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The 2022 Global Philanthropy Environment Index Region Report: Middle East and Northern Africa

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SUMMARY

Governments in eight of the twelve countries in the Middle East and North Africa (MENA) region under review are labeled as authoritarian. The situation in Egypt, since the overthrowing of the government in 2011 and 2013 and the presidential election of 2018, has deteriorated and is still regarded as ‘authoritarian.’ The elected government in Israel is regarded as “flawed democracy,” and that of Lebanon and Turkey as ‘hybrid.’ Political environments in these countries are reflected in the governments’ policies toward philanthropic organizations (POs)—with the introduction of new restrictions on their functioning and fundraising programs. On the other hand, four monarchies (Jordan, Morocco, Qatar, Saudi Arabia) and one emirate (UAE) included in this review have been trying to expand spaces for POs. Thus, in these countries (except Qatar) the overall GPEI scores (between 2.9 in Saudi Arabia and 3.72 in Morocco) are higher than the rest of the countries under review (except Israel—which, with a score of 3.96, is marginally better because of its tax incentives). The GPEI scores in the former group are lower than in 2018, while in the latter group the scores are stable or better. The GPEI scores for Egypt (2.35) and Turkey (2.61) are almost the lowest in the region. These scores are disheartening because before 2011, Egypt and Turkey offered a most congenial environment for the functioning of POs in the region.

These twelve countries under review include low-income countries (like Sudan), middle-income countries (like Lebanon and Egypt), high-income countries (like Israel and Saudi Arabia), and very high-income countries (like Qatar). Four countries (Iran, Israel, Morocco, and Turkey) have comparatively higher economic inequality (ranging from Gini Index of 39 to 42). On the other hand, Sudan has less inequality (34.2), but a higher need of economic support in general (with GNI PPP per capita of USD 3,970). The four Gulf Cooperation Council (GCC) countries cannot process data for economic inequality, but a very high percentage (about 40% in Saudi Arabia to 90% in the United Arab Emirates (UAE)) of the expatriate population, about 70% of which are low/unskilled workers, have tremendous income inequality among the population. Thus, all countries in the region rely on POs offering goods and services that the governments cannot provide.

In the two years (between 2018 and 2020), the overall functioning environment in the MENA region has been mixed. In the past, Israel, Egypt, and Turkey allowed direct (liberal laws) or indirect (POs

could operate without any permit or registration, as in Turkey). Eager to ensure that the tragic incidents of 9/11 are not repeated anywhere in any form, the United Nations Security Council (UNSC) highlighted the importance of national legal action to restrict and monitor financing of terrorist activities. Due to the revolution in Tunisia, the elected governments in the MENA region have misused the UNSC’s “concern at the flow of funds to terrorists and the need to suppress all forms of terrorist financing,” to restrict PO activities in the name of monitoring because the POs, among other things, work to increase critical consciousness of individuals and demand greater equity and transparency in public policy and actions. Elected governments are imposing restrictions and unelected governments are relaxing the current restrictions. It is not unusual. This has been the trend in all countries—unelected (military) governments tend to promote POs in order to neutralize political activism by keeping political parties at bay; the elected governments formed by political parties reverse the trend—not to be outshined or outperformed by the POs in public benefit programs (Hasan, 2017b).

The future of POs in the MENA region is, at best, uncertain.

Trends Observed at the Regional Level between 2014-2017 and 2018-2020

Ease of Operating	Tax Incentives	Cross-Border Philanthropic Flows	Political Environment	Economic Environment	Socio-Cultural Environment	Overall
Stable	Negative	Negative	Negative	Not applicable	Stable	Mixed

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

KEY FINDINGS

Philanthropy in the Middle East and Northern Africa: Political and Economic Environments

Country	Government Type (1)	GNI / Capita PPP USD (2)	Highest 10%	Lowest 10%	Gini Index of inequality	Democracy Index 2018 (3)	Democracy Index 2020 (3)	Philanthropy Score 2014-17 (4)	Philanthropy Score 2018-2020 (5)
Egypt	Authoritarian	12,210	26.9	3.8	31.5	3.36	2.93	2.75	2.63
Iran	Authoritarian	13,150	32.5	2.2	42	2.45	2.20	NA	1.64
Israel	Flawed democracy	41,750	27.8	1.9	39	7.79	7.84	3.83	3.84
Jordan	Authoritarian	10,320	27.5	3.5	33.7	3.93	3.62	3.62	3.59
Kuwait	Authoritarian	58,930	??	??	??	3.85	3.80	3.31	2.92
Lebanon	Hybrid	11,960	24.8	3.1	31.8	4.63	4.16	3.67	2.99
Morocco	Monarchy	7,190	31.9	2.7	39.5	4.99	5.04	3.25	3.62
Qatar	Authoritarian	88,070	??	??	??	3.19	3.24	2.07	2.59
S. Arabia	Authoritarian	47,790	??	??	??	1.93	2.08	2.95	2.74
Sudan	Authoritarian/ Transition	3,970	27.8	3.2	34.2	2.15	2.54	NA	2.93
Turkey	Hybrid	27,780	31.6	2.0	41.9	4.37	4.48	2.73	2.56
UAE	Authoritarian	70,300	??	??	??	2.76	2.70	3.52	3.52

Sources:

(1) EIU, 2020;

(2) Income and inequality data are from World Bank Data;

(3) Democracy Index is from Economist Intelligence Unit (best score is 10)

(4) Indiana University Lilly Family School of Philanthropy, 2018 *Global Philanthropy Environment Index*

(5) Indiana University Lilly Family School of Philanthropy, 2022 *Global Philanthropy Environment Index*

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

To what extent can individuals form and incorporate the organizations defined

- In general, it is very difficult to form a PO in any of the countries under review in the region. Apart from Morocco, where the king is opening up political fronts to appease the citizens, the difficulty in forming and incorporating a PO has either increased or stayed stable. In the two newly added countries (Iran and Sudan), the situation is not any better. With an authoritarian tendency, even with elected governments, the situation is likely to be worse in the near future.
- In its Resolution 1373 (2001), the UNSC highlighted the importance of national legal action to restrict and monitor financing of terrorist activities. In Resolution 2462 (2019), the UNSC

“expressed concern at the flow of funds to terrorists and the need to suppress all forms of terrorist financing.” As a follow-up, a global program (Detecting, Preventing and Countering the Financing of Terrorism or CFT) was launched in 2020. Now, using these UNSC resolutions and programs, all countries in the region in general, like everywhere else in the world, have undertaken legal actions to stifle PO activities in the name of monitoring.

- Countries in the region, since the fall of the government in Tunisia in 2011, have been monitoring PO activities (to prevent similar events). Global anti-terrorist actions have been (mis)used, in many countries, to reduce the advocacy work of POs.

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

- Because of the above reasons, government interference in the operation of POs has either increased or remained stable (like in 2018).
- Government interference in the operation of POs has increased, even in Israel where interference was the lowest in 2018 among the countries under review.
- The interim government in Sudan has been a bit lenient in interfering in POs’ operation, but time will tell what happens when an elected government comes to power in two years, as planned.

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

- Governments across the region have taken new measures in shutting down POs, primarily to deal with the voices of dissent. Government discretion has not decreased in any of the countries under review. The only exception is Israel, where any involuntary dissolution may happen only after warnings and opportunities to rectify—but judicial redress is available, if dissolved.
- Iran and Sudan seem to provide high discretion to the concerned departments to dissolve any PO, without any administrative or judicial redress.

II. Domestic Tax and Fiscal Issues

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

- The tax system in Jordan is the easiest in the region for POs to receive donations.
- In some countries, like Lebanon, donors can get tax benefits but due to the existing ceiling on a PO's tax exemption income, the provision is ineffective.
- Israel, with a provision of a 35 percent tax benefit, has a favorable tax system for making charitable donations.

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

- The four Gulf countries (Kuwait, Qatar, Saudi Arabia, and UAE) included in this regional review do not have personal income tax, so there is no incentive to donate money to POs.
- Further, it is very hard for a PO to raise donations in the four Gulf countries, where the limited number of POs are regarded as businesses.

III. Cross-Border Philanthropic Flows

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

- Sending donations overseas is extensively regulated across the region. Due to the UNSC recommendations, even the elected governments, like Egypt and Lebanon, have imposed new restrictions for sending donations overseas.
- The government in the UAE, since nearly 90 percent of its population is expatriates, has kept the regulation favorable for sending cross-border donations. Transfers of funds from the UAE to overseas accounts/mobile phones are not regulated (but are monitored).

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

- Only three countries (Kuwait, Lebanon, and Morocco) have a reasonably favorable regulatory environment for receiving donations from overseas.
- Countries including Saudi Arabia and Egypt strictly regulate the receipt of overseas donations.
- Iran, Qatar, Sudan, and the UAE allow the receipt of donations from overseas, if strict procedures are followed.

IV. Political Environment

To what extent is the political environment favorable for philanthropy?

- The Economist Intelligence Unit (EIU) considers governments in eight of the twelve countries under review (including the elected governments in Egypt and Iran), as authoritarian. The EIU lists Israel, with an elected government, as a “flawed democracy.” All countries’ POs have restricted activities and fundraising.
- In the recent past (political-party-based) elected governments, especially in Africa and Asia, have become protective of their (misuse of) power. Many governments have used “state security” or “public morality” as an excuse to restrict PO activities.
- Only in one country (Morocco, a monarchy), the political environment for philanthropy has become more favorable in the last few years. In other countries, the political environment has worsened or stayed the same.

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

- Unfavorable political environments in all countries under review lead to the framing and application of public policies unfavorable for the functioning of POs. Israel and Morocco seem to be the only exceptions, where the policies are reasonably favorable for PO functioning. The government in Kuwait has also adopted slightly favorable policies. Policies have become a bit favorable in Kuwait.
- Policies for philanthropy in other countries have become less favorable or have remained unchanged.
- In Iran and Sudan, the political environment for philanthropy not any better than in other countries in the region.

V. Economic Environment

To what extent is the economic context favorable for philanthropy?

- The economic context of philanthropy can be logically studied by using the per capita income and income inequality data for each country. These 12 countries under review include low-income countries (like Sudan), middle-income countries (like Lebanon and Egypt), high-income countries (like Israel and Saudi Arabia), and very high-income countries (like Qatar). But there is no unique pattern that makes a particular economic environment favorable for philanthropy, because many other factors influence the environment.
- In the four GCC countries under review, the population figures include between a 40 percent (in Saudi Arabia) and 90 percent (in the UAE) expatriate population. As a result, the income inequality data in these countries are not available or may not mean anything. Nonetheless, due to the high level of per capita income, the existence of a huge number of HNWLs (high net worth individuals), and the presence of very low-income earners (e.g., about 60% of the expatriates in the UAE are categorized as unskilled workers and 20% as domestic workers). So, the economic environment for philanthropy in these four countries is very favorable. Israel with GNI PPP per capita of USD 41,750, high economic inequality (27.8% in the highest 10% and 1.9% in the lowest 10%, creating a Gini Index of 39), and the existence of advocacy for philanthropy by religious groups and the government's promotion of philanthropy, also establishes a very favorable economic environment for philanthropy.
- Iran has a very high level of income inequality (Gini Index 42). But the people have a per capita income at a middle level (GNI PPP per capita of USD 13,150) and, due to the absence of social security, have family responsibility. The government, at the same time, promotes giving to religious organizations that offer varied educational, health, and social services. Considering these factors, the economic environment for philanthropy in Iran is at a moderate level.
- Sudan has a lower level of income inequality (Gini Index 34.2), but because of people's lower level of income (GNI PPP per capita of USD3,970), the country does not have a favorable economic environment for philanthropy.

VI. Socio-Cultural Environment

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

- Religious values and codes are part of the region's culture. Since giving (in the form of zakat) is one of the five pillars of Islam, and the giving of tzedakah (or sadaqah) is essential for establishing social justice in the Jewish communities, socio-cultural values and practices are favorable in all countries in the region. However, other factors influence the score for each country. For example, Iranian society extensively promotes zakat, which is not legally enforced but paid by at least 44 percent of the population (the highest known figures in any of the Muslim-majority countries (MMCs)) (Hasan, 2015b). In Morocco, a monarchy (a middle-income country with GNI PPP per capita of USD7,190), Zakat is widely promoted. In the recent past, with the opening up of the society for private group actions, the socio-cultural environment has become more favorable.
- In most countries, especially those with less financial ability of the state to offer social security, the higher income earners have family responsibility, for example in Iran or Sudan. In general,

family responsibility precludes an individual's involvement in philanthropy (i.e., purposive or strategic giving beyond the family).

- In the four GCC countries, philanthropy and zakat is widely discussed, but due to the tribal prestige issue that considers dependence of any member of a tribe on charity as a failure of the leadership (Hasan, 2015a) and family obligations of the expatriate population (that is as high as 90% in the UAE), socio-cultural values and practices are less favorable for philanthropy.

VII. Future of Philanthropy

Summary of the future development trends in the philanthropic landscape

- General restrictions on the movement of funds are likely to hamper the flow of diaspora philanthropy, especially to countries like Israel, Jordan, or Lebanon, forcing POs to cut their goods and services delivery activities.
- New technology will facilitate online communication for management and governance that is likely to lead to restructuring of PO management systems. As a result, POs are likely to have reduced overhead costs and achieve higher efficiency (which will be a necessity due to possible reduction in access to funds).
- Zakat reforms like in Malaysia and Turkey are likely to be introduced to fill funding gaps and divert huge funds to social investments (that are currently used mostly for religious purposes).
- Crowdfunding for targeted emergency relief projects or for innovative social enterprises like online training for employable skills development are likely to have more support and success (to complement the current employable skills development programs), offered by many POs in the region.

Key recommendations to improve the environment for philanthropy in the region

- Governments need to promote and regulate POs as a partner, not as a competitor (e.g., the POs that provide goods and services with higher efficiency), or as an enemy (those POs involved in advocacy).
- Governments need to avoid blanket restrictions on the philanthropic sector for proven bad practices of a few POs, and avoid promoting select POs for political gains.
- Governments need to improve the legal environment by clarifying (often purposive) ambiguities in the laws, so the laws are not misused, but rather are implemented correctly for the benefit of all, especially for increasing state security.
- Governments—by revising PO regulatory regimes and providing tax incentives to businesses for their giving—should facilitate tripartite (public, private, and non-profit) engagements for corporate social responsibility (to use PO expertise and private sector funds for social enterprises) (see, Hasan, 2017).

VIII. Philanthropic Response to COVID-19

What are the areas where the nonprofit sector and philanthropy play a role in responding to COVID-19 in the region?

- There has been a renewed importance in relief and emergency support like COVID-19 quarantine shelters, food and emergency relief for isolated COVID-19 patients.
- There is also a renewed importance in creating health and social awareness (as opposed to political awareness or advocacy that governments in many countries have been hindering, anyway). It may also mean POs may have to focus more on preventive health.
- POs have reemphasized their original roles (reaching out to the geographic areas not covered by government agencies) and working in the sectors that are not within government agencies' reach, like online education in remote areas, or for underprivileged children, especially girls.

What are the innovations and new trends in the nonprofit sector and philanthropy related to COVID-19 responses?

- Faster and more participatory management of PO activities and governance using online communication methods.
- Professionals' online volunteering for youth development (as observed in Iran).
- Increased collaboration among many POs for coordinating emergency relief efforts (this will be a welcomed development for a sector where POs are not known to have intra-sector collaboration).
- Online low-cost fundraising.
- Crowdfunding for worthy projects or even relief efforts.

What have been the main impacts of COVID-19 on the philanthropic environment in the region?

- Renewed realization that POs, irrespective of their specific focus or expertise, need to have infrastructure ready for emergency health responses.
- POs are increasing focus on preventive health care (even online health care).
- Technology for online teaching has created opportunities for offering educational access to all school-age children.
- Due to post-COVID-19 communication technology (like Microsoft Team, Zoom), PO management can monitor activities remotely to reduce costs and have increased levels of public service programs.

What are the anticipated impacts of COVID-19 on the philanthropic environment in 2021?

- There are likely to be renewed campaigns for reducing inequity in access to health care within and across countries.
- Better reporting and accountability systems, due to the use of technology, may make many people disinterested in (or even suspicious of) activities of POs and/or providing supports to POs.
- Lower overhead costs are likely to boost fundraising by POs.
- Governments eager to curtail PO influence on society, especially in advocacy or transparency, using the same technology, may interfere more in PO functioning.

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