more so after 2015 with the retraction of the Arab Spring. Support for the environment is very limited.

Companies are increasingly partnering with CSOs and grassroots organizations. State-private sector partnerships are also becoming more common, despite the challenges of working with government. Several organizations support corporate philanthropy, including the Gerhart Center, Ahead of the Curve and Kaamen.

### **Impact investing and social enterprise development**

The current situation of impact investing in the Arab region could be summarized as not a lot happening but a lot of potential. A 2016 consultation with Arab Foundations Forum members showed that they all wanted capacity building for impact investing though few were actually doing it.

The potential lies chiefly in the huge potential benefits of social enterprise development. Social entrepreneurship is growing largely where there is a lot of conflict, economic instability and a lack of jobs – in Egypt, Tunisia and Morocco. In these countries, it presents a way for young people to create change and stop relying on government. Another factor behind the rise of social enterprise is that for-profit regulations are easier than non-profit ones.

It is generally agreed that the social enterprise ecosystem is lacking. People are investing in the concept of social entrepreneurship, and there are some incubators and some seed funding, but there are almost no funds to invest in existing social enterprises. However, things are starting to happen. Several AFF members and partners support social enterprises, including Taawon, Emirates Foundation, King Khalid Foundation, and funds like Wamda and the Oasis 500 Fund in Jordan have been set up specifically to do so. A new impact investing fund is being developed by the Ministry of International Cooperation in Egypt with support from UNDP. There is also a range of organizations that offer non-financial support.

## Progressive/social justice philanthropy

Philanthropy dealing with root causes rather than symptoms is in retreat following the reversal of the Arab Spring. This is partly because philanthropic funds often come from businesses and businesses are shying away from anything that might anger the government. Since 2015, therefore, donors largely prefer to support services projects: those that deal with daily needs like feeding, immediate relief for refugees, schooling and healthcare.

However, there are a few foundations that take the risk of going beyond the provision of services and tackling root causes, including Taawon, the Arab Fund for Arts and Culture and Arab Human Rights Fund, the Hani Qaddumi Scholarship Foundation. All of these aim to empower people to improve the quality of their lives.

If Arab social justice philanthropy is to achieve more, awareness of the concepts of social justice and social justice philanthropy will need to be raised within the philanthropy sector itself. At present philanthropic institutions adopting a human rights-based approach in their humanitarian/developmental work shy away from using the human rights narrative to describe their activities.

## Community philanthropy

The Community Foundation Atlas lists perhaps a dozen community foundations in the Arab region, but of these only five were mentioned by contributors to this paper, including the Waqfeyat al Maadi Community Foundation (WMCF) in Egypt and the Dalia Association in Palestine, both founded in 2007. WMCF was the first community foundation in Egypt and the first to revive the concept of *waqf*. It has successfully lobbied for a new clause in the new Egyptian constitution that acknowledges the importance of reviving, modernizing and protecting the *waqf*.

But this is not the whole picture. There are also community mobilizing efforts through community leaders, community philanthropy driven by CSOs, and ad-hoc community philanthropy responding to particular causes. Again, the Arab Spring seems to be a pivotal point. Such initiatives burgeoned after 2011, but have since declined as governments began to see civil society as potentially threatening and restrict civil society movements. In Egypt, for example, a new NGO law reflected increased hostility towards CSOs.

## Individual giving

Giving is embedded in the culture of the region. According to the Arab Giving Survey, carried out annually in GCC countries, almost 9 out of 10 people made a donation in the last year. Giving is based largely on social and religious traditions. *Takaful* – solidarity on the part of those who have with those in need – is integral to Arab societies. Many are guided by their religion in giving a percentage of their income each year to the poor and needy. For Muslims, it is obligatory to give 2.5 per cent of their total accumulated income. This tradition of giving appears to remain strong among the younger generation.

According to the Arab Giving Survey, giving to individuals is more popular than any other cause, while poverty alleviation and refugees are also high priorities. While wealthy donors are mostly unwilling to risk alienating government by supporting edgy issues, a successful crowdfunding campaign by young activists in Lebanon in 2013/14 to shame the government over its inaction in dealing with garbage collections shows there is potential among the non-wealthy.

Few of the region's crowdfunding platforms support non-profits. One that does is Zoomaal, which has now taken the step of designing a space specially to suit NGOs' needs. GivingLoop aims to create trust between non-profits and donors and help NGOs become sustainable. It is too early to tell how successful it will be.

Diaspora giving is particularly significant in Syria, which has an enormous network of people sending remittances back. Much of this goes direct to family and neighbours but some of it has become more organized. Jusoor is an ex-pat NGO with 123,320 community members formed to raise money for Syria from ex-pats and international organizations. Giving to one's home neighbourhood is also common among people from the Levant who are working in the Gulf and among Palestinians working in the Gulf or living in Jordan.

### Philanthropy infrastructure

The main philanthropy infrastructure organizations are the Arab Foundations Forum, a membership body; SAANED for Philanthropy Advisory in the Arab Region, which offers services for philanthropists; and the John D Gerhart Center for Philanthropy and Civic Engagement at the American University in Cairo. Several contributors to this paper mention the lack of data and research on all aspects of philanthropy. Apart from the annual Arab Giving Survey of philanthropy in the Gulf states, published by *Philanthropy Age* magazine, there is no systematic reporting of philanthropy in the region.

## WHAT IS DRIVING PHILANTHROPY IN THE ARAB REGION?

Traditionally Arab philanthropy is driven mostly by traditions of giving and religious beliefs, but there is a clear, if slow, move away from this. One thing driving this shift is the enormity of development needs in the region and the realization that government cannot meet them alone. Unemployment and poverty are the biggest challenges. Both privately wealthy people and companies are increasingly recognizing that the private sector must be involved if improvements are to happen in society.

On the corporate side this new consciousness has come mainly from multinationals and large corporations. Companies that want to operate internationally will need to conform to recognized international standards, while companies in the region are

recognizing that their current practices are ad hoc and don't achieve a long-term impact.

## WHAT IS HOLDING BACK PHILANTHROPY IN THE ARAB REGION?

Regulatory issues loom large for philanthropy in the region – the lack of an enabling environment being partly due to the perceived link between philanthropy and terrorism. The economic situation is also challenging. There are huge economic difficulties in most Arab countries and a lack of foreign currencies in countries like Egypt. In the Levant, the difficulties are aggravated by the severe refugee problem, which is soaking up most available funds. Other issues are shortcomings both among philanthropic organizations themselves and among NGOs and a lack of confidence in NGOs.

### Regulatory issues

The lack of a clear regulatory framework in many Arab countries creates a sense of uncertainty about what is acceptable, and when and how the state will regulate, control or restrict activities. Social justice philanthropy is particularly affected by the escalating phenomenon of closing space, locally and internationally, and new restrictive laws inhibiting the work of local civil societies and indigenous grantmakers.

In many Arab countries there is no legal framework for setting up a foundation; in others the regulations are burdensome. This is more of a problem in some countries than others. It is relatively easy to register a non-profit or for-profit in Lebanon, but difficult in Egypt. In UAE, there is no formal 'non-profit' status, which presents its own difficulties. Most countries also lack any legal protection for endowments.

Incentives for giving are largely lacking. There is no encouragement for companies to invest in society in a more sustainable way rather than making charitable donations. In Jordan, every dollar that comes in from any source, with the exception of international funder/donor agencies approved by the government, has to be taxed.

Moving money is another big problem. Receiving foreign grants or moving money around the region is becoming increasingly difficult, largely because of lengthy government approval procedures and burdensome documentation requirements imposed by banks in the Arab region and outside as part of counter-terrorism measures. Even finding a bank can be difficult. Social justice philanthropy is particularly badly affected, given its dependence on foreign funding. Online payments face the same difficulties, which means crowdfunding is almost impossible unless it's local.

## Other issues for philanthropy in the Arab region

- **Shortcomings of philanthropic organizations.** Finding and retaining high-quality staff is a challenge identified in GCC countries. Other issues are a lack of innovation and creativity, and donors' limited experience with grantmaking. Most Saudi foundations conduct in-house programmes largely because they feel there is a lack of good NGOs to support.
- **Lack of confidence in NGOs.** The lack of trust in NGOs is inhibiting all kinds of funding – from crowdfunding to corporate philanthropy. Often NGOs are not seen as sufficiently close to the people who need support. Or there is a perception that NGOs' reliance on government and/or foreign funding makes them unable to promote local agendas. Capacity building for NGO staff is needed to help them eradicate this negative image, and the ability to fundraise locally will enhance legitimacy.
- **Public attitudes.** There is lukewarm public acknowledgment of the role of philanthropy as a sector, and no public understanding of or support for development-oriented initiatives versus charity-based ones. Another issue is people not seeing it as their role to contribute to social causes.
- **Lack of data.** The lack of data and research on all aspects of philanthropy is widely acknowledged. Most philanthropy is not planned, monitored or reported systematically, which makes it difficult to take a strategic approach.

## WHAT IS THE POTENTIAL OF PHILANTHROPY IN THE ARAB REGION?

### Social enterprise as the future of Arab philanthropy

Despite its nascent state, impact investing and social enterprise development are seen by many as having great potential. This is partly because the for-profit sector is less scrutinized than the non-profit sector, giving greater latitude for action to address social causes, and even to touch on 'edgy issues' – such as empowerment through support for social entrepreneurship, employment and increased income.

Social enterprise could be the next wave of job creation, the solution to the huge problem of unemployment in the Arab world, especially in Egypt. It also offers a way of connecting with young people and stimulating innovation (both economic and social). Given the size of the youth population, says one commentator, 'the future of Arab philanthropy may not be in more foundations but instead in a youth population with a sense of social purpose and the ability to create their own businesses that are both financially viable and able to resolve a social challenge at scale.'

As yet the social enterprise ecosystem is very fragmented. No one country has a complete functioning system, and countries aren't combining to create one. Each of the organizations supporting social enterprise focuses on a different aspect. Creating



a complete ecosystem is seen to be key to the success of social enterprise in the region.

Greater cooperation between incubators, aggregators, donors and investors is also needed to ensure that social enterprises do receive appropriate financing and support. Attitudes among social entrepreneurs may also need to change. At present there is an interest in loans but also a reticence to take them on owing to lack of understanding and confidence.

### **What role could foundations play in development of the region?**

According to a recent survey of Arab foundations, the majority are actively gearing their activities towards achieving the SDGs. Are they fit to put these intentions into practice?

A change of mindset will be needed if philanthropy is to become a powerful tool for development and innovation, suggests one commentator. Arab foundations tend to have a limited, top-down view of the relationship between philanthropy and NGOs. Philanthropy could play a much bigger role if donors were more strategic about their giving, and more willing to take risks and to collaborate both with other philanthropic institutions and with the state. A greater culture of evaluation and more information on philanthropy could also help.

### **What potential for community philanthropy?**

Despite its present undeveloped state, several commentators see huge potential for community philanthropy if there was better legislation. Village-level family funds, for example in Egypt, Lebanon or Palestine, supported by diaspora in the Gulf, Latin America and elsewhere, could evolve into more formal community philanthropy organizations. To realize its potential, community philanthropy will need to be aware of its strengths, as it was in the Arab Spring period. It also needs to be more organized if it is to be able to lobby for policy change and support programmes that respond to the root causes of poverty and community problems.

### **What potential for progressive/social justice philanthropy?**

There seems to be little expectation that philanthropy in the Arab region will get out of its comfort zone and start to address more edgy issues any time soon. But there could be more limited but positive roles, such as encouraging corporate donors and wealthy individuals to hold themselves accountable to the communities they support and giving grassroots organizations core funding to enable them to build their capacity. Foundations could also invest in building a new discourse in support of inclusive and rights-based policies.

If philanthropy is to achieve this role, what is needed is frank dialogue between civil society, business and the state about the programmes and measures needed to build an equitable society. On a positive note, the Ministry of Planning in Egypt is actively organizing roundtable discussions and forming committees from the civic

sector and the government on themes relating to the 2030 SDGs, and one of these is called the Social Justice Group.

### What potential for individual giving?

There can be 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. The big question is about the potential to channel traditional giving to social causes. As one example, it is hoped that GivingLoop will be able to tap into *zakat* giving, and Masr El Kheir in Egypt is already doing so.

There is general agreement that not much online giving is happening at the moment, but this could grow, especially among young people. Technology can make it easy to discover non-profits, and the younger generation are technology aware and comfortable with credit cards. On the negative side, the controls by banks on where you can give money are very restrictive, and trust between non-profits and donors is still lacking – though surveys suggest that donors may be influenced by results, and by charities' transparency about how funds are used, when choosing which charities to donate to.

What holds most hope for the future is that philanthropy is not just something the wealthy do. 'The rise of crowdfunding and the increasingly wide reach of the internet mean that anyone with access to a computer can be informed about and contribute to any cause they are interested in anywhere in the world,' says one commentator.

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**To read the full report and for a summarised Arabic translation (supported by the Arab Foundations Forum and SAANED for Philanthropy Advisory in the Arab Region), visit: <http://www.psjp.org/resources/philanthropy-in-the-arab-region/>**

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