



مؤسسة الملك خالد
KING KHALID FOUNDATION

Non-profit Sector Outlook

Midway Report

2023

Non-profit Sector Outlook

Midway Report



2023

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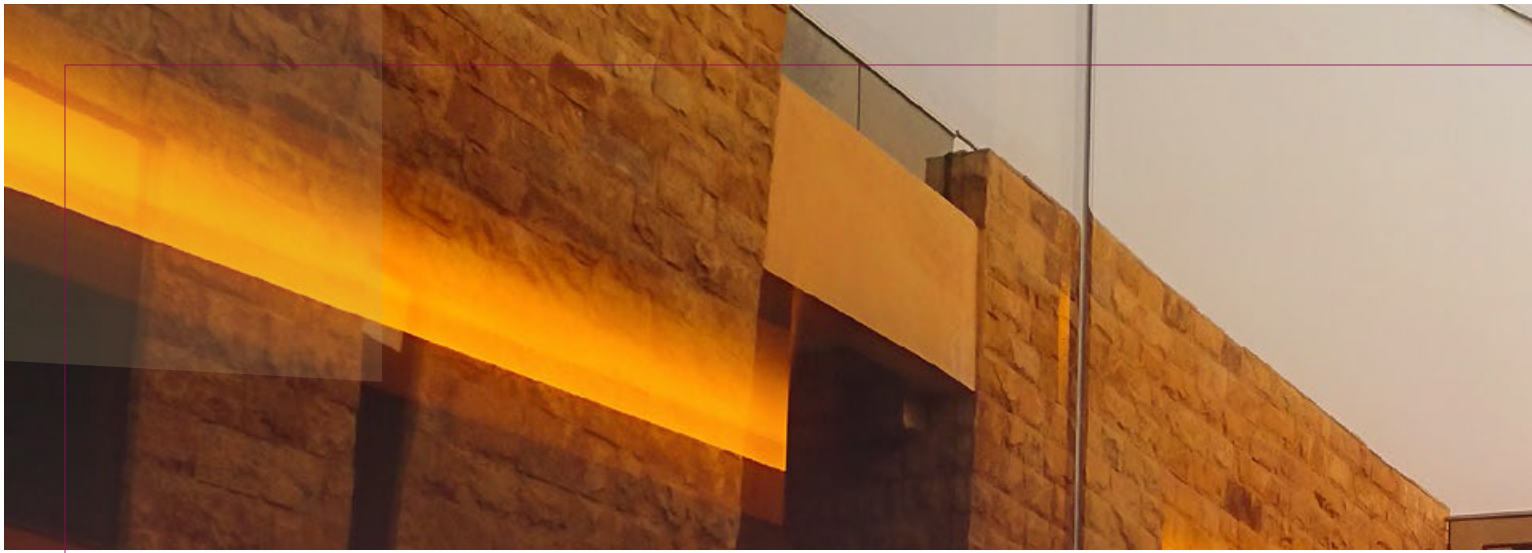
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Opening Statement

Every two years, the King Khalid Foundation releases the Nonprofit Sector Outlook Report, which reviews the status, data, activities, and contribution of the nonprofit sector to economic development. This year's third edition coincided with the seventh anniversary of Vision 2030, the first national strategy that puts the non-profit sector at the forefront of kingdom development through increasing its economic contribution from less than 1% to 5% by 2023. The report will highlight the achieved goals of the Kingdom's Vision 2030 and celebrate the historical growth of the non-profit sector, particularly the increase in the number of non-profit activities and organizations, which has increased by 424% over the past decade, placing it at the forefront of growth sectors.



Non-profit Sector
Outlook Report, 2018



Non-profit Sector
Outlook Report, 2021





The Report identifies the stages of the formation of the non-profit sector since 1960s. It also illustrates the sector's growth because of regulatory and legislative enablers, such as the issuance of the Charities and Organizations Regulations, the Charities and Organizations Law, and the Law of the General Authority for Awqaf seven years ago. It will also tackle the reorganization of controls over the non-profit sector through the establishment of the National Center for the Non-Profit Sector, entrusting it with financial and administrative oversight and the establishment of technical supervision units in the ministries and government agencies concerned with partnering with non-profit partners in the national development process. It is now appropriate to review the Charities and Organizations Law, as well as to introduce a new law for non-profit organizations, which covers all entities in the non-profit sector and allows for the additional growth needed to reach the Kingdom's Vision 2030 goal of a 5% contribution to the GDP. According to estimates by the King Khalid Foundation, the non-profit sector will develop by 17% to 18.5% per year over the next seven years, until the Kingdom's Vision 2030 is realized. The economic value of non-profit activities should increase to approximately SAR 41 billion, and the contribution of the non-profit sector to the GDP should reach approximately SAR 250 billion by the end of the Vision's period.

This year, the Report presents new perspectives on the sector's driving forces. It will examine the fact that more than 1,700,000 workers, proprietors, members, and volunteers were involved in the non-profit sector's impact chain. Their combined efforts provided the mobility required to serve the most indigent recipients and contributed to the attainment of national and international development goals. The Report will also provide a comprehensive analysis of the impact provided by the non-profit sector and identify the non-profit sector's contribution to attaining the strategic objectives of Vision 2030 and its executive programs. In addition, an analysis of the sector's contribution to attaining global sustainable development objectives is provided. However, it will conclude by outlining the goals for the next seven years until the Kingdom's Vision 2030 is realized, based on the scale of the non-profit sector's historical growth and its increasing social, economic, and environmental impacts. The King Khalid Foundation proposes five practical recommendations with the objectives of tightening governance over the non-profit sector, expanding its opportunities for empowerment in partnership with other sectors, increasing its employment rates and participation, and achieving its allotted economic contribution.



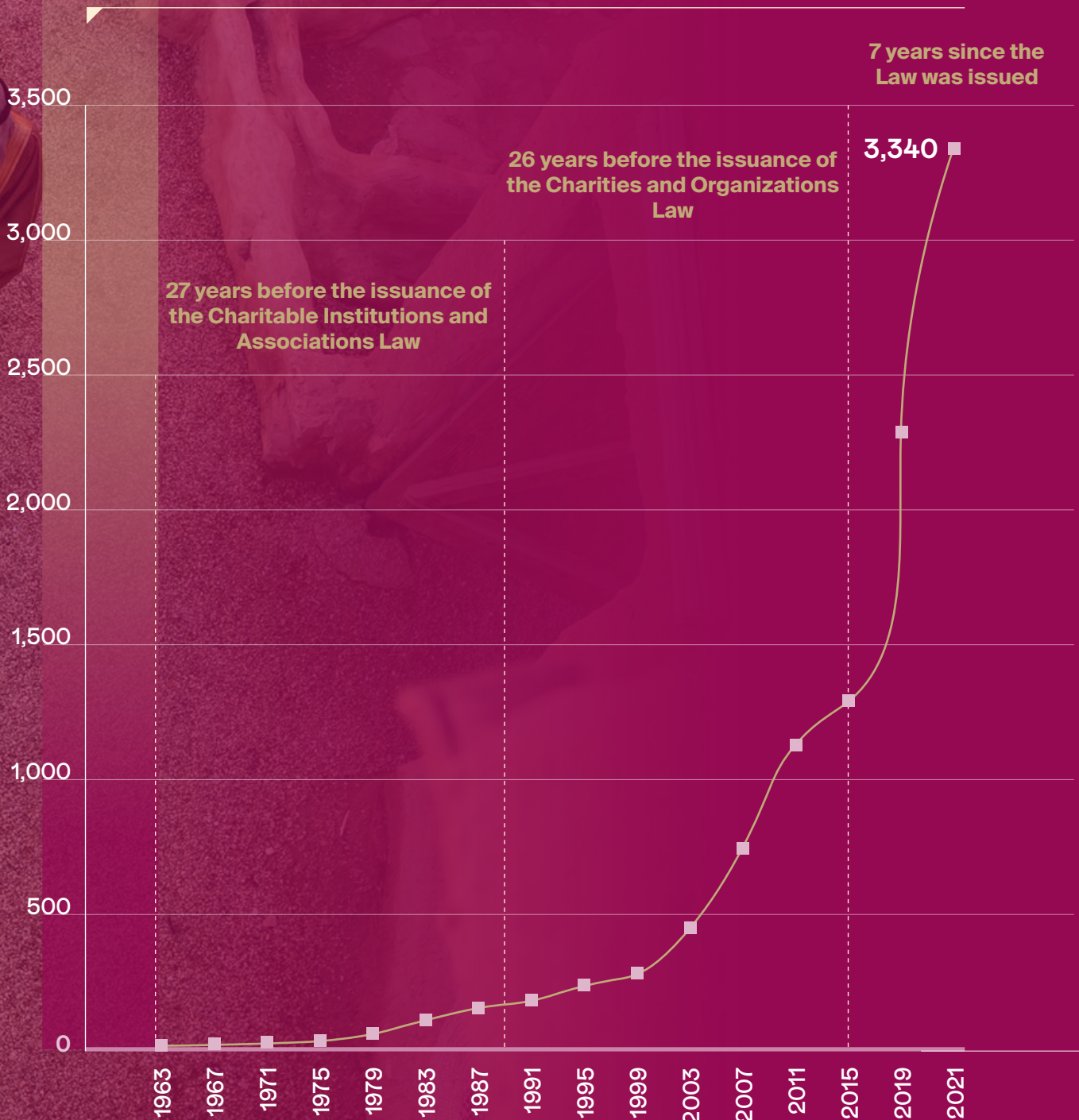
Starting point

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Non-profit
Sector Outlook



Number of associations and NGOs operating in the Kingdom by year of establishment (It does not include other forms of non-profit organizations)





The Saudi non-profit sector has grown in the modern era, consisting of a handful of non-profit organizations, immediately after the launch of the official record with the Ministry of Labor and Social Affairs (at the time) during its establishment in the first half of the sixties, until the sector reached thousands of non-profit organizations today. Through out this time, the sector witnessed three periods of growth, the first of which was the emergence period that lasted until 1990 with the issuance of the Charitable Institutions and Associations Regulations by a decision of the Council of Ministers, as the number of official non-profit organizations before such Regulations were issued did not exceed (171) organizations.

With the issuance of the Regulations, the sector began the stage of formation, which lasted for a similar period until the issuance and entry into force of the Charities and Organizations Law in 2016, when the number of Saudi non-profit organizations at that time exceeded (1500) organizations. By this increase, the non-profit sector entered the stage of accelerated and unprecedented growth, recording annual leaps supported by the launch of the programs and projects of the Kingdom's Vision 2030 and its implementation mechanisms.

In the first edition of the Non-profit Sector Outlook Report, the number of non-profit organizations in the Kingdom was estimated to be 2,598 in 2017, whereas the second edition of the Report showed that number to increase by 166% to 6,902 by 2019. The third version of the Report identifies the sector's growth at the same accelerating rate, reaching 36,151 non-profit organizations, which represents a growth of 424% (noting that the calculation methodology and the quality of administrative records have improved significantly over the years).

The growth witnessed by the sector during the past seven years can be explained by the launch of a set of regulatory enablers that contributed to the development of the sector, unleashing its potential and harmonizing its scattered form, most significantly: the issuance of the Charities and Organizations Law and the updating of its Implementing Regulations, and the commencement of registration and alignment work with the General Authority for Awqaf and the National Center for the Non-Profit Sector. This growth is due to the alignment of a large number of Quran memorization societies, Dawah and community outreach offices, and development committees with the Charities and Organizations Law, re-registration, and the transfer of their administrative and financial supervision to the National Center for the Non-Profit Sector.

The two largest categories of growth in the non-profit sector, with largest contribution to the increase over the past years, are endowments and owners' associations. For example, the number of endowments exceeded 15,000 endowment establishments with endowment certificates from the General Authority for Awqaf. On the other hand, the number of owners' associations exceeded 17,000 associations registered with the Real Estate General Authority, where owners' associations are entitled to receive donations under the Law of Real Estate Units Ownership, Subdivision, and Management, in other words they can be consider as a form of non-profit organization.



There are over 1,100,000 commercial establishments in Saudi Arabia, while there are only 36,151 non-profit organizations. The size of the non-profit sector is still small when compared to the expected growth and objectives of the Kingdom's Vision 2030.

This can be imagined in the following comparison, where the area of this page represents the number of commercial establishments, while the black spot representing the number of non-profit establishments.





However, the non-profit sector is deeply rooted in the Kingdom of Saudi Arabia, starting from the cradle of the message and early Islam (where the land of the Two Holy Mosques embraces the oldest Islamic endowments in Mecca and Medina, including the oldest endowment for the Commander of the Faithful, Uthman ibn Affan, may Allah be pleased with him). The two holy capitals embrace a number of endowments, bands, schools and entities that were formed over time and throughout successive Islamic ages with the help of benefactors.

The charitable institutional work, including its traditional forms, continued to grow and form since the era of the first Saudi state (such as Sbalat Modhi in the historic Diriyah) and even the first non-profit organizations that were supported and authorized by King Abdulaziz and his royal sons, such as the Association for the Claims of the Endowments of the Two Holy Mosques (1931), the National Ambulance Association (1934), the Chamber of Commerce in Jeddah (1945), the beginnings of the Al-Bir Association in Riyadh (of which first Board of Directors was chaired by the Custodian of the Two Holy Mosques King Salman bin Abdulaziz when he was Emir of Riyadh in 1955) and the Saudi Arabian Boy Scouts Association (1961).¹

This was before the emergence of the modern era of the Saudi non-profit sector with the adoption of the Cooperative Societies Law and the launch of the official registration of charitable societies, which began with the registration of the Multi-purpose Cooperative Society in Diriyah and two women's societies; the Women's Charitable Society in Jeddah (Al Oula) and Al-Nahda Womens Charitable Society in Riyadh in the first half of (1963).

1. For more information about the aforementioned organizations, see the archives of the National Center for Documentation and Archives of the Law of the Association for the Claims of the Endowments of the Two Holy Mosques published in Umm Al-Qura Newspaper, Issue No. 385; the speech of His Excellency the Deputy Governor of the General Authority for Awqaf at the 2022 Forum for the Future of the Non-Profit Sector (the

fourth session); the page of the Saudi Red Crescent Authority history; the page of the Saudi Chambers of Commerce history on the Riyadh Chamber website; the establishment and incorporation page of the Al-Bir Association in Riyadh; and the coverage of the Saudi Press Agency on the establishment of the Saudi Arabian Boy Scouts Association.



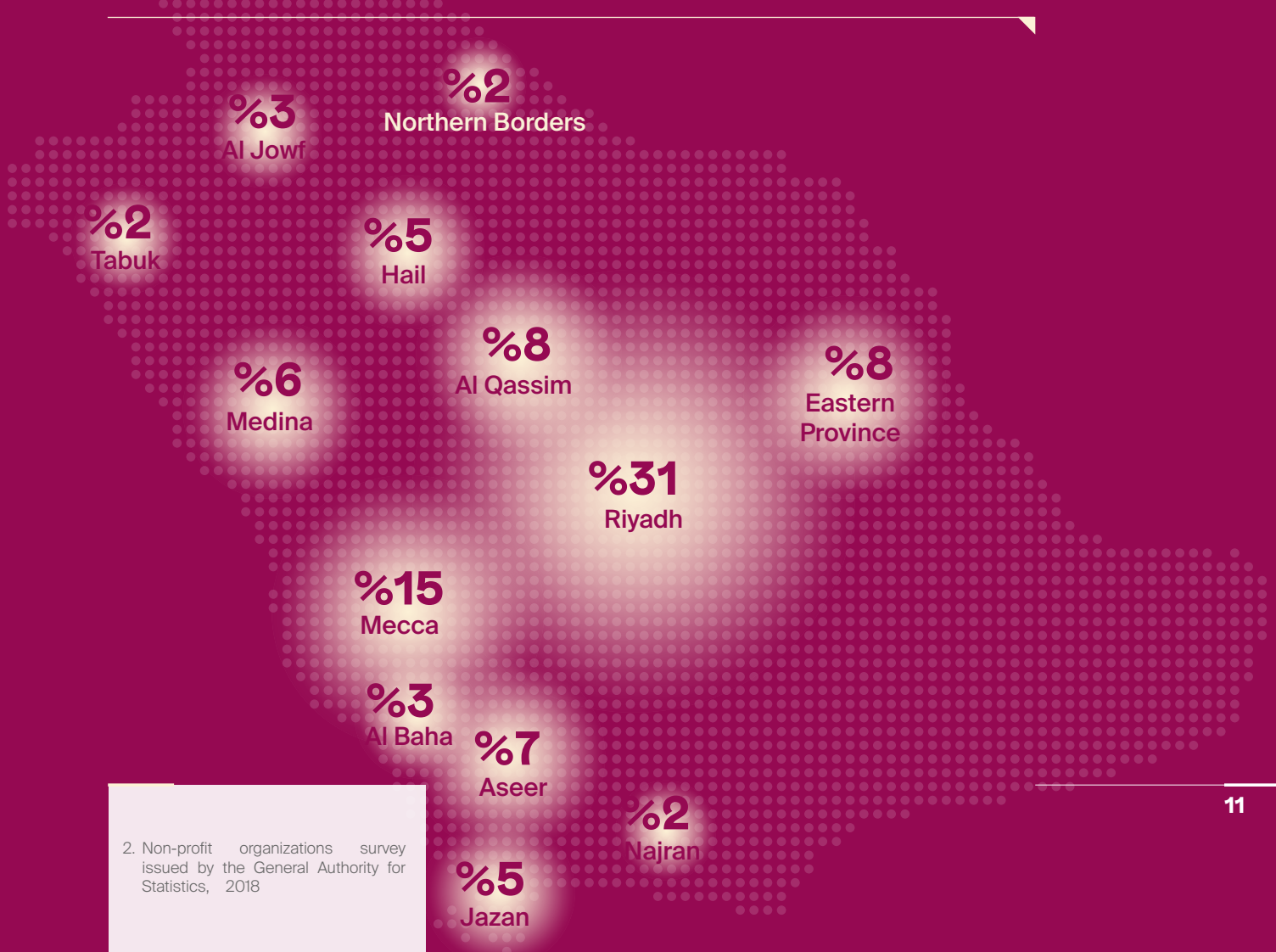


Geographic Coverage of the Non-profit Sector:

In terms of geographical distribution, Riyadh acquired 31% of the non-profit organizations, followed by 15% of organizations in Mecca, 8% of organizations in the Eastern Province and the same for Al Qassim. The lowest share was given to Najran, the Northern Borders Province and Tabuk, with 2% for each. The arrangement of administrative regions and their share of the number of non-profit organizations largely correspond to their distribution in 2018, according to the non-profit organizations survey issued by the General Authority for Statistics.²

Distribution of Non-profit Organizations

As per Administrative Region for 2021



2. Non-profit organizations survey issued by the General Authority for Statistics, 2018





Non-profit Sector Activities

Using the International Classification of Non-Profit Organizations (ICNPO) and reviewing administrative records, it appears that the non-profit sector encompasses a wide variety of activities and disciplines. The majority of Saudi non-profit organizations operate in the fields of development, housing, social services, and professional associations (such as cooperative societies, chambers of commerce, associations of scientific and health specialties), advocacy and guidance, religious education, and serving the pilgrims, while the share of other specialized fields such as the environment, advocacy, support, culture, and entertainment is still the smallest in comparison to shares of other fields.

When comparing this with 2018 data from the non-profit organizations survey, we see a decline in the share of social service organizations in favor of development and housing organizations. The the share of organizations operating in the field of development and housing jumped from 18% in 2018 to 31% in 2022, which indicates a significant shift in the non-profit sector from pastoral activities to development services activities.

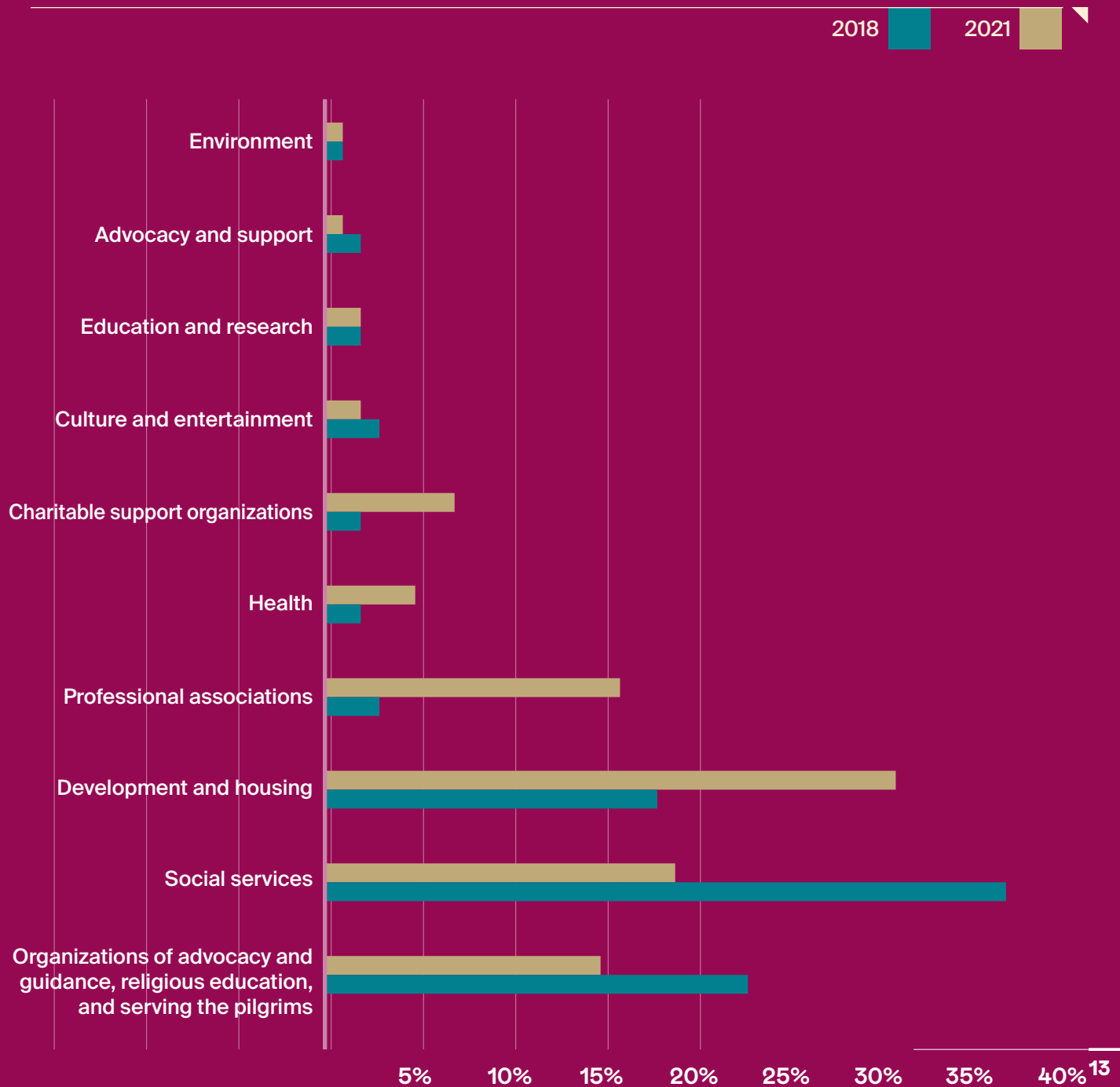
Because of the wide variety of activities in the non-profit sector, organizations are subject to multiple technical supervision bodies by various government agencies. Even a group of government agencies have established administrative units to technically supervise non-profit sector organizations operating in their field of competence. 55% of the organizations are subject to the technical supervision of the Ministry of Human Resources and Social Development, 16% of them are under the technical supervision of the Ministry of Islamic Affairs, Dawah, and Guidance, and 5% of them are under the supervision of each of the Ministry of Health and Saudi universities.





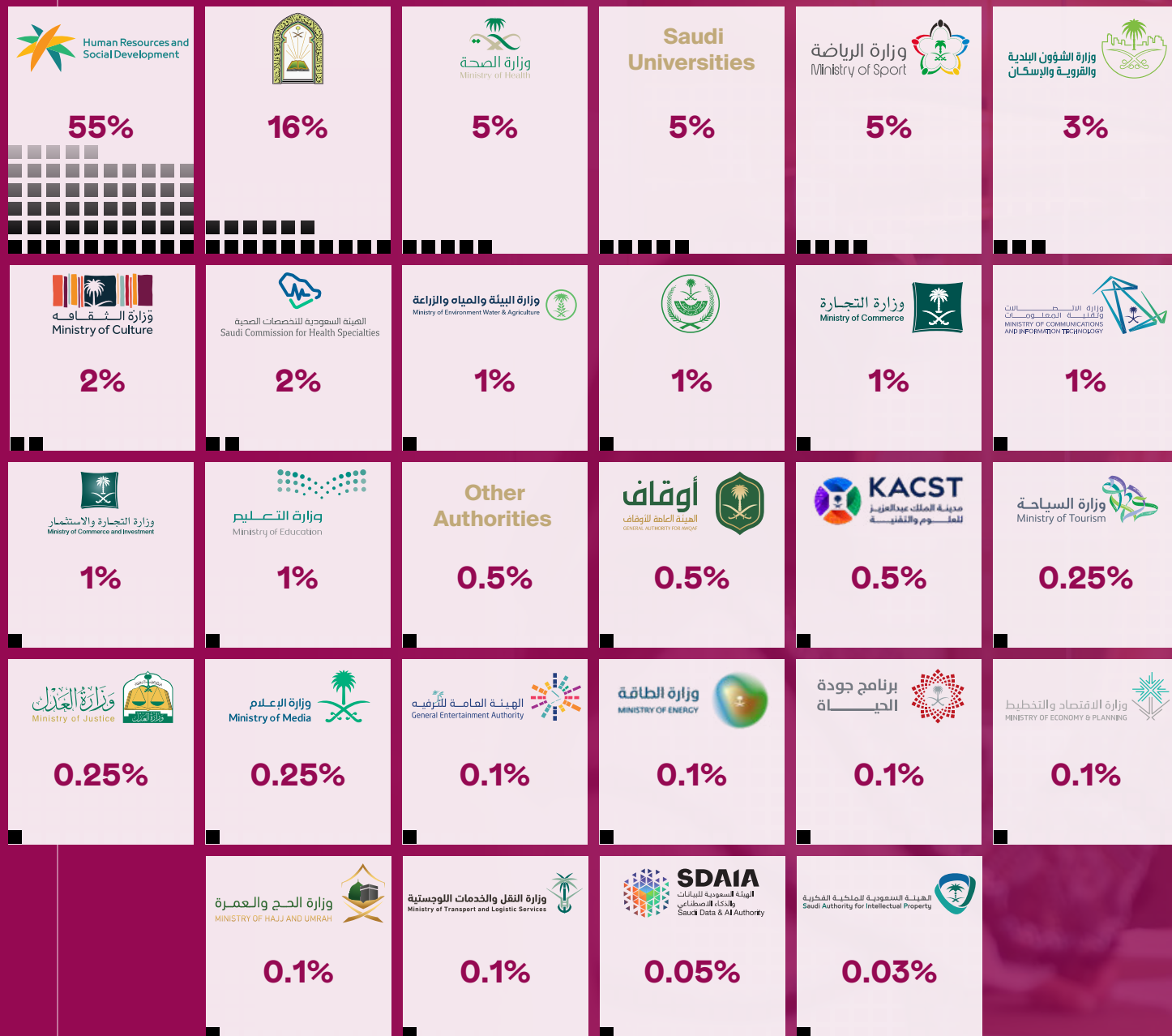
Distribution of non-profit organizations by specialty, 2021.

(excluding endowments and owners' associations)





Distribution of non-profit sector organizations as per the technical supervision authority (excluding endowments and owners' associations)





Due to the start of registration work with the General Authority for Awqaf and the National Center for the Non-Profit Sector, most non-profit organizations are subject to their financial and administrative supervision. The Center works on the governance, organization and registration of non-profit organizations registered under the Charities and Organizations Law and the Cooperative Societies Law. The Authority works on the governance, organization and registration of endowments according to its Law. In addition, 10% of non-profit organizations are subject to financial and administrative supervision by other parties such as Saudi universities that supervise academic societies, the Ministry of Commerce that supervises chambers of commerce, the Ministries of Culture and Sport that supervise literary and sports clubs, and a number of independent entities, such as organizations established under royal approval and professional bodies, excluding the endowments that are subject to the supervision of the General Authority for Awqaf, and owners' associations that are subject to the supervision of the Real Estate General Authority due to their huge numbers, enabling roles for the non-profit sector in its local scope.





Non-profit organizations as per the financial and administrative supervision authority (excluding endowments and owners' associations)

the National Center for the
Non-Profit Sector
90%

Ministry of Commerce
1%

Ministry of Sport
4%

Saudi Universities
5%





In terms of legal structure, 71% of nonprofit organizations in the Kingdom are charities, followed by 9% cooperative societies and 6% civil organizations. A new form of non-profit entities has also emerged recently, which are the councils representing non-profit organizations such as the Council of Foundations, Council of charities, sub-councils of charities in regions, and specialized councils such as the Specialized Sub-Council of Orphan Associations, and the Specialized Sub-Council for Associations of People with Disabilities. During the first 8 weeks of the entry into force of the new Corporate Law, the number of non-profit companies reached 147, half of which are located in Riyadh.

Distribution of non-profit organizations by legal form

(excluding endowments and owners' associations)

Hospitals and non-profit health care entities non-profit research centers,
non-profit universities and schools

1%

Cooperative societies

9%

Professional bodies and
non-profit companies

0.5%

Charities

71%

Associations health specialties

2%

Scientific societies

4%

Chambers of commerce

1%

Literary clubs

0.5%

Family funds

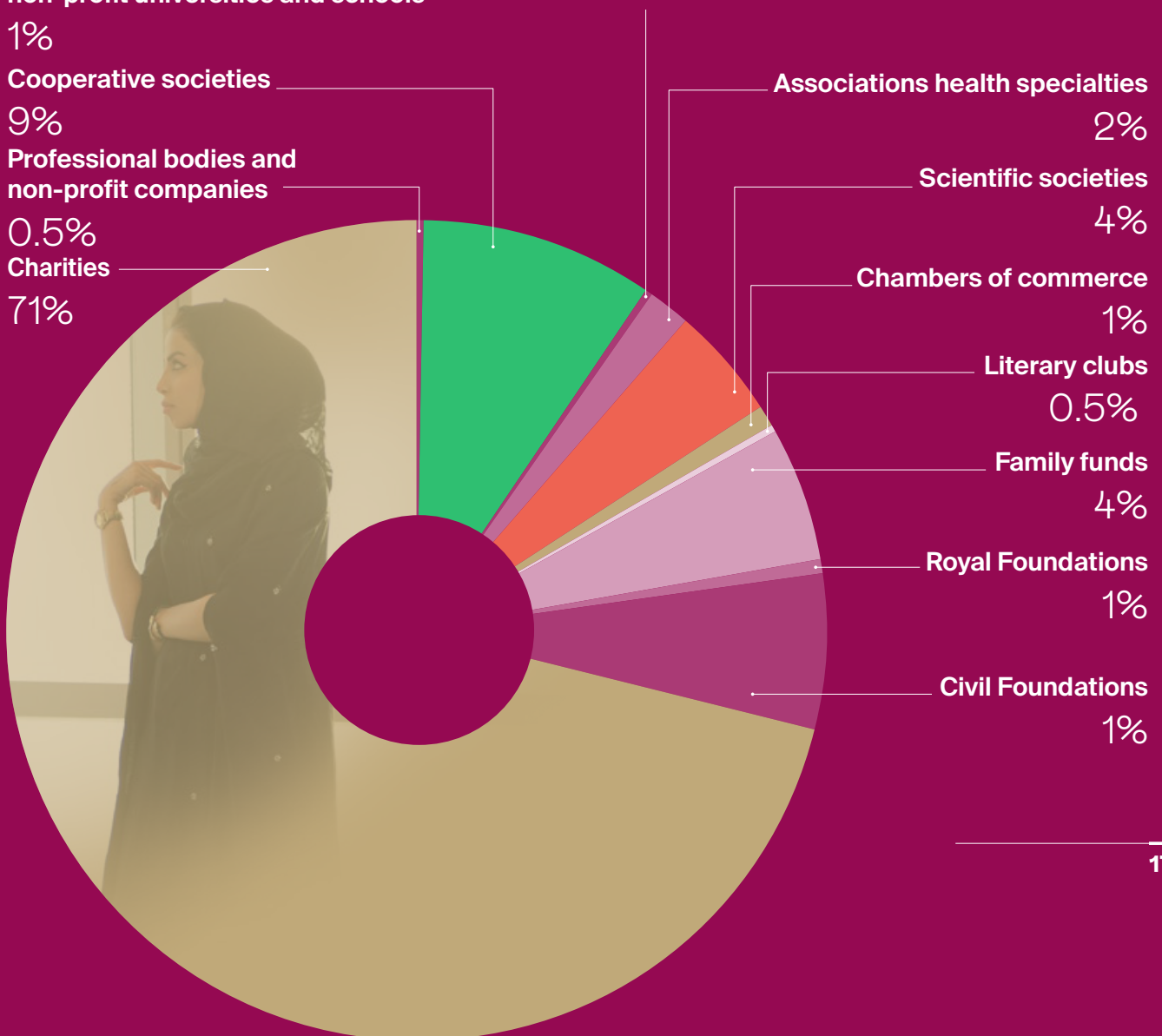
4%

Royal Foundations

1%

Civil Foundations

1%



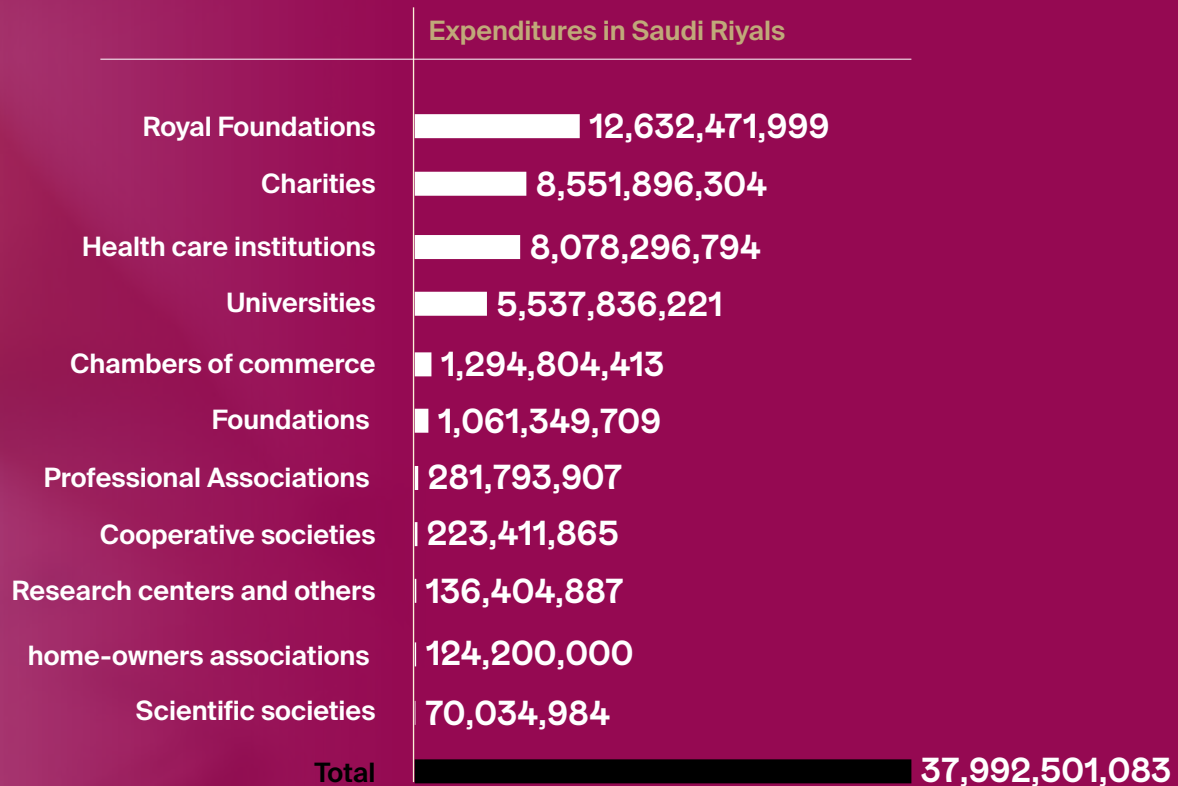


Financials

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Non-profit
Sector Outlook

The total estimated expenditures for non-profit organizations increased from SAR 7.5 billion in 2018 to approximately SAR 38 billion in 2021, the largest share of which was for institutions established under royal approval with SAR 12.6 billion, followed by charities with SAR 8.6 billion, health care institutions with SAR 8.1 billion, and Saudi non-profit universities with more than SAR 5.5 billion.³



In terms of revenue, non-profit organizations in the Kingdom can be classified according to their size, including micro (their income is less than SAR 100 thousand annually), small (up to SAR 500 thousand annually), medium (up to SAR 3 million annually), large (up to SAR 10 million annually), huge (up to SAR 100 million annually), and mega (more than SAR 100 million)

3. The real spending for 2021 was calculated from the data of the audited financial statements of the non-profit organizations available at the National Center for the Non-Profit Sector, after estimating the rest of the non-profit organizations of which data are not available, according to the average for each type of non-profit entity and after deleting the abnormal data. It is noted that such data may be affected by an increase or decrease due to unrealized or unearned revenues or expenses (such as those resulting from a change in the valuation of assets such as real estate and investments) according to the approved accounting standards.



The analysis shows that 70% of non-profit organizations have an income of less than SAR 3 million annually, and they fall within the scope of micro, small and medium organizations. The percentage of mega organizations does not exceed 2% of the total non-profit organizations in the Kingdom, including 3 mega organizations with revenues of more than one billion Saudi riyals.

This can be compared to the distribution of the sizes of non-profit organizations in the United Kingdom, where almost 96% of organizations belong to the category of micro, small and medium organizations, while the proportion of large and mega organizations together does not reach 1%.

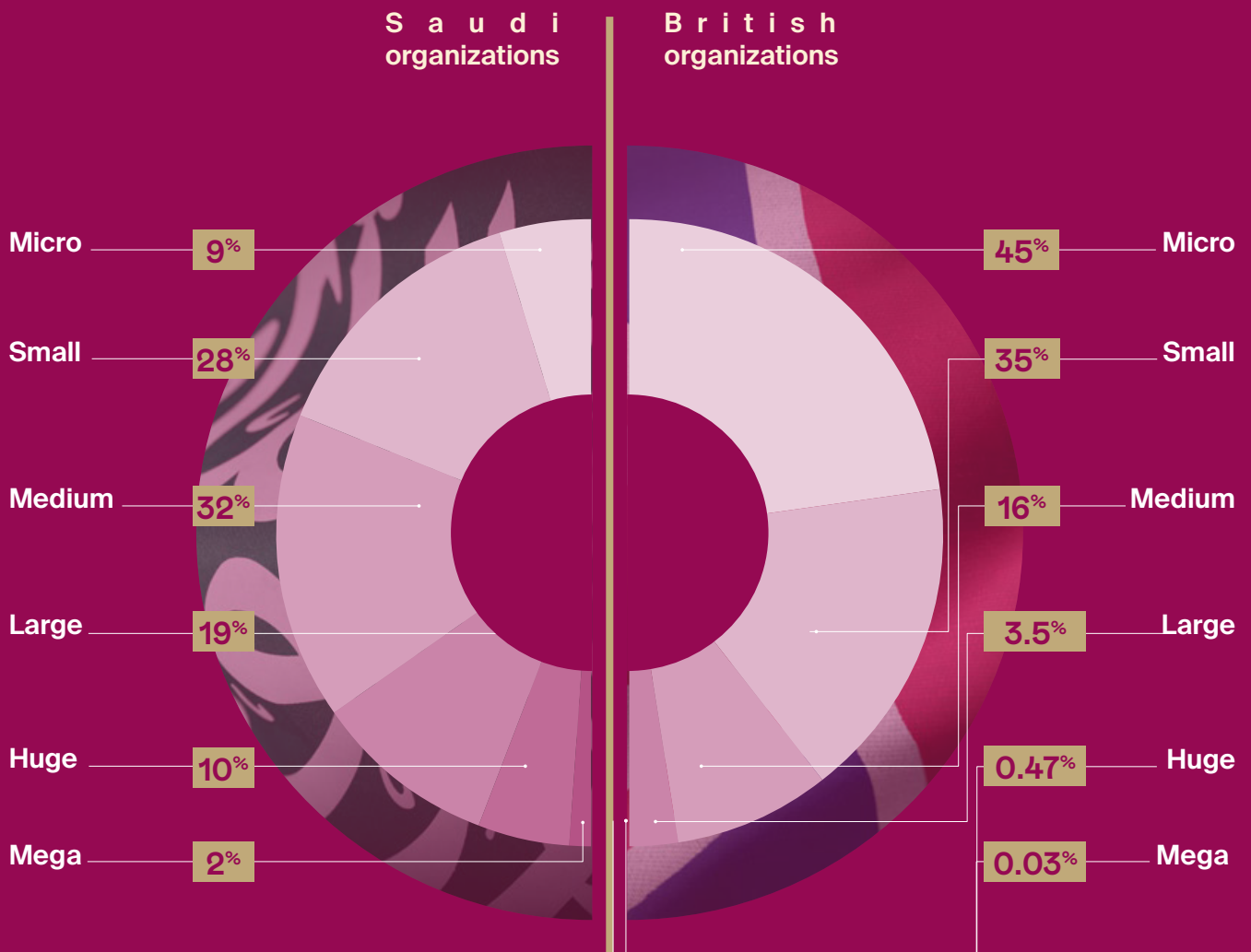
However, most Saudi non-profit organizations are still emerging and in the process of growth, with the difference in the size of the non-profit sector between the Kingdom (37 thousand organizations) and the United Kingdom (166 thousand organizations). The comparison also shows the small number of Saudi micro non-profit organizations (9%), while this category constitutes the largest proportion in Britain (45%), which calls for developing encouraging incentives and facilities to allow the establishment of voluntary organizations with a simplified structure, flexible governance, and fewer legal requirements. The closest application of this experience locally - but specifically in the hobby sector - is the experience of the Quality of Life Program in the establishment of the Hobbies Clubs Association.

Therefore, the vast majority of Saudi non-profits need to adopt a risk-based approach to regulation and oversight so that the review and audit can be concentrated on high-revenue organizations while the cost of compliance is reduced for low-income and low-risk organizations.

Hawti

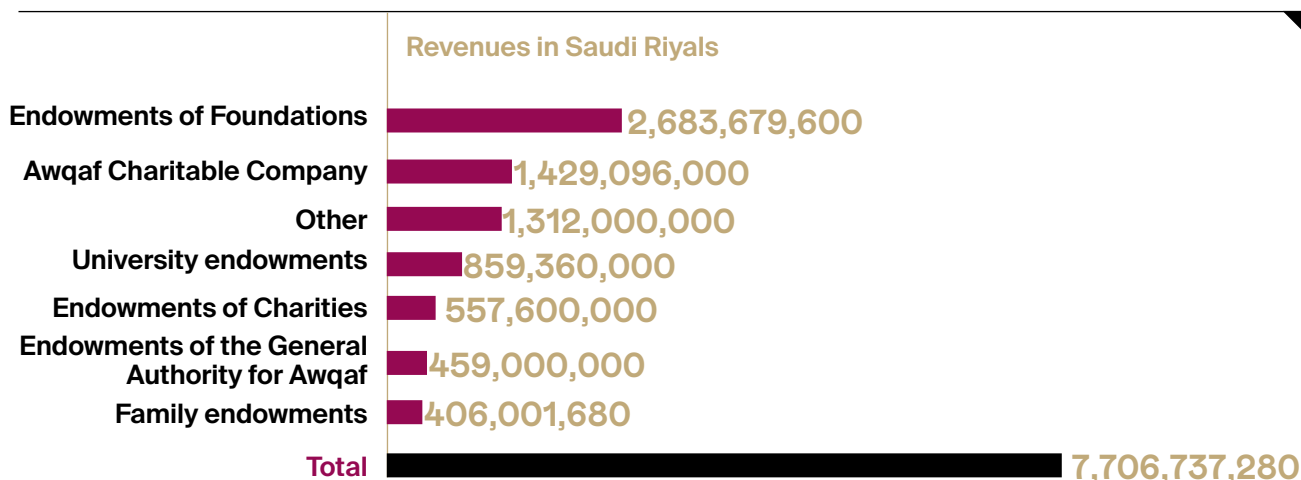


Distribution of Saudi and British non-profit organizations by size (Revenues)



It is still very difficult to know the revenues and expenditures of endowment facilities in the Kingdom. On the one hand, this is due to the problem of the commitment to transparency and the motivation to perform charitable work in secret in order to gain the reward of blessing, which makes the full disclosure of the endowment's finances a non-automatic matter in the minds of the endowers and the overseers. Experts mentioned, in the report issued during 2021 by the United Nations on the role of endowments in achieving the Sustainable Development Goals and the Kingdom's Vision 2030, the difficulty of accurately determining the size of endowments in the Kingdom. However, the report confirmed that the size of endowments in the Kingdom is the largest compared to countries with a Muslim majority, because of the Kingdom's lands embracing the Two Holy Mosques. According to the report, the estimated value of endowment revenues amounted to SAR 7,706,737,280 (assuming a return of 3.28% on total assets estimated at approximately SAR 234 billion).⁴

Endowments Sector in the Kingdom of Saudi Arabia



Although the report estimated the size of endowment facilities at 113,489 in the Kingdom, the record data, according to the General Authority for Awqaf, indicate that they are closer to 15,000 endowment records. This is due to the different definition of “endowment” versus “endowment facility”, where the former indicates any personal property - such as real estate - that has been transferred to an endowment by virtue of a legal deed, while the latter indicates that such endowment documented by a legal deed has received an official documentation as an independent legal entity; has been registered as an establishment in the Kingdom with the General Authority for Awqaf; and obtained an “endowment certificate” that authorizes it to manage its financial assets independently and enables it to open a private bank account, in accordance with the regulations of the Saudi Central Bank.

The research team at the King Khalid Foundation has tracked the financial position of a sample of 119 charities from various regions across the Kingdom for 20 years. This includes revenue and expenditure data from 2002 until 2021 for each organisation. The analysis indicates that the organization’s revenue has grown over time, in conjunction with their institutional ability and cumulative experiences. Although some associations have faced difficulties resulting in dissolution or reduced income, it is noteworthy that non-profit organizations have generally experienced growth in revenue and size.⁵

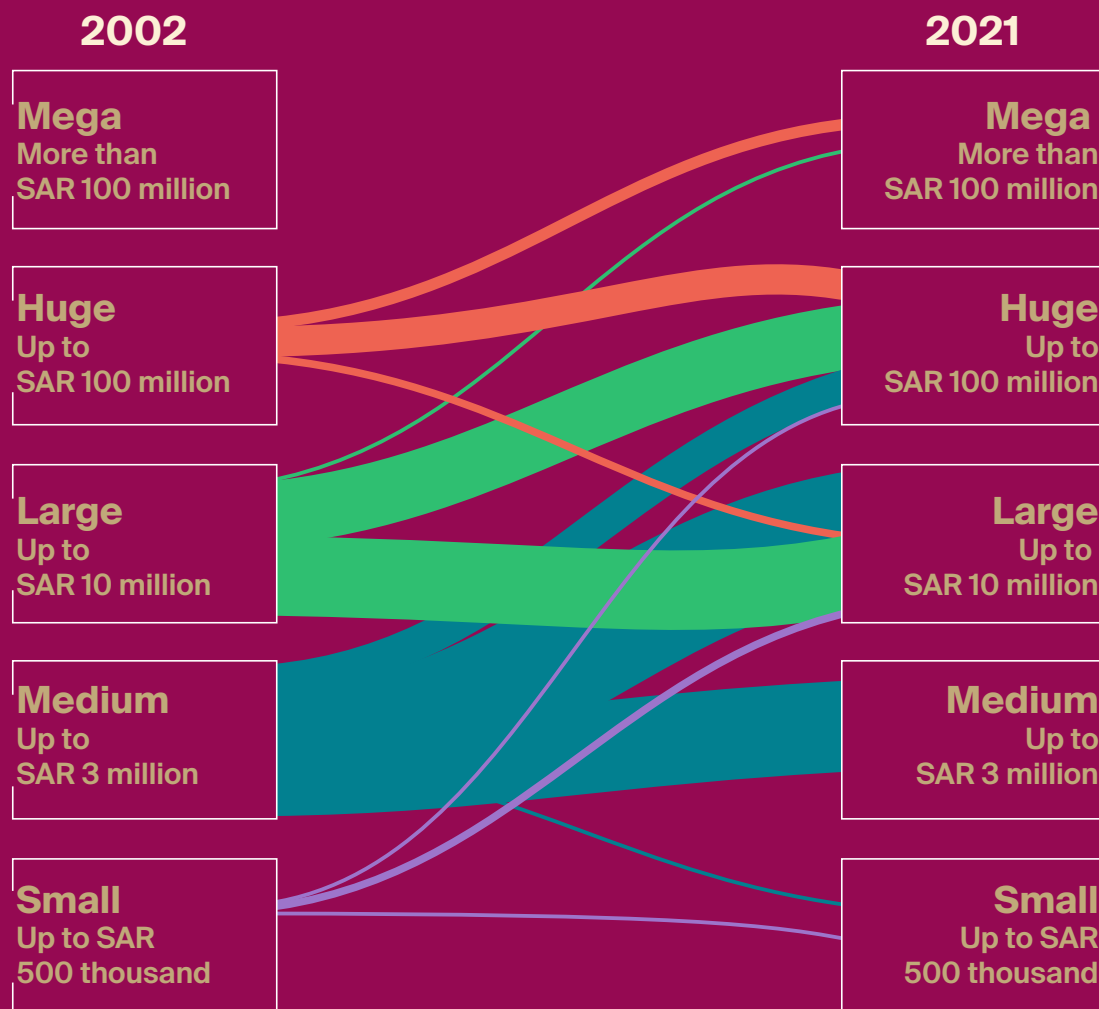
Change in the distribution of a sample of non-profit organizations according to revenues (2002-2021)



5. The comparison analysis was conducted between the data of revenues and expenditures from the charitable societies directory issued on the margins of the First Forum of Charitable Societies in 1423 hijri, in cooperation between King Khalid Foundation and the Ministry of Labor and Social Affairs (previously), compared to the data of revenues and expenditures according to the National Center for the Non-Profit Sector on the fiscal year 2021, based on the audited financial statements of non-profit organizations. It should be noted that such data may be affected by an increase or decrease due to other non-consumer revenues or expenses such as those resulting from a change in the valuation of assets, such as real estate and investments, according to the approved accounting standards.

Change in the Distribution of Non-profit Organizations

As per Revenue Size, 2002-2021



According to the analyses, non-profit organizations have moved towards higher income categories over time. During the twenty-year analysis, four non-profit organizations generated revenues that surpassed SAR 100 million. In 2002, the most common category was medium-sized organizations with revenues less than SAR 3 million. However, it changed to large-sized organizations with revenues less than SAR 10 million. The sample data tracked over a period of twenty years did not include micro-organizations with revenues less than SAR 100 thousand. However, there was a significant decrease in the share of small-sized organizations with revenues less than SAR 500 thousand.

The analysis showed exceptional movements in the financial performance of some associations. For instance, one of the orphan care charities was able to move from the eleventh rank among the highest-income organizations in 2002 to the first rank in 2021, moving from total revenues of SAR 10.5 million to SAR 127 million.

Furthermore, one of the social services charities was able to move from the twenty-first rank among the highest-income organizations (SAR 5.5 million in 2002) to the second rank (SAR 126 million in 2021). The most exceptional growth was for one of the charitable associations, which was able to move from the last rank in 2002 (with an income less than SAR 150 thousand) to the thirty-fifth rank in 2021 (with an income more than 10.1 million).

The analysis also included some negative results of the deterioration of the financial position of the charities during the twenty-year period, as the performance of one of the women's associations declined from the twelfth rank in 2002 (with SAR 10.5 million) to the seventy-second rank in 2021 (with SAR 4.4 million).





People

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**Non-profit
Sector Outlook**



The impact of the non-profit sector on Saudi society is significant, as it affects the daily lives of numerous individuals, such as beneficiaries, donors, founders, endowers, grantors, members of boards of directors, employees, volunteers, and stakeholders. Thus, a comprehensive understanding of the non-profit sector's impact and the human resources that drive it cannot be attained without taking into account all those who have contributed to its growth.

The number of full-time employees in the non-profit sector - officially registered with the General Organization for Social Insurance - does not exceed

31,500 employees.

However, the real data of human resources in the non-profit sector reveals hundreds of thousands of workers, shareholders and volunteers, whose number exceeds

1,700,000 people from the population, including approximately

15,000 part-time employees.

Employees

This report attempts to provide conservatively estimated statistical analyses of the expected numbers of workers and shareholders in the non-profit sector. However, the scarcity of data and discrepancy of sources make it difficult to have accurate estimates, as the non-profit organizations survey issued by the General Authority for Statistics for 2018 demonstrated that the number of employees in the sector at that time reached more than

72,000 male and female employees⁶.

However, the records of the General Organization for Social Insurance did not indicate half of that number.

The defect in the accuracy of the data is primarily due to two main reasons related to the types of jobs and their classification in the administrative records⁷. Therefore, the most accurate estimate of the number of workers in the non-profit sector is expected to be published within the results of the non-profit organizations survey in its new version issued by the General Authority for Statistics⁸, of which preparation started during 2022, and its results are expected to be published during the coming period.

6. Non-profit establishments survey issued by the General Authority for Statistics, 2018

7. The first reason is that many workers in the non-profit sector can be classified under the category of "collaborators" who work part-time or night-time, or as an alternate job in an informal or regular manner, a phenomenon that is consistent with the spontaneous, voluntary and community nature of the spirit of the non-profit sector. The second reason is that the classification of legal entities at the General Organization for Social Insurance is limited to the classification of "charity" and there is no broad "non-profit" classification, although specialists reported that the classification of "association" includes associations, institutions, charitable endowments, social committees, cooperative offices, charitable centers and institutes, and Quran memorization schools. However, it is not excluded, in the absence of a clear and comprehensive classification of all forms of non-profit legal entities, that there will be a classification of a number of employees of the non-profit sector among employees of the private sector by mistake.

8. Non-profit organizations survey issued by the General Authority for Statistics, 2021 (Not published yet)





Members of General Assemblies

Using the available estimates, the research team concluded that there are no less than

189,000 members in the general assemblies of non-profit organizations with membership (such as civil and cooperative societies).

This does not include members of chambers of commerce, professional bodies, and owners' associations, due to the density of their membership and the absence of accurate data about them. The analysis does not include members of the Hobbies Clubs Association, which, in turn, established more than 350 amateur clubs in 179 hobbies, with a membership of approximately 15,000 members within Hawi platform.

Board Members

According to the governance prevailing in the Saudi non-profit sector, which is very similar to the governance imposed on companies listed in the financial market, the general assemblies of organizations are the supreme authority for decision-making and are elected. They monitor the performance of boards of directors. The number of board members is estimated to be no less than

32,000 members (sometimes such boards are called boards of trustees in organizations that do not have membership – such as civil organizations and non-profit universities).

This does not include the members of the endowment supervisory boards, due to their large numbers and lack of data.



Founders

The incorporation of associations is attributed to the founders who took the initiative to register and launch them officially. In numerous instances, founders remain involved as board members and in general assemblies, while others depart and leave a lasting influence. According to the analysis of the research team, and using the regulatory minimum number of founders required to establish each association, it can be estimated that there are no less than

51,000 founders

who established a wide number of civil and cooperative associations - excluding the endowers and founders in endowments and organizations that do not have membership.

Volunteers

Volunteering is an inexhaustible energy to operate the non-profit sector. The number of institutional volunteers reached more than

484,000
during 2021

(excluding the independent volunteers outside the scope of official associations and organizations), such as volunteers in the neighborhoods, mosques and the communities in a spontaneous, voluntary and unorganized manner, who are expected to be

914,000 independent volunteers.⁹

Further, a special telephone survey conducted by the National Center for Public Opinion Polls at King Abdulaziz Center for National Dialogue for the benefit of King Khalid Foundation by the end of 2021 indicated that 10% of Saudis disclosed their membership in a charitable association or volunteering team, which may reach 1.5 million people.¹⁰

9. The number of institutional volunteers was estimated based on the report on the achievements of the National Transformation Program for 2021. The number of non-institutional volunteers was estimated on the assumption that independent volunteers constitute 47% of the total number of volunteers, according to the results of the telephone survey prepared by the National Center for Public Opinion Polls at King Abdulaziz Center for National Dialogue at the end of 2021 for the benefit of King Khalid Foundation. The survey was conducted according to the internationally approved methodology for estimating the number of volunteers in household surveys, which includes any one-hour, non-profit activity outside the household within the past 12 months.



10. The figure was estimated by calculating 10% of the Saudi population over the age of 15, based on the population estimates of the General Authority for Statistics for mid-2021.



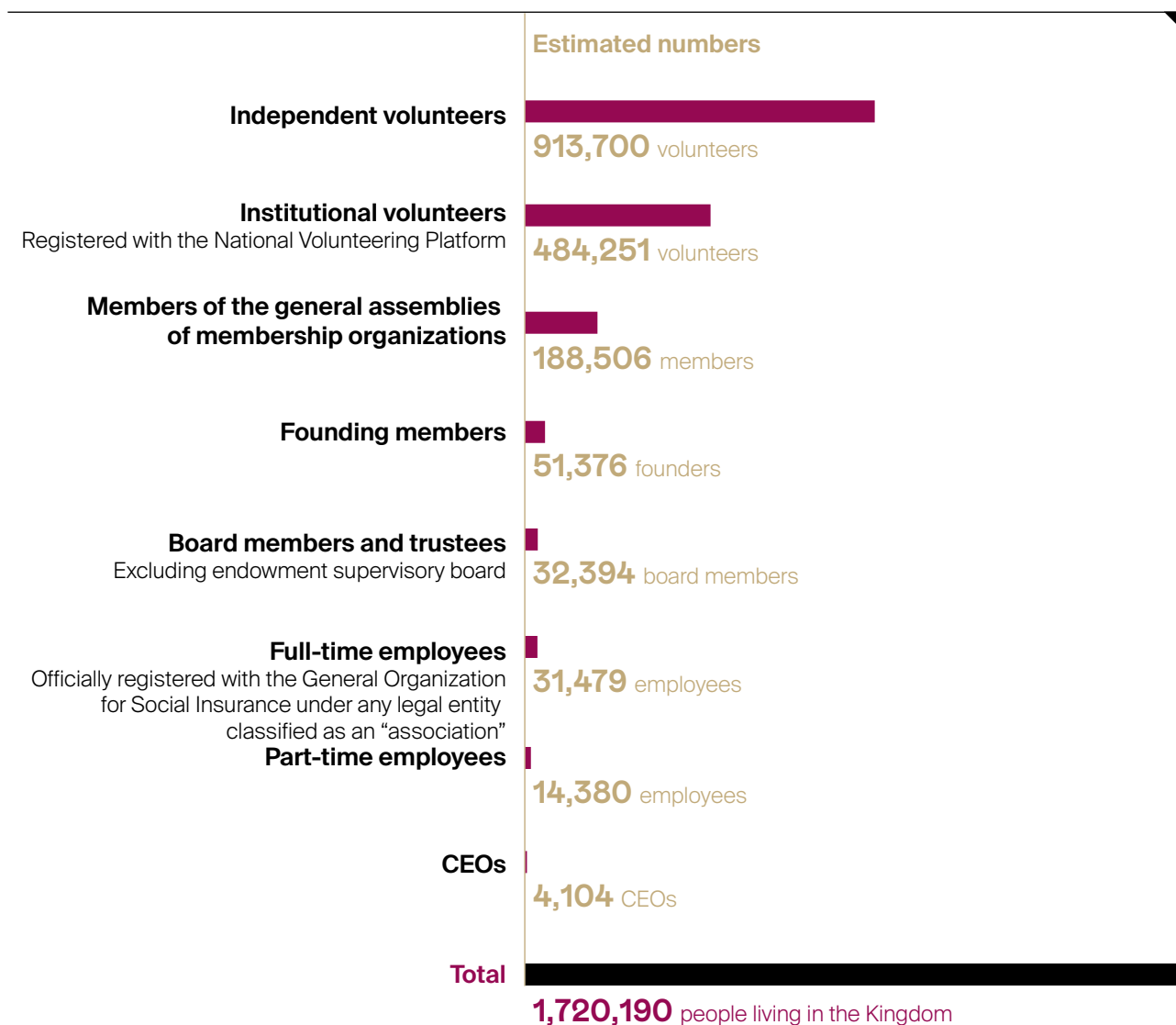


Beneficiaries and Donors

Due to the lack of data, the research team was unable to reach any estimated figures for the number of beneficiaries and donors, which are two categories that are expected to be the largest in the non-profit sector. They together constitute one of the two ends of the impact chain that non-profit organizations seek to operate. The donors and grantors hold the non-profit organizations responsible for delivering the donation to the beneficiaries and achieving the greatest social and environmental return from the resources they pay to the non-profit sector. The sector, in turn, deals with millions of beneficiaries who contact non-profit organizations to meet one of their needs.

People in the Saudi Non-profit Sector

2021 Estimates¹¹

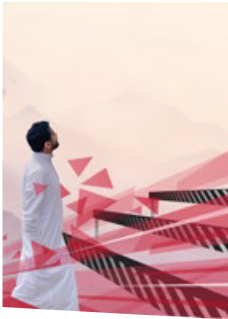


11. The research team used a conservative approach in the estimates based mainly on analyzing the available record data of non-profit organizations, especially from the report of subscribers to the General Organization for Social Insurance based on data for September 2022, and the data of the 2021 Non-Profit Organizations Governance Report (Makeen) about the status of charities. Figures were estimated for the rest of the forms of non-profit organizations, of which data are not available, assuming that charities acquire 71% of the human resources in the sector (which is the share of charities from the percentage distribution of non-profit organizations according to the legal form - excluding endowments and owners' associations). The research team also made some improvements to the analysis when alternative record data was available, to ensure accuracy of the statistical inference. Membership-intensive and labor-intensive organizations, such as chambers of commerce, professional bodies, health service providers, amateur clubs, endowments, and owners' associations, were excluded from the analysis when no record data was available. There is a medium probability of recurrence among the category of founding members, members of general assemblies and members of boards of directors, due to the natural overlap in roles and the possible duplication in membership. Any employee registered as a CEO in the records of the General Organization for Social Insurance was also excluded to avoid repetition between the category of CEOs and the category of full-time employees.

The percentage distribution of people in the sector

Volunteers, members, boards of directors, executives, full- and part-time employees





Reaching the Future Journey of Youth between Employment, Education and Training, 2022.



The research team also analyzed the composition of the Saudi labor market to find out the characteristics of employees in the non-profit sector compared to employees in the private sector, in terms of gender, age, wage categories, occupations and economic sectors, as a result of a detailed analysis of the raw data of subscribers to the General Organization for Social Insurance in September 2022.

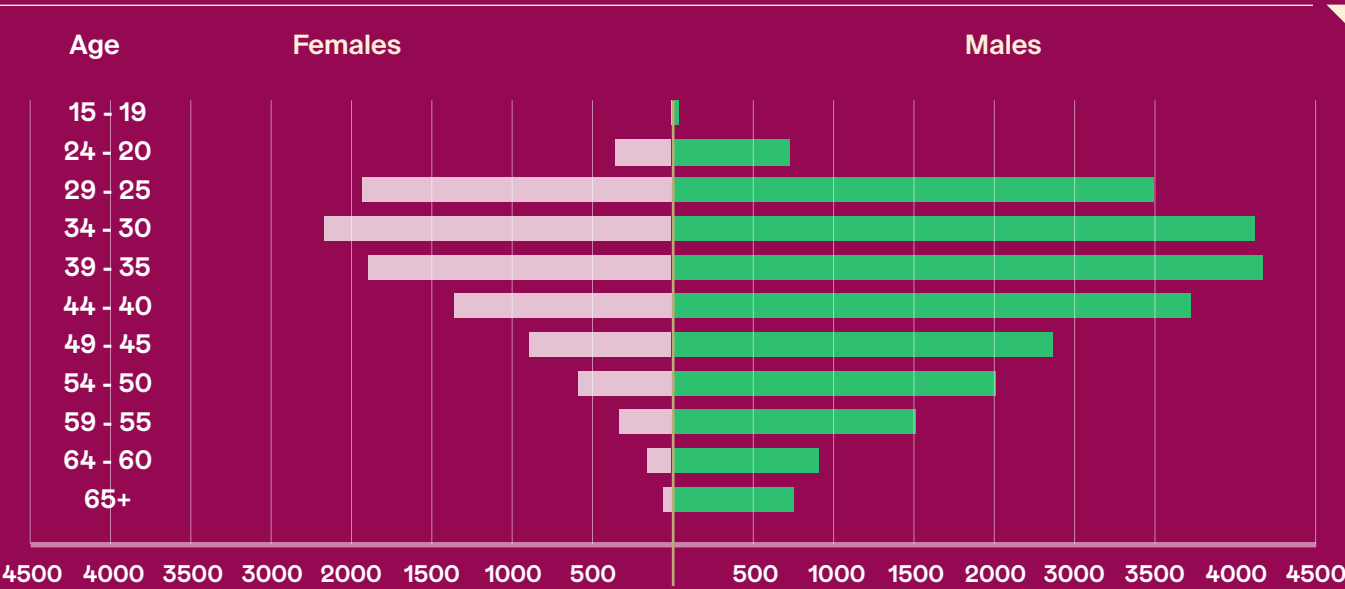
With regards to the labor force, there is a more equal distribution of genders in the non-profit sector than in the private sector. However, there are no notable variations in age groups among workers in both sectors. It is noteworthy that the involvement of young individuals (aged 15 to 24) is higher in the private sector as compared to the non-profit sector. In the private sector, 8.6% of workers are young people, while in the non-profit sector, only 3.6% of workers are young people.

Research found that the non-profit sector has a higher rate of female participation in the workforce compared to the private sector. On the other hand, the private sector has a higher rate of young people involved in the workforce compared to the non-profit sector. The age of workers in the non-profit sector appears to be higher compared to those in the private sector. This raises concerns about the ability of non-profit organizations to attract and retain young talents. It is important to encourage and motivate non-profit organizations to prioritize youth participation and develop young leaders within their human capital plans to benefit from their energy.



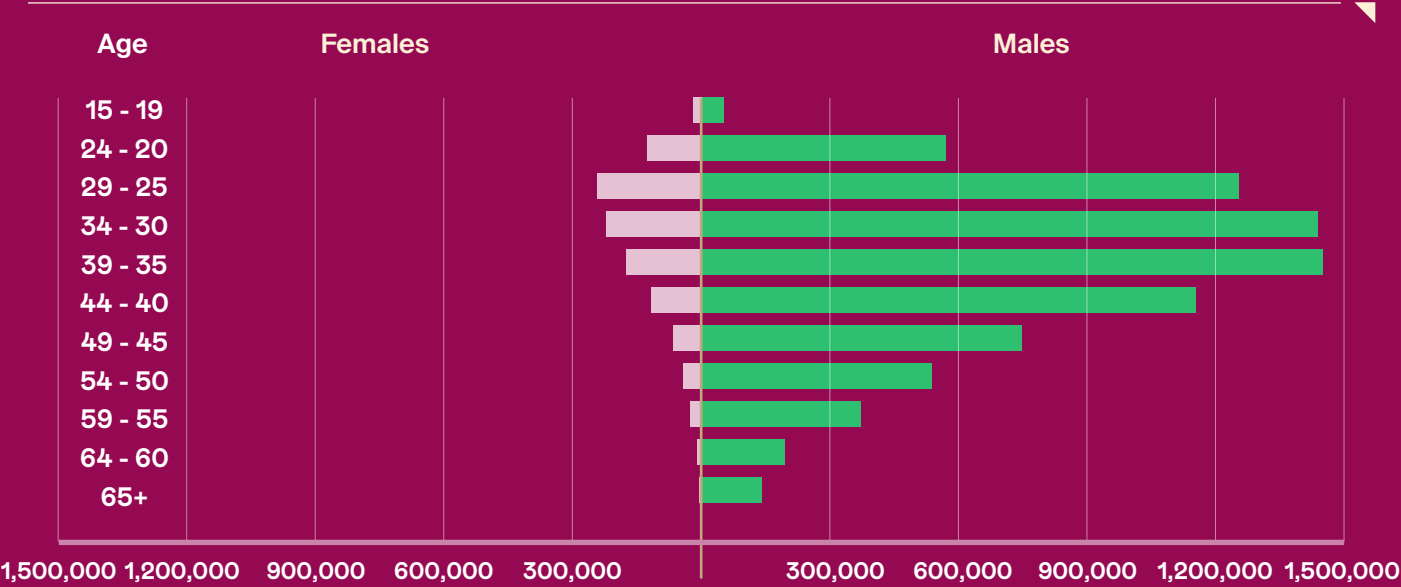
Non-profit Sector Employees

By gender and age



Private Sector Employees

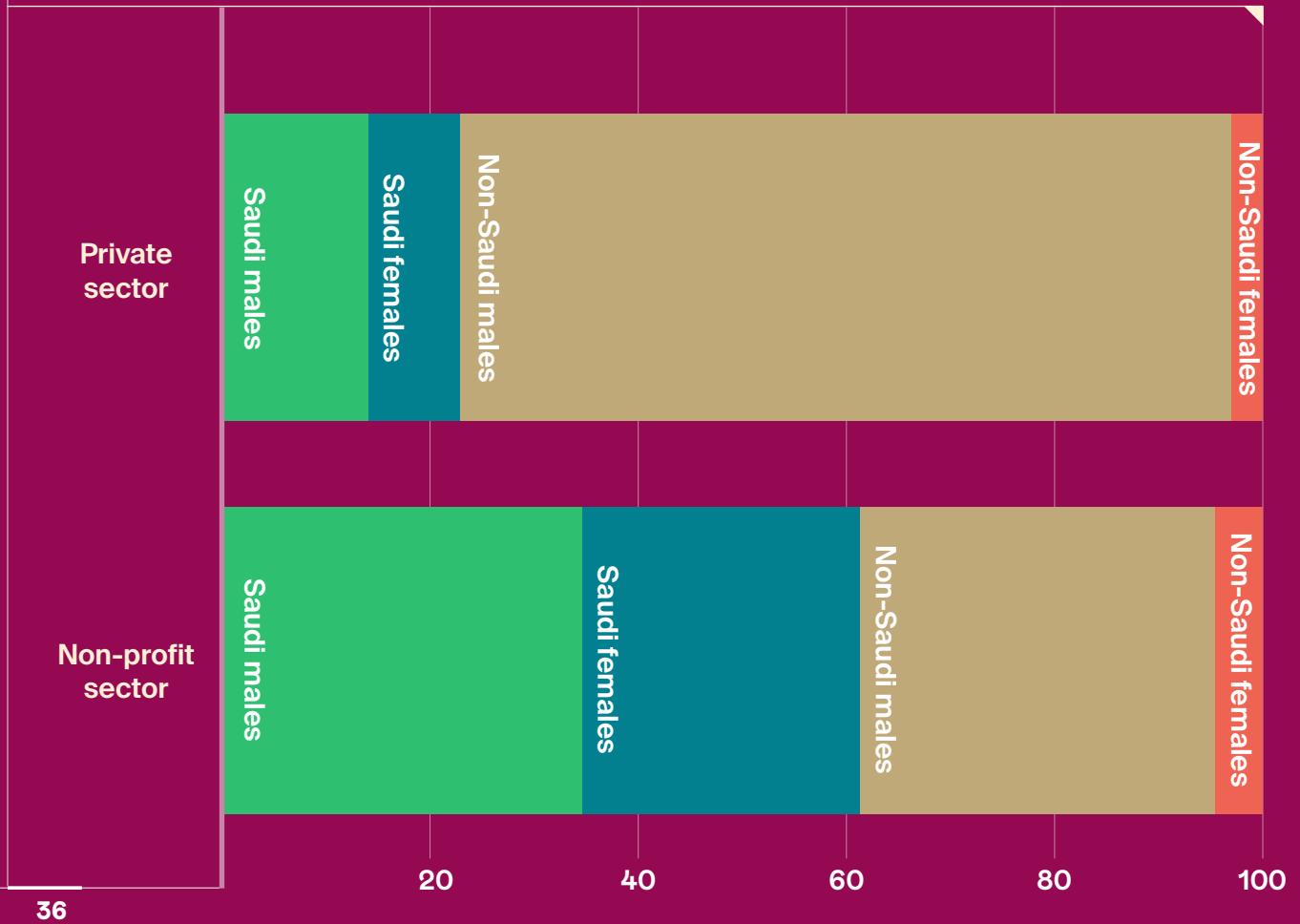
By gender and age



In terms of Saudization rates, non-profit organizations have a higher rate compared to the private sector. Specifically, 61% of jobs in non-profit organizations are occupied by Saudi men and women, while the rate of Saudization in the private sector is only 23%.

Job Localization Rates

In the Private and Non-profit Sectors



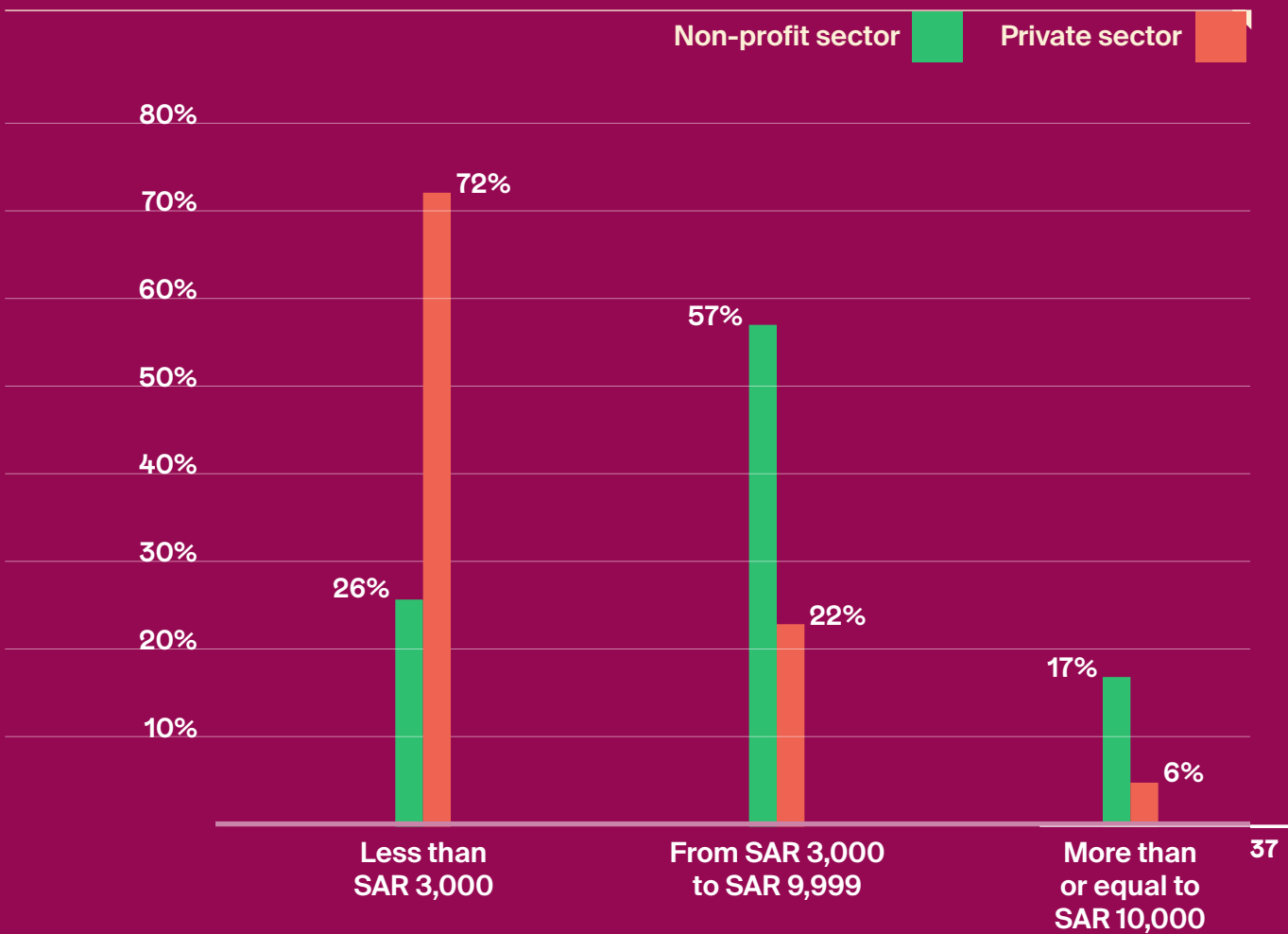
Non-profit Sector Outlook



In terms of wages, the non-profit sector generally offers more competitive payout than the private sector as a whole. Foreign workers with lower wages and skills are often employed by the private sector, in contrast to the non-profit sector. The majority of non-profit sector employees earn between SAR 3 - 10 thousand, whereas the majority of private sector employees earn less than SAR 3 thousand on average. The reason for this difference is the economic activity and job types in these two sectors.

Distribution of employees of the non-profit sector and the private sector

By wage





The private sector's top employing industries are construction, wholesale, retail trade, and vehicle repair. Meanwhile, the non-profit sector's top employing industries are health and social care, and education. The economic activities determine the prevalent occupations in the non-profit and private sectors, which are completely distinct from each other.

The private sector has several prevalent occupations based on the number of employees. The most common category of workers includes those involved in construction, plastering, building, painting, cleaning, electricity, blacksmithing, and loading and unloading. This is followed by representatives involved in buying, selling, and marketing, drivers for trucks, vehicles, heavy transport, and road machinery, and finally, nurses, security guards, and kitchen workers involved in cooking and catering.

The occupations most prevalent in the non-profit sector, in terms of number of employees are teachers (in early childhood, public and university education), administrators (financial and administrative affairs, translation, secretarial, public relations and data entry), social researchers, workers (cleaning, shipping and unloading), and security guards.

Despite the lack of accuracy of data on occupations, job titles provide an indication of a fundamental difference in the types of jobs available in the two sectors, according to the most popular economic activities in private sector and non-profit sector establishments.



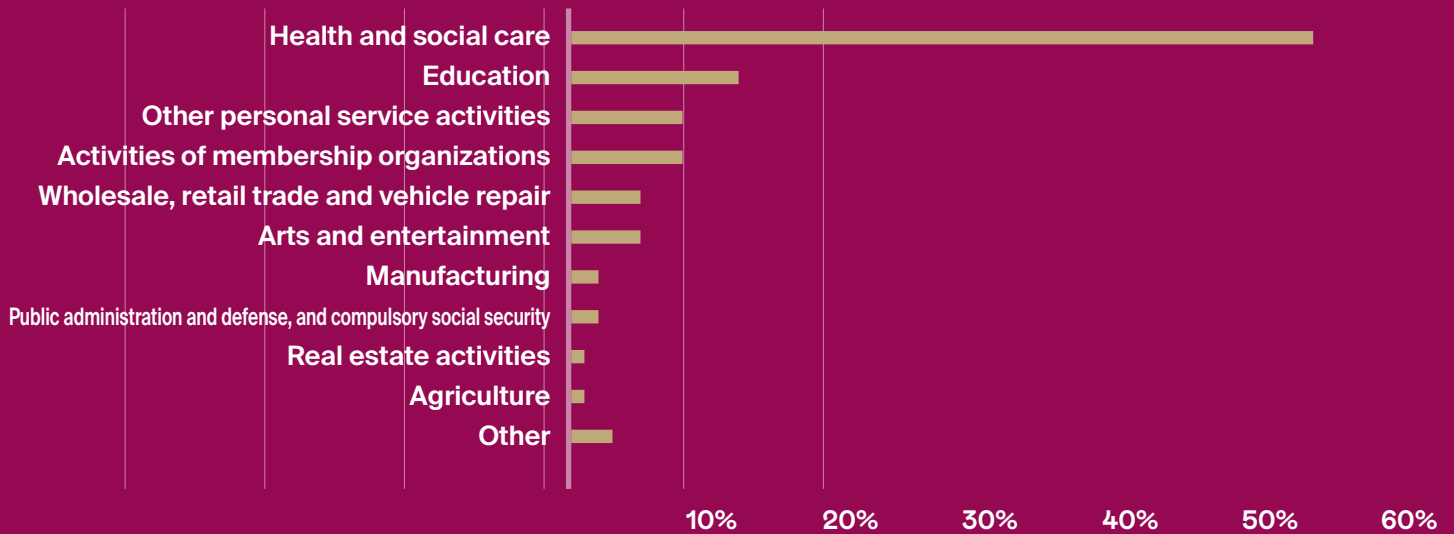
**The Saudi Care
Economy** Report,
Transformation
Options and Growth
Prospects, 2022





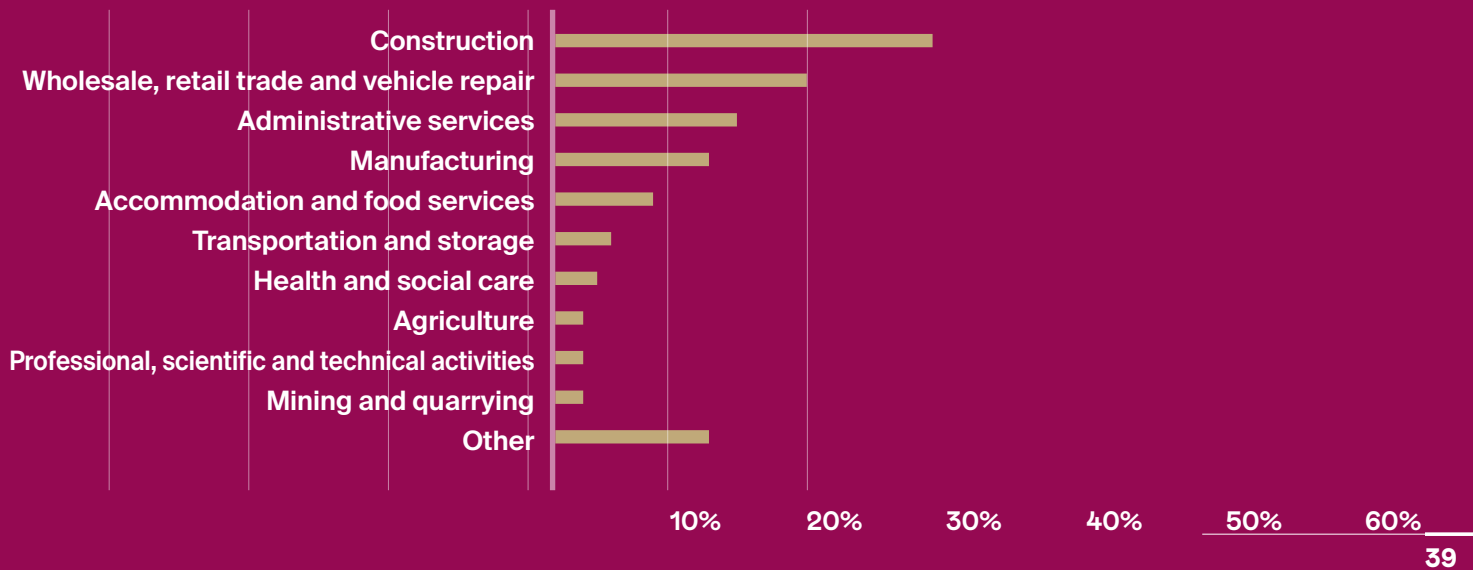
Distribution of Non-profit Sector Employees

By specialty



Distribution of Private Sector Employees

By specialty





Impact

40

**Non-profit
Sector Outlook**



Non-profit organizations have the unique ability to make a significant multidimensional impact. They focus on addressing social, environmental, or developmental challenges that often extend beyond their intended targets. This leads to the empowerment of their beneficiaries at the personal, family, social, or economic level. Non-profit organizations are defined as impact-driven organizations, starting from the stage of strategic planning for their business, through the implementation of their programs, and ending with measuring the impact of their programs on their beneficiaries. The process of managing the impact is the primary driver of the organizations' business and the intent of their founders. The establishment of any non-profit organization stems from the attempt to answer the following question: what is the intended impact of this organization?

Therefore, monitoring the impact of these organizations is one of the scientific challenges that researchers and specialists strive to investigate. We are pleased, through the 2023 Non-profit Sector Outlook Report, to monitor the impact of the non-profit sector in the Kingdom through four pillars:



It appears that the non-profit sector's contribution in the Kingdom is greater than what is discussed in this chapter. This is because not all aspects of the sector's social impact have been identified yet. Additionally, the General Authority for Statistics is currently working on creating a satellite account to measure the economic contribution of the non-profit sector, which will be included in the national accounts. This will make the Kingdom the first in the region to have such satellite accounts, similar to the tourism and sports satellite accounts.¹²

12. The satellite account is a statistical process for monitoring the economic contribution of activities that have specificity that the method adopted for measuring the national accounts cannot monitor, as is the case with tourism and sports activities and social economy activities (or non-profit activities). For more information, you can review the UN Satellite Account on Non-profit and Related Institutions and Volunteering Work.





First:

The Sector's Economic Contribution to the GDP

The Kingdom's Vision 2030 aims to increase the non-profit sector's economic contribution from less than 1% in 2015 to 5% by 2030. This target exceeds the global average of the economic sector's contribution in other countries, which is estimated at 3.5%.¹³ The existing methodologies for calculating the economic contribution of the non-profit sector have been criticized for relying on financial returns or income, which is challenging to estimate due to the sector's focus on volunteering and non-profit goals. This makes it difficult to accurately assess the economic benefits of a variety of non-profit organizations that provide services to the community without compensation. Consequently, numerous studies focus on determining the alternative cost value if the non-profit sector does not offer these services for free, voluntarily, or at a reasonable price. The non-profit sector's primary accomplishment is its contribution to achieving social, economic, and environmental development objectives in all their forms, irrespective of the monetary estimates provided by current statistical tools. King Khalid Foundation, through this year's Report, presents a vision of the economic contribution of the non-profit sector by developing an alternate calculation mechanism until the satellite account is built and the economic contribution of the sector is monitored in a more accurate and systematic manner.

The methodology created by King Khalid Foundation for assessing the economic impact of the non-profit sector was made up of three the essential components:

1. The economic return of volunteering
2. Consumption contribution of non-profit organizations
3. Identification of the economic value of endowments

In view of the economic return on volunteering in the Kingdom, we are witnessing a 9-fold increase in volunteering work since the launch of the Kingdom's Vision 2030, by 808%. 2020 witnesses the highest growth rate of the economic value of volunteering work by 121%, followed by 2019, with a growth rate of 101%.

13. The United Nations Department of Economic and Social Affairs (2018), "UN Satellite Account on Non-profit and Related Institutions and Volunteering Work".

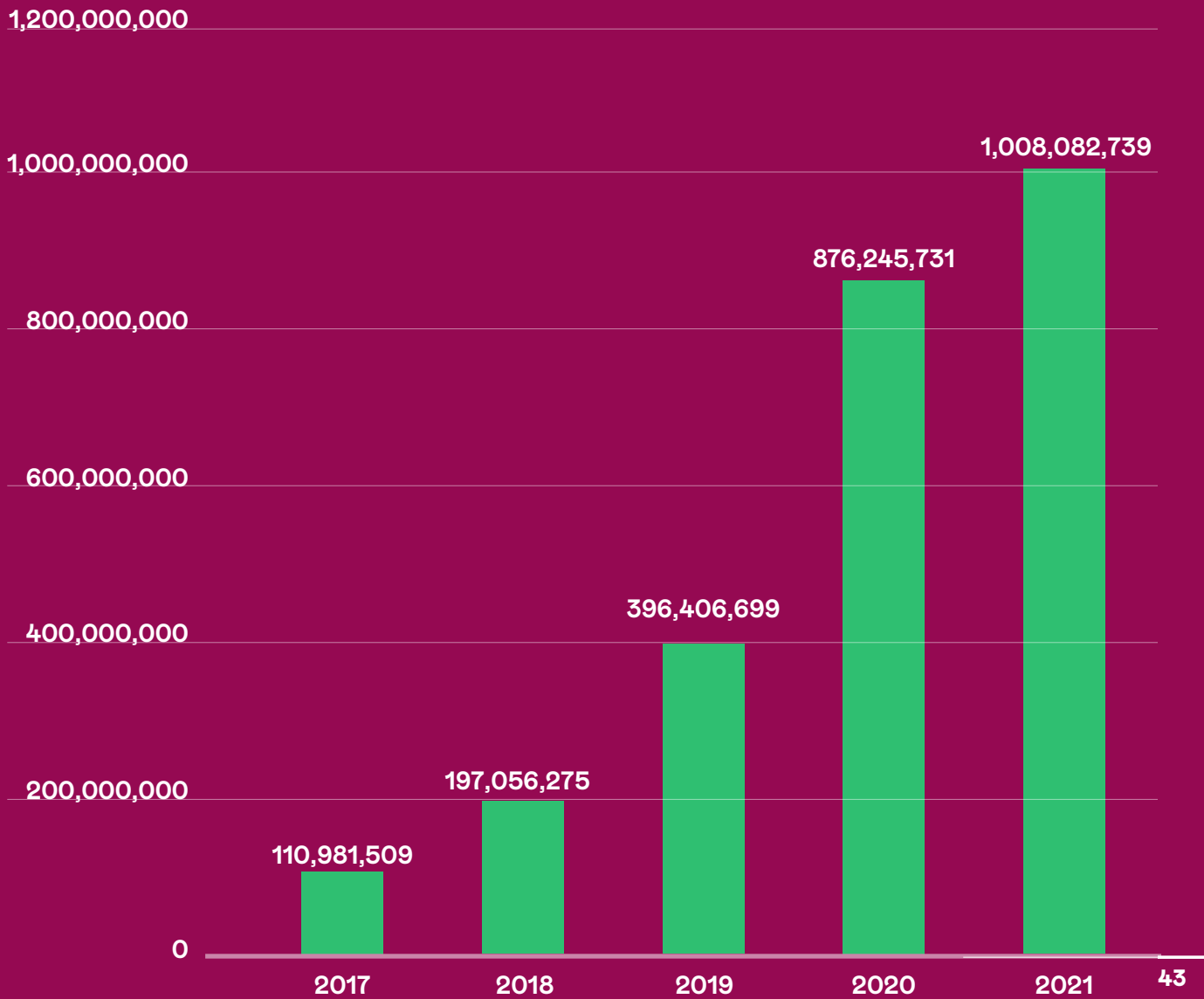




The Economic Return on Volunteering Work

(2017-2021) in SAR

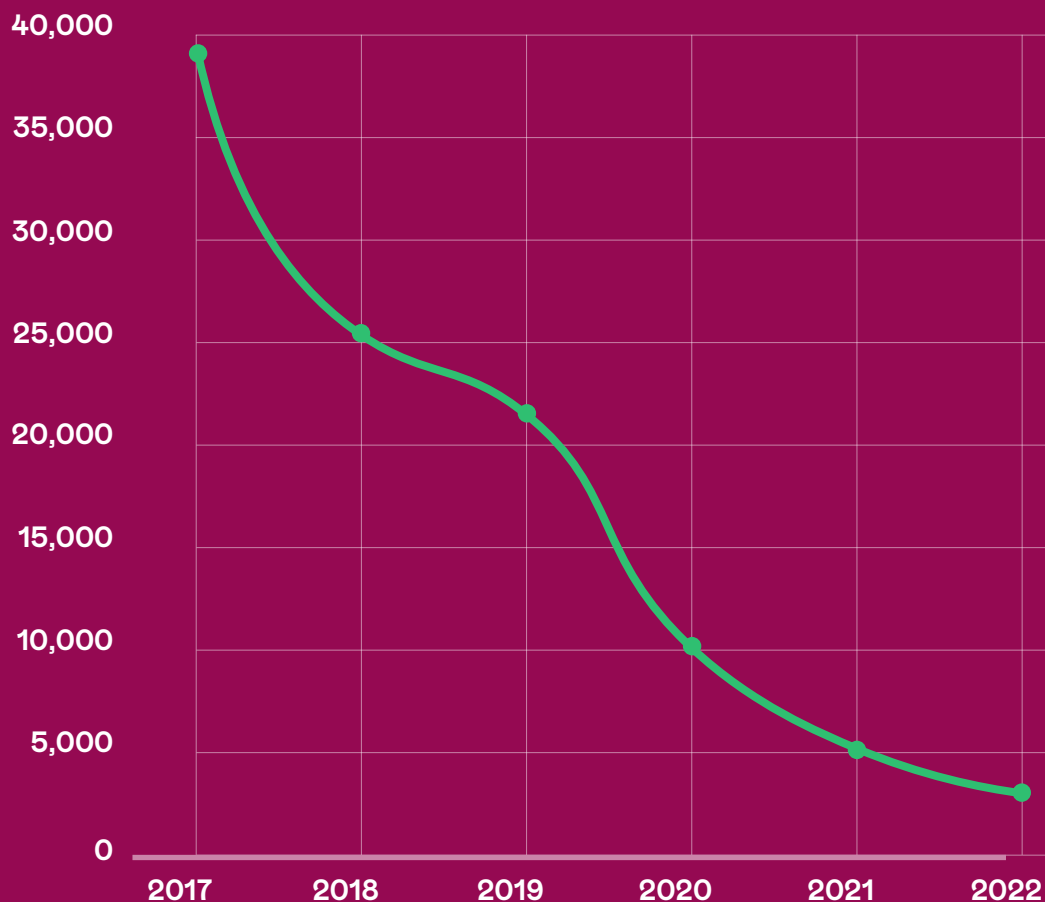
The Value of Volunteering Work





As for the economic contribution of volunteering work, according to the estimates of King Khalid Foundation in 2021, it amounted to (0.28%) of the GDP and (0.39%) of the non-oil GDP.

Overview of the growth of volunteering hours over the past six years (2017-2022) in thousands of hours

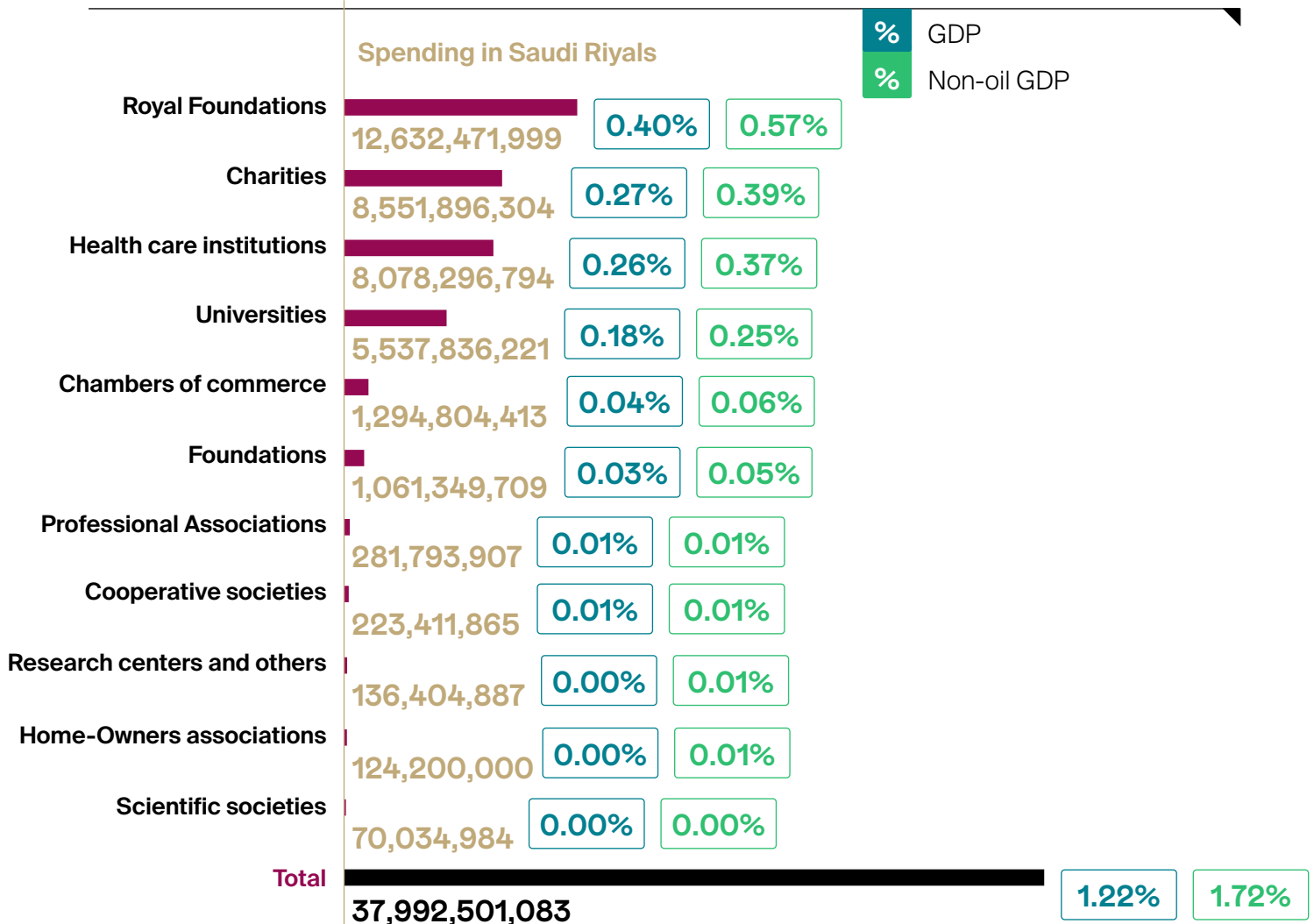


Non-profit organizations consumer spending for 2021

In 2021, non-profit organizations contributed over 37 billion Saudi riyals to consumer spending, with an estimated contribution of 1.22% to the GDP and 1.72% to the non-oil GDP. The largest share in this regard belongs to royal foundations, followed by charities and health care institutions.

The contribution of non-profit organizations to the GDP

According to the value of consumer spending for 2021



The approximate value of endowment revenues for 2021 is estimated at

SAR 7,706,737,280

As detailed in the
"Money" Chapter of this Report.

The total economic contribution of the non-profit sector for 2021

The economic contribution of the non-profit sector in 2021 is estimated at

SAR 54,371,234,268

after adding the estimated value of volunteering work to the total consumer spending of non-profit organizations and the endowment sector.

The contribution of non-profit organizations to the GDP

According to the value of consumer spending for 2021

| | The economic contribution of the non-profit sector to the GDP in the Kingdom of Saudi Arabia | The economic contribution of the non-profit sector to the non-oil GDP in the Kingdom of Saudi Arabia |
|-------------|---|---|
| | <div> <div>The economic contribution of the non-profit sector in the Kingdom of Saudi Arabia</div> <div>÷</div> <div>GDP</div> <div>×</div> <div>100</div> </div> | <div> <div>The economic contribution of the non-profit sector in the Kingdom of Saudi Arabia</div> <div>÷</div> <div>Non-oil GDP</div> <div>×</div> <div>100</div> </div> |
| 2021 | 1.74% | 2.46% |

The achievement of the target contribution during the next seven years (by 2030) requires a significant increase in the growth rates of the sector, exceeding the current historical rates, in order to reach an average annual growth rate equivalent to 18.80%, so that the Saudi non-profit sector achieves a contribution of 5% of the GDP.

The economic contribution of the non-profit sector in the Kingdom of Saudi Arabia

Growth scenarios

| | 2021 | 2030 (4.7% growth)* | 2030 (3.5% growth)* |
|-------------------|-------------------|----------------------------|----------------------------|
| GDP | 3,125,625,000,000 | 5,031,371,307,944 | 4,399,707,790,795 |
| Sector Outlook | 54,371,234,268 | 252,000,000,000 | 220,000,000,000 |
| Contribution rate | 1.74% | 5% | 5% |

It is clear from the foregoing that the non-profit sector should reach an estimated volume of SAR 220 billion by 2030 in order to reach the target (5% of the sector's contribution to the GDP). In the event that the GDP grows by 4.7%, the non-profit sector should reach a growth volume estimated at SAR 252 billion by 2030 to reach the target of 5% of the sector's contribution to the GDP.

The annual growth rate of the non-profit sector

Growth scenarios

| Year | Non-profit sector When the GDP grows by 3.5% | Non-profit sector When the GDP grows by 4.7% |
|----------------------------------|---|---|
| 2021 | 54,371,234,268 | 54,371,234,268 |
| 2022 | 63,614,344,093.56 | 64,429,912,607.58 |
| 2023 | 74,428,782,589.47 | 76,349,446,439.98 |
| 2024 | 87,081,675,629.67 | 90,474,094,031.38 |
| 2025 | 101,885,560,486.72 | 107,211,801,427.18 |
| 2026 | 119,206,105,769.46 | 127,045,984,691.21 |
| 2027 | 139,471,143,750.27 | 150,549,491,859.09 |
| 2028 | 163,181,238,187.82 | 178,401,147,853.02 |
| 2029 | 190,922,048,679.74 | 211,405,360,205.83 |
| 2030 | 223,378,796,955.30 | 250,515,351,843.91 |
| Annual growth rate of the sector | 17% | 18.5% |

We explain below our estimates of the growth volume required for each component of the non-profit sector in order to reach the Vision's target by 2030. It is evident that maximizing the economic contribution of the sector lies with the royal foundations (foundations incorporated under royal and high approval) in addition to expanding the privatization of government assets (especially educational and health ones) to non-profit business models, as universities need to reach more than SAR 22.5 billion, with an increase of about SAR 17 billion compared to 2021. This can be achieved by increasing the pace of transferring public universities and government educational and health assets to non-profit entities, through the privatization program.

Estimated values of the volume of consumer spending for non-profit organizations

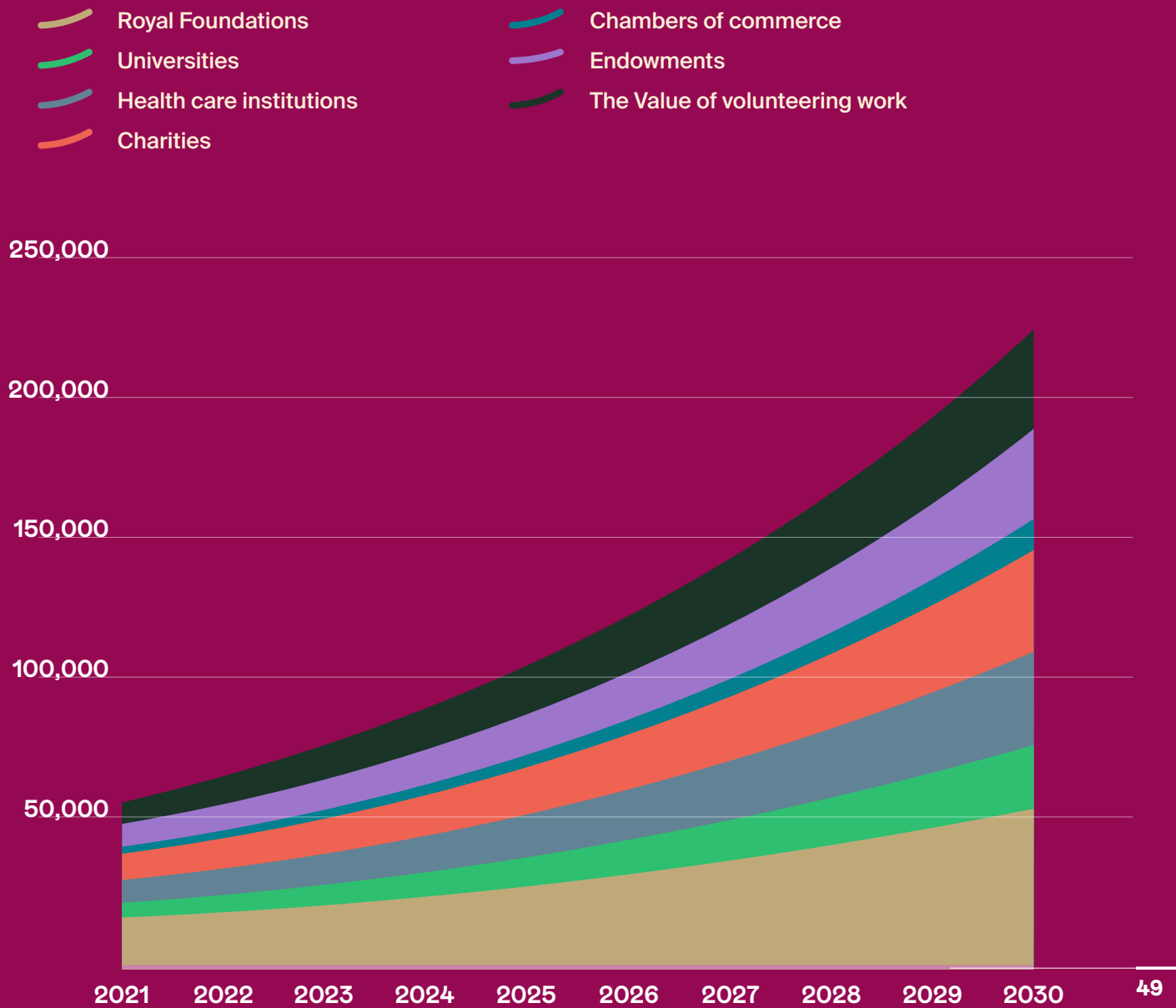
Growth scenarios according to each legal entity (millions of SAR)

| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---------------------------------------|--------------|---------------|---------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Royal Foundations | 12,632 | 14,780 | 17,293 | 20,232 | 23,672 | 27,696 | 32,404 | 37,913 | 44,358 | 51,899 |
| Universities | 5,538 | 6,479 | 7,581 | 8,869 | 10,377 | 12,141 | 14,205 | 16,620 | 19,446 | 22,752 |
| Health care institutions | 8,078 | 9,452 | 11,058 | 12,938 | 15,138 | 17,711 | 20,722 | 24,245 | 28,367 | 33,189 |
| Research centers and others | 136 | 160 | 187 | 218 | 256 | 299 | 350 | 409 | 479 | 560 |
| Cooperative societies | 223 | 261 | 306 | 358 | 419 | 490 | 573 | 671 | 785 | 918 |
| Charities | 8,552 | 10,006 | 11,707 | 13,697 | 16,025 | 18,750 | 21,937 | 25,666 | 30,030 | 35,135 |
| Foundations | 1,061 | 1,242 | 1,453 | 1,700 | 1,989 | 2,327 | 2,723 | 3,185 | 3,727 | 4,360 |
| Chambers of commerce | 1,295 | 1,515 | 1,772 | 2,074 | 2,426 | 2,839 | 3,321 | 3,886 | 4,547 | 5,320 |
| Professional bodies | 282 | 330 | 386 | 451 | 528 | 618 | 723 | 846 | 990 | 1,158 |
| Home-Owners associations | 124 | 145 | 170 | 199 | 233 | 272 | 319 | 373 | 436 | 510 |
| Scientific societies | 70 | 82 | 96 | 112 | 131 | 154 | 180 | 210 | 246 | 288 |
| Endowments | 7,707 | 9,017 | 10,550 | 12,343 | 14,442 | 16,897 | 19,769 | 23,130 | 27,062 | 31,662 |
| The Value of Volunteering Work | 8,672 | 10,146 | 11,871 | 13,889 | 16,250 | 19,013 | 22,245 | 26,027 | 30,451 | 35,628 |
| Total | 4,371 | 63,614 | 74,429 | 87,082 | 101,886 | 119,206 | 139,471 | 163,181 | 190,922 | 223,379 |



Estimated values for the required volume of sector growth

Growth scenarios to reach the target of 5% of GDP by 2030





Regarding the required growth rate of volunteer work to support achieving the target of 5%, volunteering activity should grow annually to reach approximately SAR 41 billion as an economic value, and the number of volunteers should exceed 19 million, with almost 800 million hours of volunteer works. The target can be attained at a lower rate if the estimated value of each volunteer hour rises, wage rates in the Saudi economy rise, and a higher percentage of volunteer work is performed professionally (by highly paid, highly skilled labor that offers highly valued specialized services).

Regarding the endowment sector (which was not adequately analyzed in this Report due to a lack of data), it is anticipated that it will be a significant contributor to future development; however, this cannot be estimated at this time due to a lack of data.

Second:

The sector's contribution to achieving the strategic objectives of the Kingdom's Vision 2030¹⁵

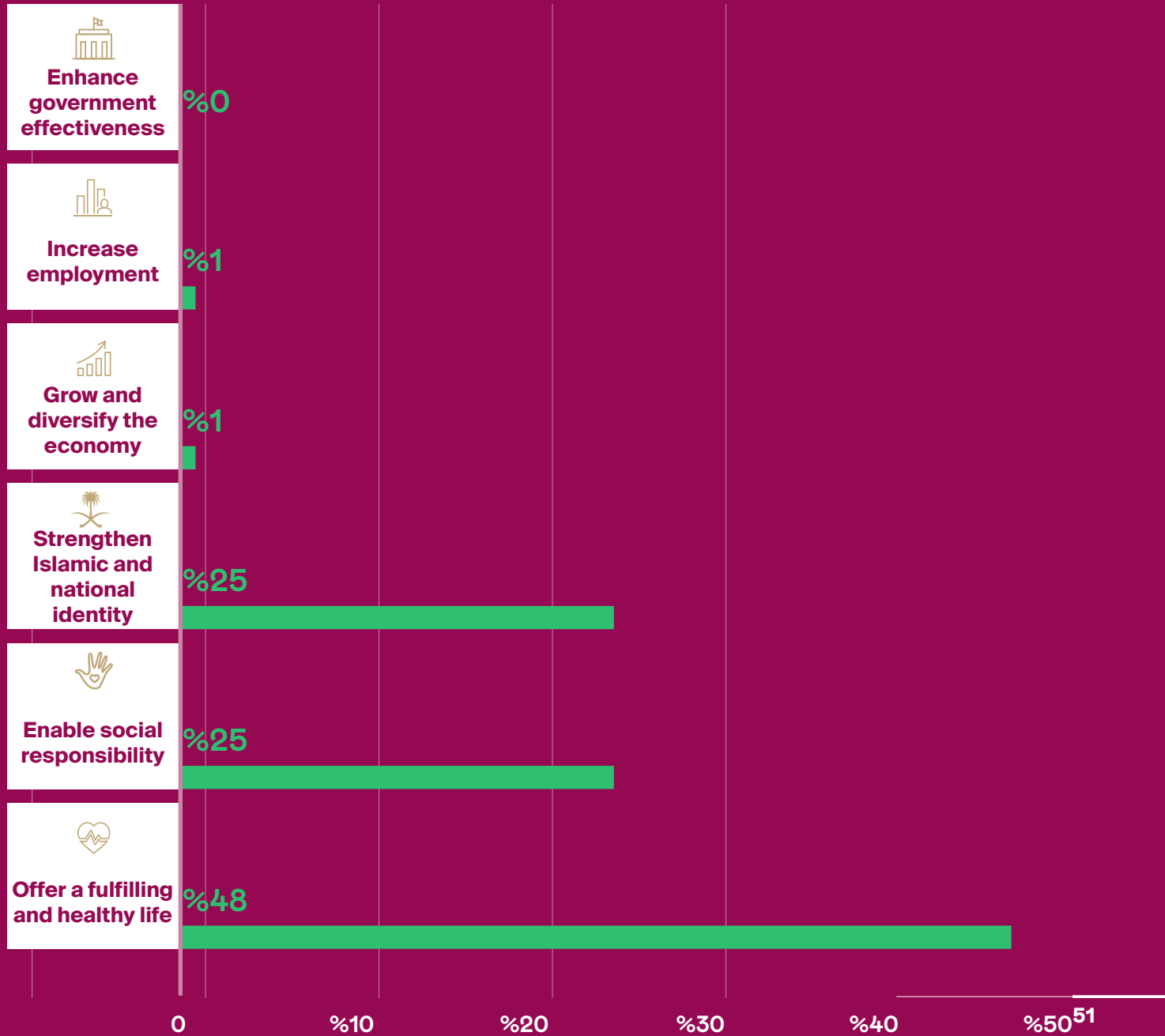
Organizations in the nonprofit sector play diverse roles as development partners in achieving the strategic goals of the Kingdom's Vision 2030. The non-profit sector's contribution is focused on the goal of offering a fulfilling and healthy life, as many organizations are active in the fields of promoting health and education, improving the quality of life for community members, and meeting the basic needs of the most vulnerable, according to the research team's analysis of the level of alignment of the activities of non-profit organizations with the objectives of the Vision. By strengthening the capacities of nonprofit organizations and boosting the social effect of charitable efforts, organizations that assist charity activities, such as civil organizations, play a crucial role in accomplishing the goal of enabling social responsibility. Despite the activity of many organizations in the field of qualification and training, the contribution of non-profit organizations to rising employment rates is still minimal. However, small and medium cities seem to have a greater need for this kind of nonprofit organization activity.

15. The Foundation analyzed the contribution of 4402 non-profit organizations including civil, scientific and professional associations, civil and royal institutions, chambers of commerce and clubs to the five strategic objectives of the Kingdom's Vision 2030.



The contribution of the non-profit sector

in achieving the strategic objectives of the Kingdom's Vision 2030





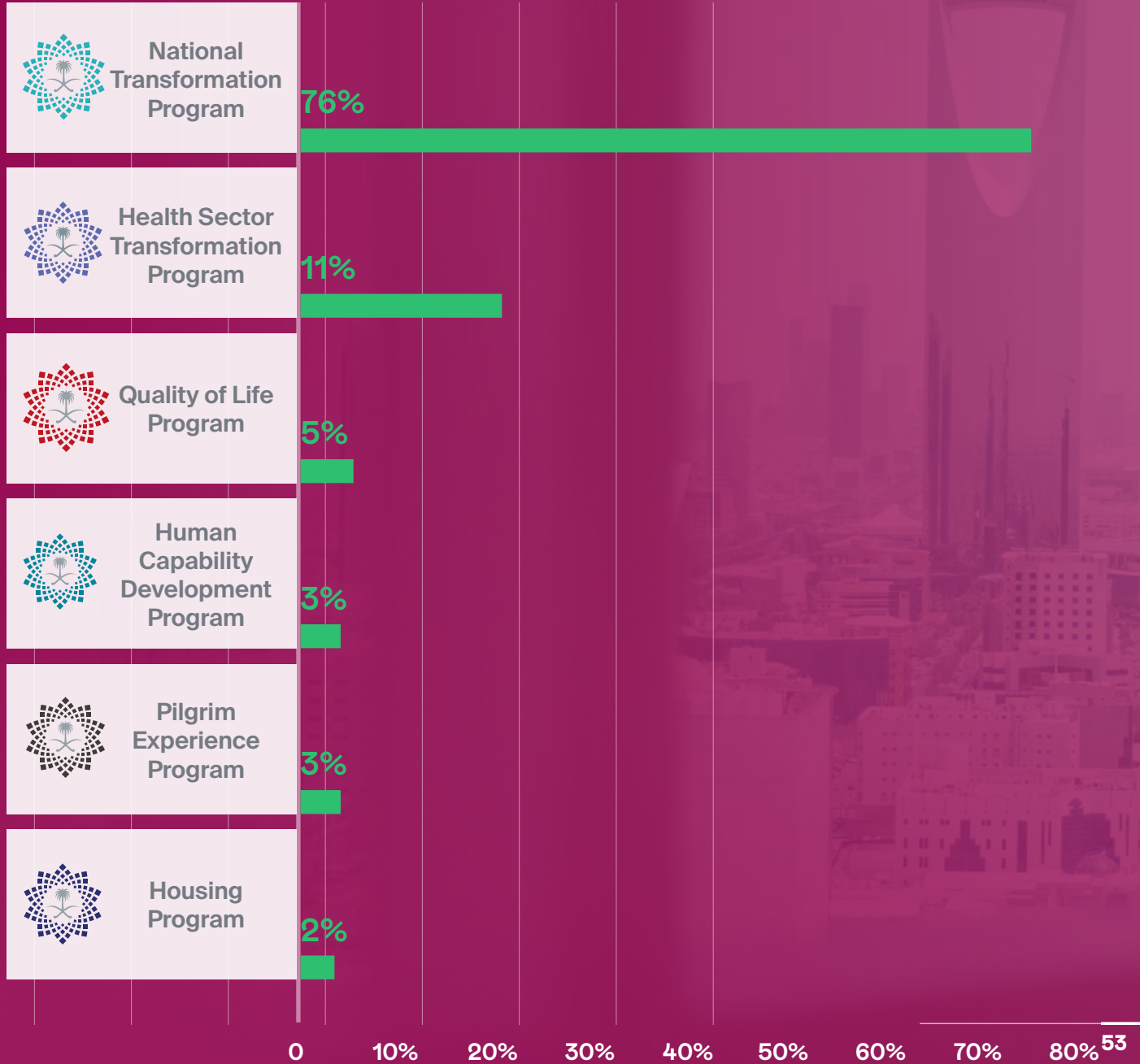
Third:

The sector's contribution in achieving the executive programs of the Kingdom's Vision 2030

The sector's contribution to the Vision's strategic goals is represented in the supporting initiatives aimed at realizing the Kingdom's Vision 2030. According to the Foundation's analysis, the non-profit sector's support for the National Transformation Program, the Health Sector Transformation Program, and the Quality of Life Program is its main emphasis. The National Transformation Program has more varied goals and objectives, such as enhancing businesses' social responsibility efforts, fostering the expansion of the nonprofit sector, enabling non-profit organizations to have a greater impact, achieving excellence in government performance, enhancing the business climate and values of fairness and transparency, and raising the standard of public services. It is typical that the sector's contribution is concentrated on the funding of this program because of the significance of its social development component. Due to its ambitious emphasis on developing housing choices for security recipients and the most underprivileged populations, the Housing Program also receives funding from a small but extremely powerful set of organizations. The need for the non-profit sector to contribute more is evidence that it supports the Human Capability Development Program and the Health Sector Transformation Program. This is in contrast to the declining non-profit contribution to these programs in the Kingdom, which confirms the need for more non-profit organizations specializing in education and health, two fields in which the non-profit sector excels globally. In order to improve the non-profit sector's commitment to attaining vision realization programs and boosting the sector's economic contribution, the Chapter on Ambition will address a number of proposals.



The percentage distribution of the non-profit sector contribution in achieving the executive programs of the Kingdom's Vision 2030





Fourth:

The sector's contribution in achieving the global development agenda and the United Nations Sustainable Development Goals 2030



The Global Agenda for Sustainable Development, which the Kingdom supported, was introduced in 2015 in order to set an innovative path for development that focused on getting all the country's entities involved in achieving the Agenda objectives. Governments will have the duty to encourage private and nonprofit organizations to participate in achieving these objectives. In addition, they need to adopt the principle of intra-state and inter-state partnership to achieve 17 goals divided into five themes: protect the planet, bring prosperity to societies, achieve peace and security, meet people's basic needs, and forge partnerships for development.

The United Nations Sustainable Development Goals (or what is known as the global goals) are complex in terms of the multiplicity of development dimensions for each goal. Regarding Goal No. (4), for example, on quality education, the goal is not only related to education, but rather to culture, heritage and lifelong learning. Even though the number of education-focused NGOs in the Kingdom decreased after adopting the United Nations' International Classification of Non-Governmental Organizations (ICNPO), we still find that they have made a sizable contribution to achieving this goal.

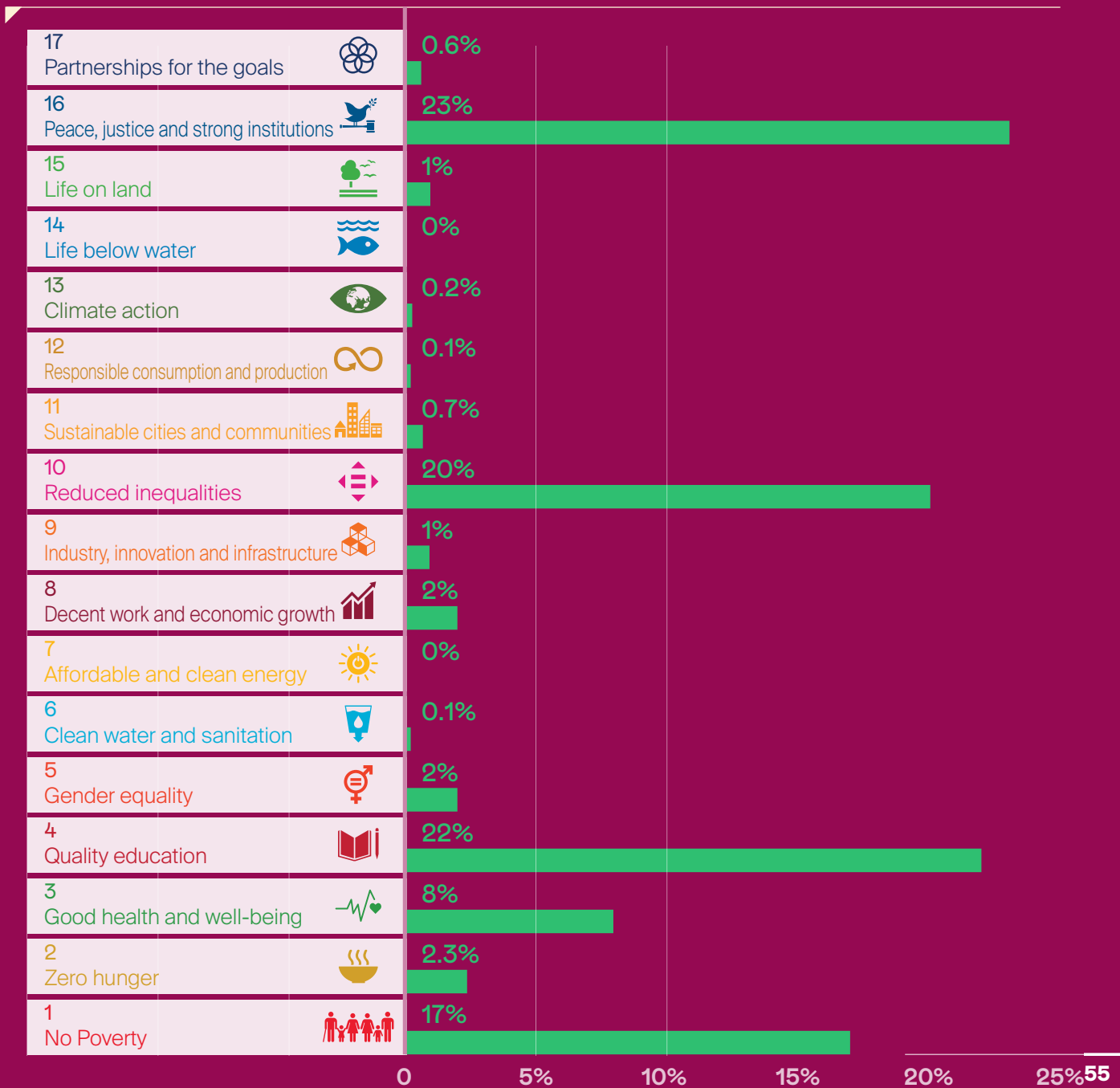
The sector contributes to the achievement of Goal 16 (Peace, Justice and Strong Institutions), due to the focus of many of the sector's organizations in the Kingdom on maximizing social impact, encouraging volunteering and promoting charitable work. Among the targets of this goal is to build strong non-profit organizations in addition to social cohesion and social responsibility. Regarding the building of Sustainable Cities and Communities (Goal 11), we find a strong contribution of the Saudi non-profit sector in achieving it, led by the national development associations (formerly known as the national development committees), which are widely spread at the local level and contribute to local development at the level of neighborhoods. As such, there is an excellent chance to work toward bolstering these organizations' competencies so that they can play a crucial role in the processes of sustainable urban development on the local level while promoting community involvement. It is always expected that there will be a strong contribution of non-profit organizations to achieving Goal 1 (No poverty), due to the superiority of the sector organizations globally in this field and to the size of associations providing financial support (such as charitable associations) in the Kingdom as an essential component of the non-profit sector.

Following up on the impact of non-profit organizations on different aspects of development is an ideal way to help decision-makers understand how the non-profit sector can help on multiple levels, get the most out of the sector's contributions, and get the desired effects on development.

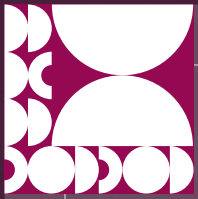


The contribution of the non-profit sector

in achieving global goals (excluding endowments and owners' associations)



It should be noted that a large number of non-profit organizations carry out a wide range of activities and programs (which are in alignment with more than one goal of the Sustainable Development Goals and more than one program of the Vision), but the analysis of the research team was limited to identifying the goals and programs most close to the activities of each organization, to avoid repetition.



Perception

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**Non-profit
Sector Outlook**



The positioning of the non-profit sector affects the interaction of society and decision-makers with it. It is the cornerstone for the sector to gain the support it needs to operate its activities, and more importantly, the main engine for more members of society to join it, whether through membership, volunteering, work, or even deciding to establish non-profit organizations.

The non-profit sector has gone through different periods historically. From the beginning, it emerged to meet the basic needs of people, then it struggled during the formation stage (between 1991 and 2015) until a negative positioning was formed about it due to some exploitation of charitable work by individuals who deceived the society to finance terrorism and some practices of abuse of power and breach of trust.

At this contemporary stage, it is possible to say that the sector is returning with greater confidence due to the tightening of control and governance over the non-profit sector organizations and employees, and the society's focus on the developmental roles allocated to the sector through the Kingdom's Vision 2030.

King Khalid Foundation has monitored the prevailing perceptions of the non-profit sector since 2017. It launched awareness-raising campaigns about the sector, with the aim of improving its positioning since 2020. It launched 4 campaigns to gain community support for the activities of the non-profit sector on social media platforms. The campaigns targeted the general public of the age group (15+ years), interacting with them by answering their inquiries and responding to their comments, with the aim of providing clarification to those with negative opinions about the sector. Through its interaction with the public on social media platforms, the Foundation was able to change the opinion of 20% of those with negative opinions about the sector - who interacted with its posts - in 2021, and 8% of those with negative opinions in 2022. This indicates the feasibility of effective communication with community members directly to answer inquiries and correct their misconceptions about the sector and its employees.



By using the social listening tools¹⁶ we can understand positive and negative impressions and opinions about the non-profit sector as follows:

Positive tonality:

The positive tone express gratitude for the valuable services offered by the non-profit sector to society and the country as a whole. It also expresses pride in the existence of such organizations and activities.

Negative tonality:

This type of interaction is dominated by a tone of warning and intimidation against dealing with non-profit organizations, mockery of non-profit activities, or anger at the non-profit sector.

We list below the most prominent negative impressions that were noticed on social media and through King Khalid Foundation's campaign to support the non-profit sector (**#قُدِ الثقة**), regarding non-profit activities:

Free work (volunteering) is a form of exploitation of young people.

There is no clear difference between charities and foundations and the legal forms of non-profit organizations.

Direct donation is preferred to a donation through a charity because the charity deducts part of the donation amount to cover part of its operating expenses.

Lack of awareness on the part of the donor that most of the government donation platforms deduct part of the donations to cover their operating expenses.

It is believed that the continued manifestations of poverty are due to the failure of charities to address its causes.

It is suspected that corruption is widespread among employees in charities, and donations are not delivered to real beneficiaries.

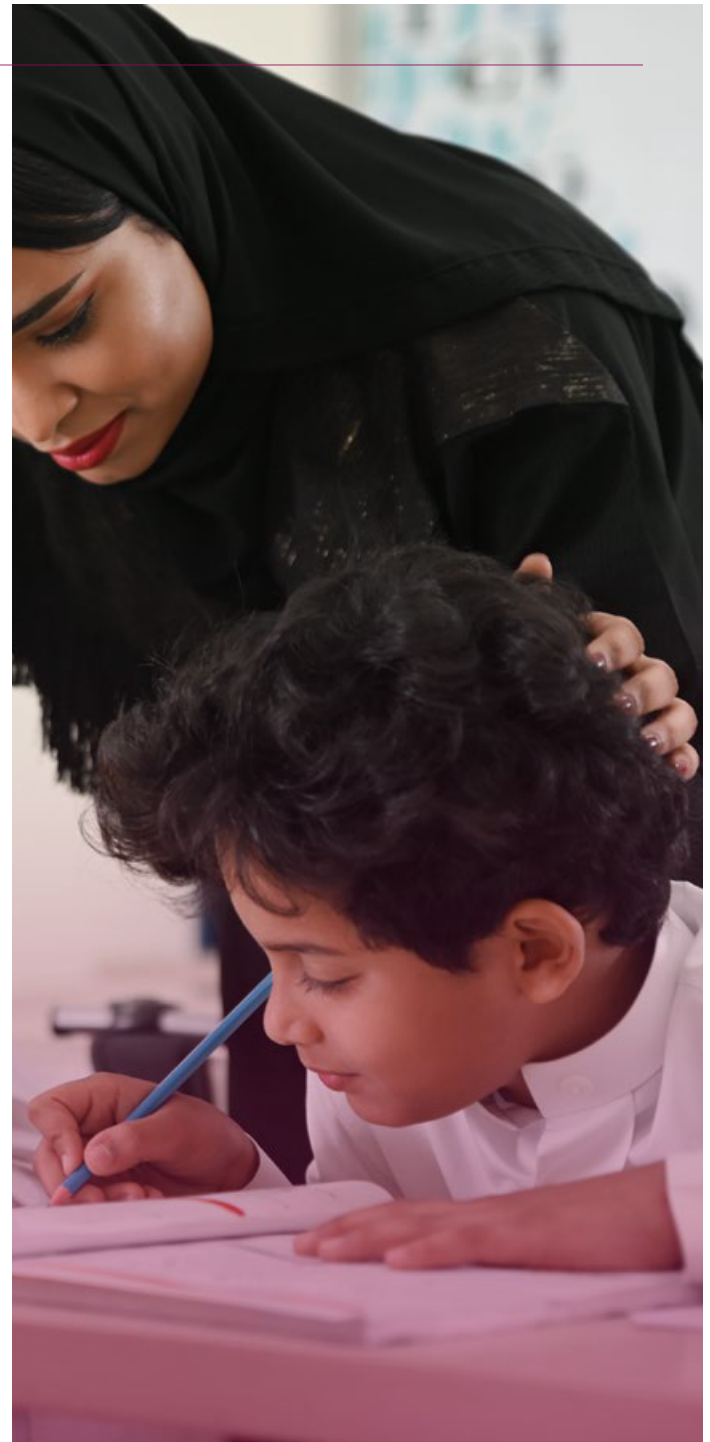
There is a wrong impression that employees in charities receive high salaries and there is a need for ascetic employees.



Despite the spread of these misconceptions about the non-profit sector, resisting and refuting them and disseminating correct messages and facts about the sector are feasible and require careful consideration and long-term plans with various stakeholders. Over the past five years only, King Khalid Foundation monitored an increase in community trust in the non-profit sector in 2022 compared to 2017,¹⁷ as the lack of trust in the integrity of non-profit organizations decreased from 28% in 2017 to 11% of society members today. The remaining majority believes that they trust very much (43% of the respondents) or trust somewhat (46% of the respondents) in the integrity of non-profit organizations.

With regard to the demand for volunteering work, the Foundation monitored an increase in the percentage of volunteering work among society members from 27% in 2017 to 38% in 2021. The percentage of direct, individual and non-institutional volunteering decreased from 60% in 2017 to 47% in 2021. The percentage of volunteering at government agencies doubled, and the level of volunteering in non-profit organizations remains at 27%.

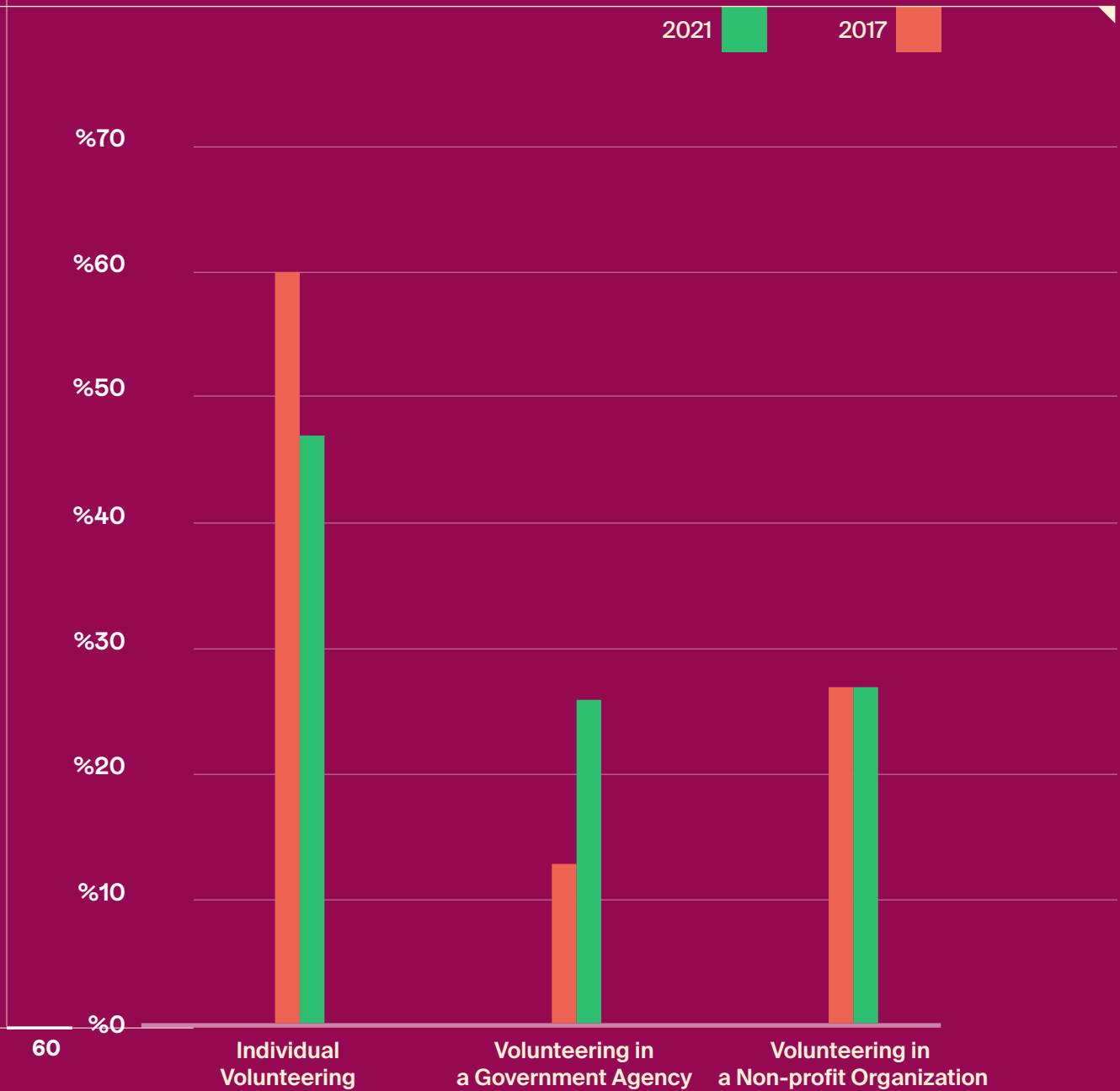
This indicates a need to raise awareness of volunteering opportunities in non-profit organizations or to provide more volunteering opportunities within the non-profit sector. It is worth noting that most of the people who made institutional volunteering through government agencies or non-profit organizations (82% of them) disclosed that they did not get this volunteering opportunity through the National Volunteering Platform, which may indicate a lack of community awareness of the platform and its opportunities.



17. Results of a survey conducted by King Khalid Foundation in cooperation with the National Center for Public Opinion Polls at King Abdulaziz Center for National Dialogue on a sample that included more than 1,028 people representing the Saudi population in 2017, and it was re-implemented in 2021.



Comparison of volunteering forms in 2017 Compared to 2021



Non-profit
Sector Outlook



Regarding donations, there is a noticeable increase in the percentage of society members that direct even part of their donations to charities, from 53% of donors in 2017 to 60% of donors in 2021. This can be interpreted as an indicator of the increased trust of society members in the non-profit sector and its merit in receiving and delivering donations to those who deserve them.

The sector needs intensified efforts to support its endeavors in achieving the national goals to highlight its developmental roles and familiarize the general public with them. It also needs to correct some misconceptions about financing the operational activities of associations and non-profit sector professions. It will be effective to publish financial performance reports and financial statements for non-profit organizations, as well as directing the non-profit organizations to focus on activating community communication, using effective communication tools with the public, and adopting standards of transparency, disclosure, and openness.



Ambition

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Non-profit
Sector Outlook



After 22 years of work in the field of empowering the nonprofit sector, and after close follow up on the ground and continued communication with stakeholders in the non-profit sector, the King Khalid Foundation presents in this report five recommendations, and after close follow-up on the ground and continuous communication with stakeholders in the non-profit sector, presents, in this Report, five recommendations that we believe will support accelerating the achievement of the objectives of the Kingdom's Vision 2030 for the non-profit sector, and will maximize the societal and economic impacts of non-profit activity. We hope that by enabling the non-profit sector to do its work with high governance, it will become the first partner in the initiatives designed to achieve the Kingdom's Vision 2030, one of the first employers for the youth, and a showcase for the true values of the Saudi people, including charity, community service, and citizenship, which stem from the Islamic and Arab heritage of the country.

01

Launching a program to maximize the impact of the non-profit sector within the third round of executive programs for the Kingdom's Vision 2030 (2025-2030)

The allocation of an executive program for the Kingdom's Vision 2030, with the aim of maximizing the impact of the non-profit sector, will be a strong support for the determined efforts necessary to achieve the desired economic contribution of the sector to the GDP, and to raise it from SAR 54 billion as an economic value to SAR 250 billion in 2030. There is also an urgent need to tighten the governance of national efforts and the supervisory authorities over the non-profit sector through the governance framework of the Kingdom's Vision 2030 at the level of setting directions, and at the level of achievement and launching initiatives. This recommendation is in line with the producing of the "Health Sector Transformation Program" from the "National Transformation Program" due to its importance, which can be implemented by producing the objectives of the non-profit sector from the "National Transformation Program" to provide an independent program.



About the Proposed Program

Program Description:

The program aims to increase the economic and social contribution of the non-profit sector; enable the sector to achieve faster growth and a greater and deeper impact, by motivating the non-profit sector to apply good governance standers. It also seeks to enable the sector to shift towards institutionalization; create a supportive technical environment; enhance cooperation between non-profit organizations and government agencies, as well as facilitate the process of attracting funding, knowledge and competencies, training employees and building their capacities, while assisting the sector to contribute to the provision of services, arts and culture.

Third-Level Objectives

With Direct Relevance

- 6.3.1 Support the growth of the non-profit sector
- 6.3.2 Enable the non-profit organizations to achieve a deeper impact (access to funding, talent, knowledge, etc.)
- 6.2.2 Enhance companies' interest in the sustainability of the national economy
- 6.2.1 Enhance corporate social responsibility

With Indirect Relevance

- 2.6.4 Empower citizens through the social services ecosystem
- 2.6.5 Improve the effectiveness and efficiency of the social services ecosystem
- 2.5.2 Develop the Saudi contribution to arts and culture
- 5.3.2 Support channels of communication with citizens and the business community
- 5.2.5 Improve the quality of services provided to citizens
- 4.3.3 Increase the contribution of productive families to the economy
- 4.2.3 Enable the integration of people with disabilities into the labor market
- 3.1.3 Privatize specific government services
- 6.1.1 Enhance and enable financial planning (retirement and savings).
- 6.1.2 Encourage volunteering work

Impact Maximization Program (Initial samples of indicators)

A. Sample Macroeconomic Indicators

| | |
|-----------------------------------|---|
| Indicators that represent targets | Employment in the non-profit sector |
| | Rate of charitable giving of citizens |
| | Social return on investments |
| | Level of low-income families |
| | GDP |
| | Percentage of participation in providing services |
| | Consumption rate |
| | Saudi household spending rate |

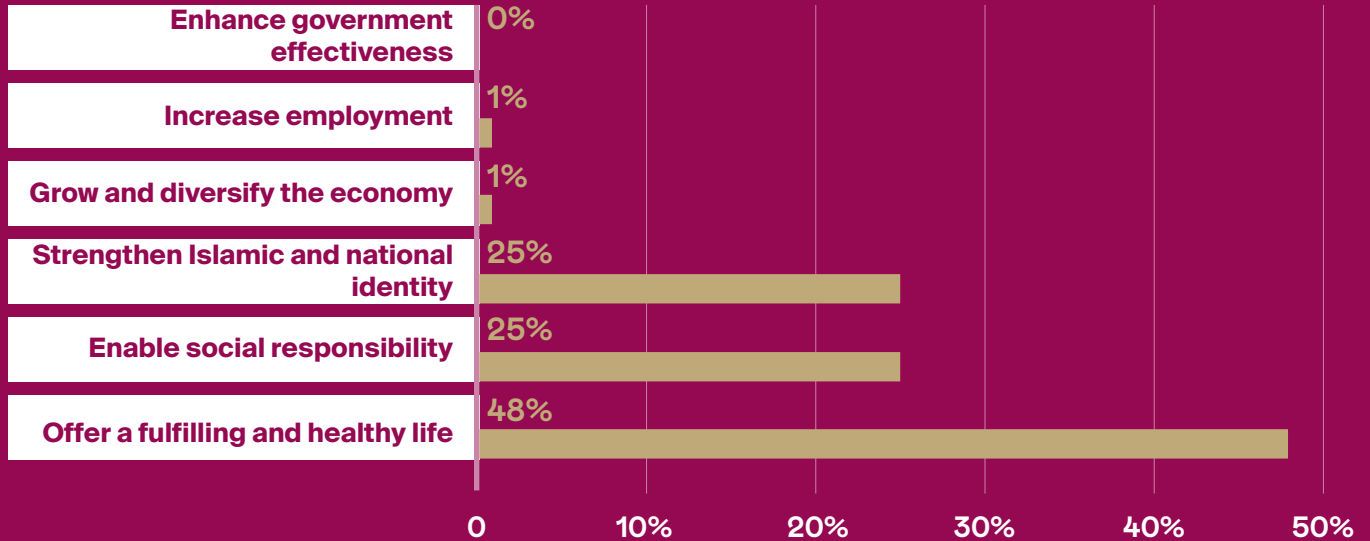
B. Sample Program Indicators

| | |
|------------------------------------|--|
| Economic contribution | Growth rate of the non-profit sector's contribution to the GNP |
| Employment generation | Percentage of employees in the non-profit sector out of the total national workforce |
| Growth of social spending | Average growth of program expenditures in the final accounts of non-profit organizations |
| Number of specialized associations | Percentage of associations classified, as per the new genre specializations, into non-specialized associations |



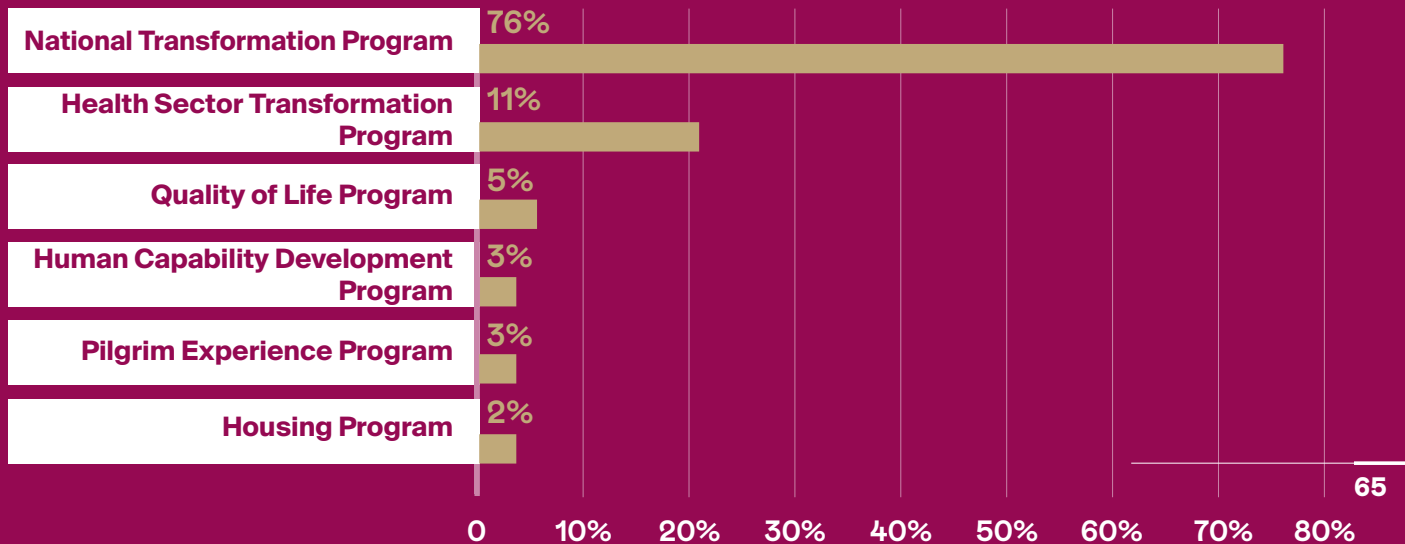
The contribution of the non-profit sector

to achieving the strategic objectives of the Kingdom's Vision 2030



The contribution of the non-profit sector

to achieving the executive programs of the Kingdom's Vision 2030





02

Re-engineering the procedures of the financial, administrative, technical and spatial oversight bodies among themselves and in their dealings with non-profit sector organizations and issuing and updating the regulations governing the relationship.

Financial and Administrative Oversight Bodies

They are the bodies responsible, by law for tightening governance procedures for the non-profit sector, and they include the National Center for the Non-Profit Sector, with regard to charities and institutions; the General Authority for Awqaf, with regard to endowments and endowment establishments; and competent authorities such as the Presidency of State Security and the Saudi Central Bank, with regard to the safety of security and financial procedures for non-profit activities.

- A.** The National Center for the Non-Profit Sector establishes governance rules that are in line with the size of each non-profit establishment (micro, small, large, huge, and mega), which are appropriate to the level of risks and operational capabilities of the organization, in a way that supports tighter control over the sector's activities in a more effective and objective manner.
- B.** The General Authority for Awqaf identifies the size of endowments in the Kingdom, classifies endowments according to their size and activity, and obliges endowments to publish their financial statements.
- C.** Regulations are issued to regulate the relationship between the administrative oversight bodies and the competent authority, and other regulations are issued to regulate the relationship between the administrative oversight bodies and the Saudi Central Bank (similar to the regulations governing the relationship between the technical oversight bodies and the National Center for the Non-Profit Sector) to support efforts to register non-profit organizations within no later than 60 days from submitting an application to establish a non-profit organization.
- D.** The regulations governing the relationship between the technical oversight bodies and the National Center for the Non-Profit Sector in order to ensure facilitation and acceleration of licensing procedures for events, activities, programs and participations.



Technical Oversight Bodies

Usually, the technical oversight body is primarily responsible for regulating various sectors (such as the ministries of culture, entertainment, environment, health, education, Islamic affairs, ... etc.), and these bodies define technical standards and grant licenses to provide activities related to their sector. These bodies are also responsible for sector strategies and usually allocate a clear role for non-profit organizations to achieve sector objectives.

- A.** Sector strategies include specific targets for growth in the size and impact of sector non-profit organizations.
- B.** The technical oversight bodies establish a foundation to undertake grant-making and capacity-building for non-profit organizations under their supervision.

Spatial Oversight Bodies

They are the development agencies in the emirates of the regions and the agencies for the development of cities, regions and governorates, which are responsible for the spatial oversight of non-profit organizations. These agencies seek to develop non-profit organizations within the scope of their spatial oversight in order to support sustainable urban development efforts and enhance their performance.

- A.** Strategies for the development of cities, regions, and governorates include targets for the growth of the size and impact of non-profit organizations within the spatial scope.
- B.** Involve non-profit organizations in urban planning processes and managing the social impact of non-profit organizations, according to the Policy Guide for Evaluating the Social and Environmental Impacts of Sustainable Urban Development issued by King Khalid Foundation (2022). (See Appendix)



03

Updating the Law for Charities and Foundations to become a law for non-profit organizations, to support the expanding of the non-profit sector, to include:

- ▼ Charities and Foundations
- ▼ Micro and small non-profit organizations
- ▼ Professional bodies
- ▼ Non-profit clubs
- ▼ Scientific and health associations

04

Motivating private sector establishments to finance non-profit activities through regulatory rules for the process of deducting taxpayers' donations from the amount of zakat to be collected:

- A.** An article is added to the draft Zakat Collection Law that is being studied, to ensure that taxpayers with the Zakat, Tax and Customs Authority are allowed to deduct a percentage of their zakat directly for charitable associations.
- B.** Regulatory rules are issued to implement a mechanism allowing taxpayers to deduct a percentage of their zakat directly for charitable associations, similar to the ministerial decision issued approving rules not to subject the taxpayer who owns an endowment to zakat collection. These rules include:
 - ▼ Governance mechanisms necessary to prevent conflicts of interest between taxpayers and charities
 - ▼ Provide a license for charities that allows them to receive zakat from taxpayers
 - ▼ Organize the process of verifying that the association receives and grants zakat to beneficiaries during the fiscal year subject to exemption, and verify that the association has obtained a high score in the governance evaluation
 - ▼ The amount that the taxpayer granted shall not exceed (20%) of the zakat to be collected
 - ▼ The amount received by the licensed association shall not exceed (50%) of its total financial resources

05

The National Center for Privatization issues guidelines for the privatizing and transferring of government assets targeted for privatization to the non-profit model

These guidelines include rules and controls necessary to ensure a complete and smooth transition to the non-profit operating model. It must make sure that there is no conflict of interest between the non-profit entity (the private party) and the government agency supervising the sector targeted for privatization, the independence of financial disclosure, administrative decisions, and the legal personality of the non-profit entity.

Appendix

King Khalid Foundation's proposal on national, social and environmental standards for urban development projects

Stakeholders in the field of urban development can adhere to a number of national standards that are appropriate to our local society and national values and are guided by the best international practices in order to fulfill Vision 2030 objectives to build a vibrant society and an ambitious nation, as well as offering a fulfilling and healthy life by improving the quality of Saudi cities and ensuring environmental sustainability (through protection from natural errors, improving the urban landscape, and increasing the quality of services provided in cities). Keeping in mind the need to promote the effectiveness of the government by interacting effectively with citizens (through transparency, communication channels, responsiveness to customer feedback, and involvement of non-profit organizations) and enabling companies to contribute to society. In addition to following the successful international experiences that can contribute to the Kingdom's leadership in the field of assessment and management of social and environmental impacts in urban development projects, Such standards include:

First Standard

Prepare a social and environmental impact assessment document

This document analyzes and classifies risks and social and environmental impacts of urban projects through social and economic studies on the population, enumerating the population and housing expected to be affected by the project and its surrounding areas, and understanding their needs, conditions, and economic and social status. It will also identify the needs of low-income families, women, children, the elderly, and people with disabilities, as well as the expected effects of development processes on population, their usual living resources, and the natural environment.

Based on the social aspect assessment, a social impact management plan is prepared as mentioned in the Second Standard. Based on the environmental aspect assessment, a “Certificate of Environmental Compliance” is obtained from the National Center for Environmental Compliance, as stated in the Sixth Standard.

Second Standard

Prepare a social impact management plan

This plan is based on the principle of avoiding, minimizing, and limiting the damage to the local community, in particular the principle of avoiding the expropriation of properties or the transfer and resettlement of residents as much as possible. In case of necessity, the inhabited areas are minimized, fair mechanisms are allocated for compensation for assets (according to the principle of compensation based on replacement cost) and investment is made in creating economic opportunities for the relocated population and the communities hosting them. The plan also contains development projects for the population covered by the social impact of the project, such as social benefits, developmental housing, productive loans, opportunities for training, capacity building and employment (especially in the jobs expected to be created as a result of urban development), and additional investments in health, social and development services, such as early childhood and education. This requires following up on the situation of the population after the expropriation of properties, dealing with the challenges they face later, and aiming for their situation after the urban project to be better than their social and economic situation before, or at least to continue as it was before the project.

Third
Standard

Adopt community participation mechanisms

This standard must be followed at all project stages to guarantee that local communities and non-profit organizations are transparently and successfully involved in all phases, from participatory planning to execution and handover. A minimum level of affordable housing must be included in the project designs, and practices of transparency and disclosure must be used. Additionally, locals must be kept up to date on project stages, plans, and consequences on society and the environment.

Fourth
Standard

Set guarantees for protecting society and the environment from health risks, pollution and noise

Safety and security considerations for workers, employees, customers, and the affected population near project site are included, so that occupational health and safety requirements, and road and infrastructure safety are taken into account, and plans are developed to avoid exposure of the local community to hazardous materials or air, water and soil pollution. Further, risk-based plans are developed, which take into account the management of preparedness for and response to disasters and environmental and health emergencies.

Fifth Standard

Set guarantees for preserving the cultural heritage

Guarantees are set for preserving tangible and intangible local heritage, in a way that ensures the identification, documentation and avoidance of negative impacts on assets of cultural value, and that strengthens the presence and role of such assets in the urban development project to be established.

Sixth Standard

Set guarantees for preserving the environment, biodiversity, and sustainable use of natural resources and assets

This is implemented by adopting sustainable development standards in energy consumption, sustainable design, increasing urban density, reducing pressure on resources and infrastructure, preserving wild and marine wildlife, and it taking into account that the project leaves a positive impact on nature and the environment surrounding it, through environmental rehabilitation and the integration of clean development mechanisms, which achieve the Kingdom's objective of zero neutrality by 2060. In order to implement this Standard, a "Certificate of Environmental Compliance" should be obtained from the National Center for Environmental Compliance, pursuant to the Environment Law and the Implementing Regulations of Environmental Inspection and Auditing, which oblige any project, industrial, commercial, service, business, or other activities that are expected to have environmental impacts, to submit an "Environmental Audit Study" that includes the results of an objective, organized, periodic and documented examination of operational processes in order to verify the fulfillment of environmental requirements, controls, standards and criteria and to improve environmental compliance and performance.



Policy Design and Advocacy Program

King Khalid Foundation 2023



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