

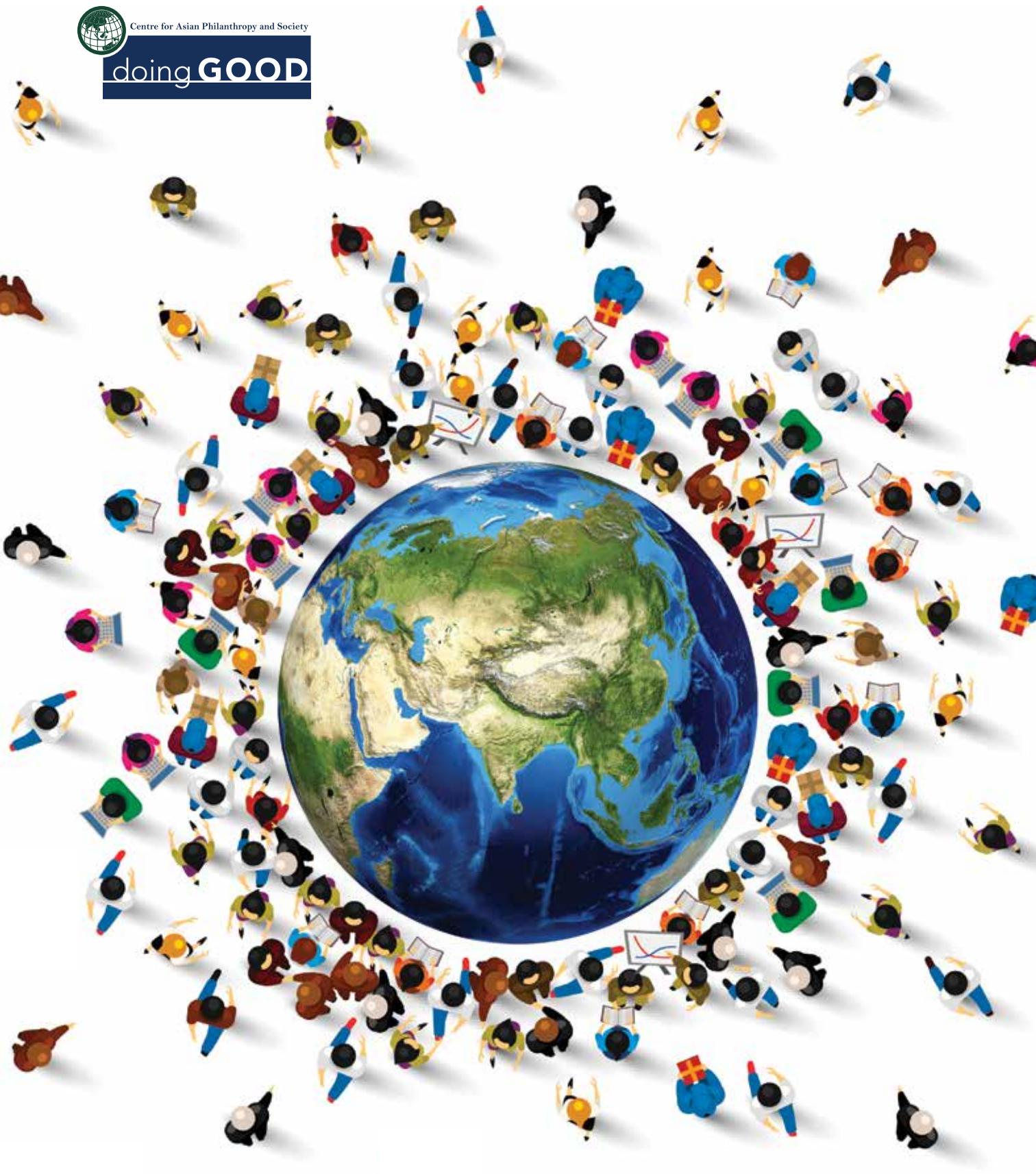
# DOING GOOD INDEX 2020

Profiling Asia's Social Sectors: The Path Forward



Centre for Asian Philanthropy and Society

doing **GOOD**



# TABLE OF CONTENTS

2	<b>Acknowledgments</b>
3	<b>Executive Summary</b>
7	<b>PART I: Doing Good Index 2020</b>
8	Chapter 1. <b>Doing Good Index 2020: Rising Trends in Changing Times</b>
16	Chapter 2. <b>Regulations: Ease of Doing Good</b>
24	Chapter 3. <b>Tax and Fiscal Policy: Incentives for Doing Good</b>
32	Chapter 4. <b>Ecosystem: Community for Doing Good</b>
42	Chapter 5. <b>Procurement: Partnership for Doing Good</b>
47	Conclusion <b>The Path Forward</b>
48	<b>PART II: Economy Profiles</b>
184	<b>Appendix I: What is the Doing Good Index?</b>
186	<b>Appendix II: Methodology and Data Sources</b>
189	<b>Endnotes</b>

# ACKNOWLEDGMENTS

The second iteration of the *Doing Good Index*<sup>TM</sup> and our pioneering effort to research the social sector in Asia would not have been possible without the support of numerous donors hailing from Asia and across the globe. We thank the following donors whose support over the last two years has enabled us to engage with partners, research and write the *Doing Good Index 2020*: the Aboitiz Foundation, Husodo Angkosubroto and PT Gunung Sewu Kencana, Bangkok Bank Public Company Ltd., Ronnie C. Chan and Hang Lung Properties Ltd., James Chen, the Ford Foundation, Victor and William Fung Foundation, the Bill & Melinda Gates Foundation, Jamshyd N. Godrej and the Godrej Trusts, Alope and Suchitra Lohia and IVL Foundation, Ging M. Gonzalez Montinola, Manuel V. Panglinan and First Pacific Company Ltd., Thierry Porté, Arif Rachmat and PT Triputra Investindo Arya, Stephen Riady, River Star Foundation, SK Corporation, SM Investments Corporation, Thai Beverage Public Company Ltd., Daniel M. Tsai and the Fubon Group, C.C. Tung, Angela You Zhonghui and SeaSkyLand and Jaime Augusto and Elizabeth Eder Zobel de Ayala, among others.

This iteration of the *Doing Good Index* spans 18 Asian economies, including 15 which were featured in the last iteration, and three new joiners, Bangladesh, Cambodia, and Nepal. We received excellent support from our partners in each of these economies in numerous stages of the research process including data collection and validation. Our partners are: Centre for Policy Dialogue (CPD); Cooperation Committee for Cambodia (CCC); The NGO Forum on Cambodia; Non-Profit Incubator (NPI); Institute for Philanthropy, Tsinghua University (IPTU); Department of Social Work and Social Administration, The University of Hong Kong; GuideStar India; Centre for Advancement of Philanthropy (CAP); Company-Community Partnerships for Health in Indonesia (CCPHI); Japan NPO Center (JNPOC); The Beautiful Foundation; The Asan Nanum Foundation; myHarapan - Youth Trust Foundation; Myanmar Centre for Responsible Business (MCRB); Sustainable Development Policy Institute (SDPI); Pakistan Centre for Philanthropy (PCP); Association of Foundations (AF); Just Cause; Institute of Policy Studies of Sri Lanka (IPS); Center for the Third Sector, National Chengchi University; Puey Ungphakorn School of Development Studies, Thammasat University; Management and Sustainable Development Institute (MSD).

We would also like to thank our Board of Governors: Ronnie C. Chan, Jamshyd N. Godrej, Daniel M. Tsai and Elizabeth Eder Zobel de Ayala for their unfailing support and encouragement.

# EXECUTIVE SUMMARY

The turn of the decade saw Asia celebrating unrivaled economic growth while it continued to contend with both new and existing endogenous demands. Having amassed one-third of the world's wealth, it has witnessed incredible progress in education, life expectancy and infrastructure.<sup>1,2</sup> Yet, it remains home to two-thirds of the world's poor.<sup>1,3</sup> Advancements have not been equally shared as 50 million children remain out of school, 81 million are unemployed, and 1.7 billion people lack access to basic sanitation.<sup>4,5</sup> The region is also confronting unprecedented global challenges. As natural disasters increase in frequency and magnitude, climate change is no longer a distant threat. Then, fresh into 2020, came the coronavirus. Catching the world unaware, Covid-19 sent the global economy and the lives of billions into a tailspin.

Amid these trends and challenges, the social sector in Asia has been in dramatic flux. Now, fallout from the pandemic adds pressure and impetus for the sector to strengthen. The sector's increasingly evident role as a partner in sustainable development is a clarion call for governments, companies and philanthropists to support its growth. And factors are in place for Asia to answer.

If Asians give up to 2% of their gross domestic product (GDP)—the same as the United States—an enormous **US\$587 billion per year** can be unleashed.<sup>6,7</sup> To put it in perspective, this is **12 times the net foreign aid** flowing to Asia.<sup>8,9,10</sup> It is also around 40% of the additional US\$1.5 trillion that the Asia-Pacific region needs to spend annually to meet the United Nation's Sustainable Development Goals by 2030.<sup>11</sup>

Yet Asian philanthropy is still largely held back by a trust deficit in the social sector, as well as gaps in incentives to give more and deploy private resources more strategically.<sup>12</sup> The *Doing Good Index* continues to showcase how to change this.

**The *Doing Good Index* is a study of the environment in which private capital meets societal needs. It**

showcases the crucial enablers for individuals and institutions to move from ad hoc donations to more systematic and strategic investment in the social sector. Our data-driven insights show how to build stronger infrastructure for enabling philanthropy, impact investment and other types of private social investment—ultimately charting the course towards a more inclusive and sustainable future for Asia.

**The right policies and incentives can help drive capital to the social sector.**<sup>ii</sup> Through its legion of social delivery organizations (SDOs), the social sector is reaching those most in need. Channeling philanthropic capital to this sector can allow governments to accelerate development along a more inclusive pathway to prosperity. The *Doing Good Index* shows these policies are accessible to all economies, irrespective of their socioeconomic status.

The index maps the environment for social investment by considering factors under four sub-indexes: **Regulations, Tax and Fiscal Policy, Ecosystem and Procurement**. After tabulating the results, we find that economies can be categorized into four distinct clusters, each of which can be thought of as the distance left to travel towards creating a conducive environment for doing good: **Doing Well, Doing Better, Doing Okay, and Not Doing Enough**. Encouragingly, all economies have deployed some of the practices conducive to philanthropic giving, although some have made greater strides than others. However, there is room for improvement for all.

The social sector matters more than ever as the world deploys all available resources to deal with Covid-19. It will matter even more in a post-Covid world when rehabilitation and rebuilding will need to occur on an unprecedented scale. Allowing unfettered access to philanthropic funding, and allowing donors and recipients to be nimble in their responses, will make all

<sup>i</sup>Between 2013 and 2015, the number of people in Asia living in absolute poverty (now set at US\$1.90 a day in 2011 PPP) dropped from almost 350 million to 263 million.

<sup>ii</sup>When we use the term "social sector" in this report, we are referring to all individuals, companies and organizations that demand or supply resources to address societal needs.

the difference to the speed and scale of recovery. The *Doing Good Index* identifies these and other levers that can prime the social sector to deliver its best.

## Overall findings

In the inaugural *Doing Good Index 2018*, we set out to develop a system-wide understanding of the factors that enable or hinder private social investment across Asia. In the *Doing Good Index 2020*, we have included three more economies for a total of 18: Bangladesh, Cambodia, China, Hong Kong, India, Indonesia, Japan, Korea, Malaysia, Myanmar, Nepal, Pakistan, Philippines, Singapore, Sri Lanka, Taiwan, Thailand and Vietnam.<sup>iii,iv</sup> Combined, we surveyed 2,189 social delivery organizations (SDO) and interviewed 145 experts.

While each economy has unique characteristics, common themes that have emerged in 2020 are:

**Governments in Asia really matter—and they are anxious.** Governments are grappling with how to steer growing wealth and disposable income towards meeting social needs which they alone cannot accomplish. But increased wariness of foreign funding, coupled with the desire to ensure homegrown philanthropy flows only to legitimate social delivery organizations, is spurring increased regulatory oversight. With mixed results: half of the economies covered in 2018 perform worse on the **Regulations** sub-index this year, indicating that it is becoming harder for private social investment to circulate. In the six economies with restrictions

on foreign funding (Bangladesh, China, India, Nepal, Pakistan and Vietnam) many SDOs are reporting funding decreases of 20% or more, and most are responding by cutting back on much-needed social service delivery.

**Tax and fiscal policies are held back from realizing their full potential due to widespread confusion.** Tax incentives exert a direct pull on charitable giving. In Asia, where philanthropists and corporations often work in tandem with government, they also send a strong signal of government support for charitable giving that amplifies their impact. However, there is widespread confusion, even among experts, as to what the exact tax incentives are and how to apply for them. Lack of clarity is dampening the effectiveness of this powerful policy tool.

**Procurement is a missed opportunity.** Despite its promising potential to grant legitimacy to the social sector and spur its growth, our study points to a decreasing occurrence of public procurement since 2018. Procurement has declined in 11 of the 15 economies covered two years ago.

**Encouragingly, there is increased government consultation with SDOs.** It is not all sobering news. In 2020, we observe three-quarters of Asian SDOs report being involved in policy consultations, up from half in 2018. This is a welcome trend: it gives voice to diverse actors and can help make laws more understandable and functional. It is especially important at a time when regulations across Asia are shifting.

**Corporate social responsibility (CSR) and**

## WHY THE DOING GOOD INDEX?

We believe philanthropy and other types of private social investment can attain a step increase with the right incentives and policies in place, and that the time to act is now. The *Doing Good Index* is our contribution to this ambitious objective in the following ways:

**Addressing the trust deficit.** Lack of trust as an impediment to giving is an issue often raised by donors in Asia. The index identifies factors that most contribute to the trust deficit and those remedies most effective in addressing it.

**Creating new data.** Philanthropic activity is not under the purview of national statistical agencies, nor as a high priority for data collection. The index helps create a body of data that can be used to understand the landscape for philanthropy and the changes happening within it.

**Pointing the way to a more vibrant social sector.** The index can be used to help philanthropists, policymakers, researchers and SDOs and engaged citizens understand what levers can be pulled to best increase and enhance philanthropic giving in their economies.

<sup>iii</sup> Bangladesh, Cambodia and Nepal are new to Doing Good Index 2020.

<sup>iv</sup> "Hong Kong", "Taiwan" and "Korea" refer to Hong Kong Special Administrative Region, China; Taiwan, China; and the Republic of Korea.

**partnerships for social good are gaining traction in Asia.** Eleven of 18 economies highlight new attention being given to CSR and public-private partnerships. Today's problems are complex. It takes collaboration across the private, public and civic sectors to meaningfully address them.

## Sub-index findings

In addition to the pan-regional lessons the *Doing Good Index* showcases, the sub-indexes provide the key to understanding the specific measures that economies have taken to catalyze philanthropic giving and promote the development of the social sector.

## Regulations

**Foreign funding is declining, leaving a resource vacuum in its wake.** This is particularly concerning for low- and middle-income economies where foreign funding is an important source of income for SDOs. Six economies are facing reductions as a result of government restrictions on foreign inflows, and a further four are seeing foreign funding decline in parallel with rising national income.

**Most economies have accountability mechanisms in place, although there is room for improvement.** Annual reports and audited annual accounts are mandatory in 15 out of 18 economies, although these records are often not made publicly available. Board members or senior staff are liable for their organization's actions in all economies.

**Laws and regulations related to the social sector are difficult to understand.** Many SDOs struggle to digest complicated laws and keep up with regulatory changes. Laws are also not enforced consistently, adding another layer of ambiguity to regulatory regimes.

**Some economies make it easier than others to set up nonprofits.** It can take from one to two clearances in some economies and up to nine in others. The time it takes ranges from less than a week to as long as a year.

## Tax and Fiscal Policy

**Performance on the Tax and Fiscal Policy sub-index continues to mirror overall performance on the *Doing Good Index*.**

Most economies offer tax deductions for charitable donations: all but two economies offer tax deductions to both individuals and corporates. All but one offer tax exemption for nonprofit organizations.

**Rates of tax deduction vary widely across Asia, from 250% to 0%.** Fourteen out of 18 economies offer rates of 100% or above, including most developing economies. Only Singapore and Vietnam do not limit the income eligible for deductions.

**Incentives for giving upon death in the form of charitable bequests are lacking.** Only six economies have inheritance tax to begin with, and among these only Japan, Korea, Philippines and Taiwan offer incentives for charitable bequests.

Governments provide fiscal support through grants in most economies. Almost one-third of SDOs report receiving government grants, but these grants constitute only 8% of the average SDO budget.

## Ecosystem

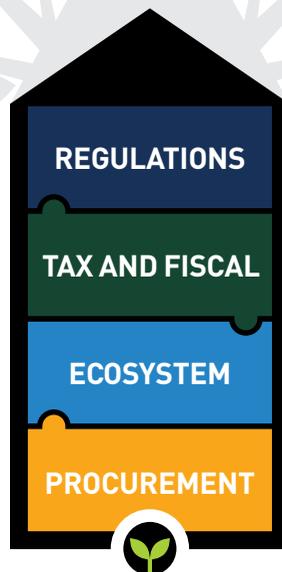
**Society continues to support the social sector, but people still need to give more.** People continue to volunteer at, recognize and donate to SDOs. However, this support has not translated into high levels of individual giving, which nearly 70% of SDOs in Asia perceive to be low.

### Doing good continues to be recognized.

Governments and corporates offer awards for individual philanthropy in all economies, and for nonprofits, social enterprises and corporate philanthropy in all but three economies. National volunteering days are becoming more common, but national giving days have yet to broadly take root.

**Recruiting and retaining talent remains challenging.** Around 80% of SDOs struggle with staffing. A contributing factor is the persistent perception that nonprofit staff should be paid less than their for-profit counterparts.

**Boards of governance are almost universally in place.** Having a board is mandatory in 15 out of 18 economies. The vast majority (86%) of SDOs have



**The Doing Good Index as a force multiplier**

a board, with almost 90% of these boards holding regular meetings. A quarter of board members are female.

## Procurement

**Asian governments procure services from around a quarter of SDOs in our sample.** Economies with the highest proportion of surveyed SDOs fulfilling government contracts were Bangladesh, China, India and Japan.

**The procurement process is not living up to its potential.** Even those SDOs with government contracts found information about procurement difficult to access, and a majority continue to find the procurement process lacking in transparency.

## Conclusion

The year 2020 ushered in profound changes in societies all over the world brought on by a crisis that, at the time of writing, has yet to be resolved. How people, institutions and governments react to these changes and proactively

prepare for the future has the potential to be transformative. We believe that the *Doing Good Index's* evidence-based insights come at a critical time.

Asia still has strides to make in sustainable development, and social and environmental challenges threaten hard-earned progress. At the same time, Asia increasingly also has the resources to meet these challenges. We are witnessing some of Asia's ingenuity and social innovation in fighting the current health crisis. We are also seeing the social sector, the private sector and government coming together in this current battle.

When the crisis abates, the world will be a different place. One that will need the social sector even more as it rebuilds. Amid this sea change, governments may continue to grapple with policy pertaining to this sector as it grows in complexity and importance. The *Doing Good Index 2020* endeavors to illuminate best practices from across the region, allowing Asian economies to move up the learning curve. At its heart, the index is an important policy tool that provides a timely roadmap for how Asian economies can share prosperity and build a more sustainable future together.

## WHAT IS A “SOCIAL DELIVERY ORGANIZATION” (SDO)?

In our study, we use “social delivery organization” (SDO) to refer to organizations that are engaged in delivering a product or service that addresses a societal need.

“Nonprofit” is not as useful as a term because many organizations include a for-profit or social enterprise income stream. “Nongovernmental organization” (NGO) is also not quite right in Asia, as many such organizations in the region are affiliated with government.

“SDO” is a useful term as it allows us to differentiate social delivery from pure advocacy organizations that take on a different role within the Asian context. It covers organizations ranging from traditional nonprofits, to nonprofits with income streams, to social enterprises, and to operating foundations.

Most SDOs in our survey are nonprofits, with only 5% identifying as for-profit. As social enterprises proliferate across Asia, we expect to see this proportion increase in the future.

# PART I: DOING GOOD INDEX 2020



## CHAPTER 1

# DOING GOOD INDEX 2020: RISING TRENDS IN CHANGING TIMES

The *Doing Good Index 2020* continues the inaugural 2018 edition's endeavor to benchmark the infrastructure for private social investment across Asia. We add three more economies to bring the total to 18. We analyze how the four components of the index—regulatory framework, tax and fiscal incentives, societal ecosystem and procurement—have changed over the past two years. And we dive deeper to bring you the story of each economy. One fact remains unchanged: **Asia's social sectors are growing to be a critical partner as the region faces unprecedented challenges.**

**There is progress to celebrate.** Asia continues to witness an enormous change in the socioeconomic profile of its citizenry. The number of people living on less than US\$5.50 (a measure of poverty in upper-middle-income economies) dropped from 1.3 billion in 2005 to 710 million in 2015.<sup>13</sup> Tens of millions move out of absolute poverty each year.<sup>v</sup><sup>14</sup> By 2028, a billion more people will have entered the global middle-class, of

which 88% are expected to be from Asia.<sup>15</sup>

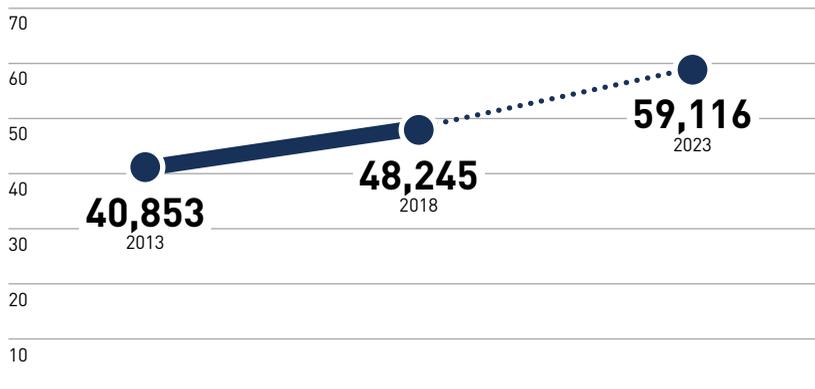
At the same time, the number of ultra-wealthy individuals in Asia has exploded. By 2021, the region's population of high-net-worth individuals will outnumber that of Europe, the Middle East and Africa.<sup>16</sup> Asia is projected to have more than a third of the world's billionaire population by 2023.<sup>17</sup>

**And yet, much remains to be done.** A swathe of unmet needs persists. Despite having one-third of the world's wealth, Asia remains home to two-thirds of the world's poor.<sup>18</sup> As the region grapples with the growing threats of climate change, 50 million children remain out of school and 1.7 billion people still lack access to basic sanitation.<sup>19,20</sup> Asia, as a region, is predicted to miss all 17 of the United Nation's Sustainable Development Goals by 2030.<sup>21</sup> For some economies the challenges of shifting demographics, such as aging societies or large populations of youth, demand more action and social innovation. All are grappling with the

Covid-19 crisis, and more hardships lie ahead in a post-Covid world when rehabilitation and rebuilding will need to occur on an unprecedented scale.

The social sector has been—and will continue to be—indispensable in meeting these needs. Private social investment is its lifeline. Mainly composed of individual and corporate philanthropy, private social investment is also evolving to envelop newer forms of giving such as impact investment (for a detailed typology please refer to the box at the end of this chapter).<sup>vi,22</sup> *The Doing Good Index*

## Ultra-wealthy population in Asia\*



Source: Knight Frank. The Wealth Report 2019.

\*Ultra-wealthy refers to individuals with a net worth of at least US\$30 million.

<sup>v</sup>Between 2013 and 2015, the number of people in Asia living in absolute poverty (now set at US\$1.90 per day) dropped from almost 350 million to 263 million.

<sup>vi</sup>Although it has great potential, impact investment is just starting in Asia. According to our 2019 survey of Asian social enterprises, only 17% receive any form of impact investment currently.

looks at the factors that enable or hinder private social investment. It is evidence-based, derived from original data gathered through comprehensive surveys of **2,189 social delivery organizations (SDOs)** and interviews of **145 country experts** across **18 economies**. The index is also forward-looking. It charts the course for a stronger infrastructure for giving and receiving, which in turn will lead to a thriving social sector better equipped to complement governments in addressing Asia's challenges.

The potential is huge. If Asians give up to 2% of their gross domestic product (GDP)—the same as the United States in 2018—an enormous **US\$587 billion per year** can be unleashed.<sup>23</sup> To put it in perspective, this is **12 times the net foreign aid** flowing to Asia.<sup>vii,24</sup> It is also around 40% of the additional US\$1.5 trillion that the Asia-Pacific region needs to spend annually to meet the **Sustainable Development Goals** by 2030.<sup>25</sup>

## Doing Good Index: Overall findings across Asia

Social sectors across Asia are as diverse as the region itself. They vary from India's long-standing history of philanthropic giving and robust nonprofit landscape to Japan's relatively younger civil society which coalesced in the wake of the Kobe earthquake 25 years ago. They are delivering social services in low-income to high-income economies, with GDP per capita (PPP) ranging from US\$3,090 in Nepal to US\$101,532 in Singapore.<sup>26</sup> South Asia has bulging youth populations, while East Asia is home to the largest populations of elderly in the world. On the Human Development Index, which the United Nations Development Programme (UNDP) uses to measure life expectancy, education, literacy and standards of living, Pakistan scores the lowest of the 18 economies with a score of 0.560 (rank 152), while Hong Kong ranks the highest with 0.939 (rank 4).<sup>27</sup>

But the 18 economies in this study have this in common: their social sectors are in flux. They are

## Socioeconomic development

Size of circle represents GDP per capita at PPP\*.#



\* Color of the circle represents the *Doing Good Index 2020* cluster. Please see page 11.

# Source: World Bank: <https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD>. Source for Taiwan: CIA World Factbook: <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2004rank.html>

- On a logarithmic scale. Source: World Bank: <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD>

\*\* Source: UNDP Human Development Index Ranking (2019): <http://hdr.undp.org/en/content/2019-human-development-index-ranking>

† Source for Taiwan: <http://bit.ly/taiwan-hdi>

vii Net overseas development assistance for Asia was US\$49 billion in 2017.

shapeshifting to meet the region’s unprecedented needs, both buttressed by technological advances and increased wealth and constrained by geopolitical headwinds. New types of social delivery organizations (social enterprises) and new ways of fundraising (crowdfunding and social and development impact bonds) are entering the fray. It is against this dynamic backdrop that the *Doing Good Index 2020* identifies six broad trends across Asia, two years on from the inaugural *Doing Good Index 2018*.<sup>viii</sup>

1. **Governments matter. Governments in Asia really matter—and they are anxious.** In Asia, institutions prefer to work in tandem with government.<sup>28</sup> And so government policies related to the social sector not only have a direct effect, they have a signaling effect that amplifies their impact. Lately, these signals have been mixed at best.
 

There are multiple reasons for governments’ hot-and-cold approach. As wealth and disposable income in Asia continue to grow, governments are grappling with how they want to steer it toward meeting social challenges they alone cannot meet. They want to encourage homegrown philanthropy while building more transparency and accountability in the social sector. They have legitimate concerns about charities being misused for money laundering or terrorist financing. They would like the social sector to adhere closely to their development agenda at a time when that agenda is in flux in response to competing priorities. New technology and new fundraising platforms often leave them scrambling to put in place rules after the fact. Looming over these anxieties is an increasingly contagious wariness of foreign influence, and a desire to constrain domestic activity that may be perceived to threaten political stability.<sup>29</sup>
2. **Increased regulatory oversight is leading to mixed results.** Half of the economies covered in 2018 perform worse on the Regulations sub-index this year, indicating that it is becoming harder for private social investment to circulate. Sweeping regulations,

some of which pull in opposite directions, are having unintended consequences.<sup>ix,30</sup> Of the 10 economies where social sectors are witnessing increased oversight, restrictions on foreign funding are in place in six, while others are pondering on whether to follow suit. Some scholars refer to the spread of this tightening control across Asia as “viral-like.”<sup>31</sup>

In the six economies with restrictions on foreign funding—Bangladesh, China, India, Nepal, Pakistan and Vietnam—the repercussions are leaving SDOs bereft of much-needed funding from abroad. Many SDOs are reporting funding decreases of 20% or more, and most are responding by cutting back on much-needed social service delivery.

3. **Tax and fiscal policies continue to exert influence but are held back from realizing their full potential due to widespread confusion.** Similar to 2018, performance on the Tax and Fiscal Policy sub-index mirrors performance on the overall index for 15 out of 18 economies. Not only do tax incentives encourage charitable giving by individuals and corporations, they also exert a strong signaling effect that the government supports such giving. However, there is widespread confusion as to what the exact tax incentives are and how to apply for them. A quarter of SDOs across Asia are unaware of the existence of tax deductions for charitable donations. Even experts are confused, with those in 14 out of 18 economies finding it difficult to accurately identify the relevant tax policies.
4. **Procurement is a missed opportunity.** Despite the promising potential of procurement, our study points to a decreasing occurrence of public procurement since 2018. Thirteen out of 18 economies score below average on the Procurement sub-index. Even economies that do well on the overall index, such as Singapore and Taiwan, do not perform as well on Procurement.
 

Public procurement can be a win-win for governments and SDOs. Procurement helps SDOs

<sup>viii</sup> The *Doing Good Index* is published every two years.

<sup>ix</sup> It has been observed that there is an increased risk of governments in low- and middle-income countries adopting restrictive regulations with regard to foreign-aid flows after holding competitive elections.

## Doing Good Index: four clusters<sup>+</sup>



grow while leveraging their expertise or outreach to fill gaps in service delivery. It also allows government to bring more efficiency into public service provision while legitimizing the social sector and injecting revenue into it in the face of declining foreign funding. There is room for growth in procurement, and incentives targeted toward SDOs can help as we discuss in Chapter 5.<sup>x,32</sup>

- 5. Encouragingly, there is increased government consultation with SDOs.** It is not all sobering news. In 2020, we observe three-quarters of Asian SDOs report being involved in policy consultations, up from half in 2018. A fifth are regularly consulted. This is a welcome trend: it gives voice to diverse actors and can help make laws more understandable and functional. It is especially important at a time when regulations across Asia are shifting.
- 6. Corporate social responsibility (CSR) and partnerships for social good are gaining traction in Asia.** Eleven of the 18 economies in the *Doing Good Index 2020* highlight new attention being given to CSR and public-private partnerships, as presented in the economy profiles in Part II. When public-, private- and social-sector actors collaborate to address an issue, the impact can be magnified. There is an emerging trend of corporates across

Asia partnering with SDOs, with 86% of SDOs working with the corporate sector in some capacity. Corporates are also engaging with the sector by helping build the capacity of nonprofits, social enterprises and even governments.

Given Asia's political, economic, religious and geographic diversity, there cannot be a one-size-fits-all solution for developing the region's social sectors. But the factors that

control the ebb and flow of private social investment are common across Asia, as the *Doing Good Index* shows, even if their contours vary. In both 2018 and 2020, we observed that GDP does not determine an economy's performance on the *Doing Good Index*. Rather, the indicators across the Regulations, Tax and Fiscal Policy, Procurement, and Ecosystem sub-indexes showcase how vastly different economies and governments can achieve the same outcome of a flourishing social sector. The *Doing Good Index*, therefore, sets out to highlight what works in the region and what is holding some economies back, ultimately creating a roadmap that can enable all Asian economies to move up the learning curve together.

### Doing Good Index: Where economies stand

Performance on the *Doing Good Index* is grouped into four clusters: Doing Well, Doing Better, Doing Okay, and Not Doing Enough. Each of these can be thought of as representing the distance left to travel toward a strong, thriving infrastructure for private social investment. As in 2018, even the top-performing economies do not score well enough to reach the "gold standard" of the Doing Excellent cluster, indicating room for growth.

The *Doing Good Index* continues to place economies in cluster groups instead of a league table for two reasons. One, scores for economies in each group tend

<sup>x</sup>In addition to governments, corporates can also procure from the social sector. What is more, corporates can integrate SDOs into their supply chains, as we explain in *Business for Good: Maximizing the Value of Social Enterprises in Asia* (2019).

## Economy performance: 2020 vs 2018

Economy	Change
 Bangladesh	New
 Cambodia	New
 China	■
 Hong Kong	■
 India	■
 Indonesia	▲
 Japan	▼
 Korea	■
 Malaysia	▼
 Myanmar	▲
 Nepal	New
 Pakistan	▲
 Philippines	■
 Singapore	■
 Sri Lanka	▼
 Taiwan	■
 Thailand	▼
 Vietnam	■

to cluster closely together. Two, we want the focus to remain on the factors that enable or hinder social investment, which tend to be common across economies in each cluster. As we discuss the features of each cluster next, please bear in mind that economies within each are listed alphabetically.

### DOING WELL: SINGAPORE AND TAIWAN

The two economies that are Doing Well maintain their position in the top cluster with the most favorable enabling conditions for philanthropy.

**Both have introduced optimal tax incentives to encourage social investment.** With an impressive income tax deduction rate of 250% for charitable donations and no limit on the income eligible for this rate, Singapore pulls ahead of the rest of Asia. Taiwan is one of the rare Asian economies that encourages charitable bequests by making them exempt from inheritance tax. Both these economies also top the Tax and Fiscal Policy and Regulations sub-indexes.

**Both have supportive regulatory environments**

**that are easy to navigate.** Laws pertaining to the social sector are accessible and among the easiest to understand compared to other economies. The majority of SDOs in Singapore and Taiwan report a high degree of enforcement of these laws, engendering public trust in the social sector as well as maintaining a reliable system for accountability and transparency.

**There is room for improvement,** as discussed in the economy briefs in Part II. Singapore, for instance, can encourage further cross-sector collaboration and grassroots community initiatives. Taiwan can improve the longstanding challenges of recruitment and retention of talent.

They are both high-income economies, but economic status is not what determines performance on the *Doing Good Index*; having an enabling environment for giving and receiving does. Other high-income economies, such as Hong Kong and Korea, are outperformed by less economically advanced economies with healthier social investment infrastructures, like the Philippines and Vietnam.

### DOING BETTER: HONG KONG, JAPAN, KOREA, PAKISTAN, PHILIPPINES AND VIETNAM

The six economies that are Doing Better perform well in some areas but fall short in others.

**Variation in this cluster presents an opportunity for policymakers to learn from their neighbors.**

Vietnam, for example, offers some of the best tax incentives in the region. It is the only middle-income economy to offer 100% rates of tax deductions without limit. The Philippines has a highly engaged corporate sector that provides funding, expertise and volunteers to the social sector. Pakistan’s favorable procurement policies and practices are already beginning to bear fruit. None of these trends are unique to each economy’s conditions. Instead, they are a signal of the public and private sectors’ commitment to a thriving social sector and are accessible to all governments irrespective of socioeconomic development.

**Most economies in this cluster score above average on the three sub-indexes related to policy: Regulations, Tax and Fiscal Policy, and Procurement.** The main tenets of an enabling policy framework are in place: it is relatively straightforward to set up an SDO; laws are clear and usually enforced; and tax deductions are available, although most limit the income eligible for them.

## SDO demographics



**The median age of SDOs in Asia is 14 years.**

Three-quarters are younger than 23 years.

One-quarter are younger than 7 years.



**The median number of SDO staff in Asia is 11 people.**

Three-quarters have 25 or fewer staff members.

One-quarter have 25 or fewer staff members.

**Performance on the Ecosystem sub-index is mixed.** Pakistan and the Philippines are among the top performers on this sub-index, Hong Kong and Vietnam sit comfortably in the middle, while Japan and Korea trail the rest. Japan's performance in this area helps explain its drop from Doing Well in 2018 to Doing Better in 2020. It is harder for Japanese SDOs to recruit and retain talent, public trust in SDOs is relatively low, and corporate engagement with the social sector lags other economies.

Pakistan, on the other hand, has moved up to Doing Better because of a robust performance on both the Ecosystem and Procurement sub-indexes. It is relatively easy to recruit and retain social sector talent in Pakistan. It is also one of the few economies with

a dedicated portal for public procurement that makes accessing procurement opportunities easier for SDOs.

### DOING OKAY: BANGLADESH, CHINA, INDIA, INDONESIA, MALAYSIA, MYANMAR, SRI LANKA AND THAILAND

From three economies in 2018, the Doing Okay cluster now comprises eight.

**The common feature among the eight economies in this cluster is that there is not much in common.** There are different reasons for each one making its way into this cluster. China does reasonably well on Ecosystem, Procurement, and Tax and Fiscal Policy but has one of the least favorable regulatory environments. Bangladesh's relatively strong score on Ecosystem compensates for weaker performances on the other sub-indexes. India's performance across all sub-indexes is below average.

**Malaysia, Sri Lanka and Thailand have dropped down to Doing Okay from Doing Better in 2018.** Malaysia's and Thailand's performances are largely influenced by Ecosystem factors. Malaysian SDOs report low donor support for capacity building and also have a lower prevalence of boards of governance among SDOs. In Thailand, SDOs report relatively low levels of trust. Sri Lanka performs well on the Ecosystem and Regulations sub-indexes but is pulled down by weak tax and fiscal incentives.

**Indonesia and Myanmar have moved up from Not Doing Enough in 2018.** Though still facing many challenges, Indonesia and Myanmar are on an upward trajectory. Myanmar has improved registration and oversight efficiency for SDOs. In Indonesia, the government has implemented new laws to improve transparency and accountability. Indonesia also stands out for having one of the quickest SDO registration procedures. Still, regulations are inconsistently applied and there is a lack of clarity around laws in both economies.

## Doing Good Index: pieces of the puzzle



## NOT DOING ENOUGH: CAMBODIA AND NEPAL

The two newcomers making up the Not Doing Enough cluster are typified by emerging philanthropic environments, requiring improvement along multiple dimensions to help propel the social sector.

**Both have underdeveloped tax and fiscal incentives, performing considerably below the Asian average on the Tax and Fiscal Policy sub-index.** Cambodia is the only economy without tax deductions for charitable donations by individuals; Nepal the only one without deductions for corporate donations. Claiming available deductions in both is considered very difficult.

**Regulations in both economies are burdensome, difficult to understand and weakly enforced.** Cambodian SDOs must provide a three-day notice to the government

before embarking on any new initiative, creating a heavy administrative burden. Similarly, mandatory re-registration and advance project approval make it relatively difficult for SDOs to operate.

It is worth noting that a rising middle class with disposable income is a relatively recent phenomenon in Cambodia and Nepal.<sup>xi,33</sup> Given that this is the first time these economies are featured in the *Doing Good Index*, we hope that our findings can help them to chart their own paths toward catalyzing more private resources for doing good.

## Conclusion

The inaugural *Doing Good Index* was a first-of-its-kind study that offered evidence-based insight into how Asian

## PRIVATE SOCIAL INVESTMENT: A TYPOLOGY

Private social investment comes in various shapes and forms but is united by the common goal of doing good through the transfer of capital. Be it in the form of a charitable donation, a grant, time spent volunteering, or even a profit-seeking investment, all private social investment shares the purpose of generating returns to society. Our goal is to advocate for systems that allow for all types of social investment.

**Philanthropy:** The making of a donation or grant without the expectation of financial returns.

**Corporate social responsibility (CSR):** The host of activities that companies take to address societal needs. These may include:

- Corporate philanthropy: donations or grants usually given to existing, accredited SDOs.
- Technology transfer: the deployment of employee skills and experiences to build the capacity of local nonprofit organizations.
- Pro-bono goods and services: the provision of goods and services made or offered by a firm to a local group at no cost.
- Volunteerism: the creation of opportunities

for employees to spend time helping to address a community need.

- “DIY” philanthropy: utilization of corporate systems and expertise to address a community need without necessarily working through a third-party SDO.

**Impact investing:** an expanding field. An individual, company, or fund invests in social enterprises or companies with the dual goals of returning a profit to the company and providing a social good (the double bottom line). Different investors seek different returns, from mainly recouping the cost of investing to returns at full market rates.

**Mission-related investment:** The investment of the financial corpus of a foundation into companies aligned with its overall mission. A financial return is typically sought.

**Crowdfunding:** Use of the internet to advertise a need or a socially oriented project, allowing for large-scale fundraising. Members of the public can send relatively small sums, but there is potential for the project to accrue a significant amount of funding.

<sup>xi</sup> Cambodia and Nepal, as well as Bangladesh, have the lowest GDP per capita income across all 18 economies in our study.

economies can build a more enabling environment for philanthropy. In its second iteration, the index is an even bigger body of evidence—with the addition of Bangladesh, Cambodia and Nepal—and continues to be the leading resource for strengthening the region’s charitable sector. The insights gleaned from a comparative analysis of 18 Asian economies illuminate Asia’s enormous potential to be a leader in creating a more inclusive, secure, and sustainable future for all who live in the region.

In the following chapters, we explore each of the sub-

indexes in more detail. New in this iteration of the *Doing Good Index* is Part II where we dive deeper into the 18 economies covered by this index. These economy profiles tell the “story” of each economy, providing context for its performance on the index and showcasing trends that intimate what lies ahead.

## HOW THE DOING GOOD INDEX IS CONSTRUCTED

The *Doing Good Index* is based on data from four sub-indexes comprising 35 indicators<sup>xii</sup> of factors that influence the supply and demand for private social investment, including:

- **Regulations** governing the establishment and operations of SDOs. Regulations can help make the sector more transparent and accountable. They aid in the proliferation of registered and thus credible organizations. Key questions include:
  - > Does the regulatory environment promote transparency and accountability?
  - > Is it conducive to efficiency?
  - > Can funds flow easily to the social sector?
  - > Are laws and requirements clear?
- **Tax and fiscal policies** that apply to the social sector. Tax incentives for philanthropic giving are a direct financial inducement for donors, and they encourage greater systematic giving. Fiscal policy amenable to donors and SDOs also signals government support for private investment in the social sector. Key questions include:
  - > Are there incentives for individuals and corporations to donate money?
  - > Are there incentives to make estate donations?
  - > Do governments offer direct and indirect grants for SDOs?
  - > Do governments communicate such programs clearly?
- **Ecosystem** represents the socioeconomic and cultural context within which philanthropy and SDOs can flourish. Factors that favor charitable giving signal society’s support for the social sector. And a social sector that people give to and engage with is more likely to be trusted and well-resourced. Key questions include:
  - > Are philanthropy and volunteerism rewarded and encouraged in the form of awards, events and national programs?
  - > Is the social sector trusted?
  - > Does experience flow from the corporate world to the social sector?
  - > Is the necessary talent readily available?
- **Procurement** opportunities for SDOs. If governments procure from SDOs, they can further legitimize SDO activity and provide them with a sustainable income stream. Key questions include:
  - > Are SDOs eligible, and even incentivized, to participate in government procurement programs?
  - > Is information on these programs easily available, and is the approval process efficient and transparent?

For the complete methodology please refer to Appendix II.

<sup>xii</sup> Some of these indicators are composites of sub-indicators.

## CHAPTER 2

# REGULATIONS AT A GLANCE

The Regulations sub-index evaluates laws and policies pertaining to philanthropic activity to gauge how easy it is to give and receive social investment.

## Key findings

**Setting up an SDO is quicker and easier in some economies.** It can take from one to two clearances in some economies and up to nine in others. The time it takes ranges from less than a week to as long as a year.

**Foreign funding is declining, leaving a resource vacuum in its wake.** This is particularly concerning for low- and middle-income economies where it is an important source of income for SDOs. Six economies are facing reductions as a result of restrictions on foreign inflows. A further four are seeing foreign funding decline in parallel with rising GDP.

**Most economies have accountability mechanisms in place, although there is room for improvement.** Annual reports and audited annual accounts are mandatory in 15 out of 18 economies, although these records are often not made publicly available. Board members or senior staff are liable for their organization's actions in all economies.

**Laws are not enforced consistently.** Just over half of surveyed SDOs believe that laws are generally enforced. In economies where enforcement of laws and regulations is perceived to be effective, SDOs are less likely to bypass laws to deliver social services.

**Laws and regulations related to the social sector are difficult to understand.** Many SDOs struggle to digest complicated laws. Regulatory changes are even harder to keep up with.

**Governments are increasingly engaging the social sector in policy consultations.** Nearly three-quarters of SDOs report being involved in discussions on policy.

**Singapore and Sri Lanka remain the top performers in this sub-index, joined by Taiwan.** With greater administrative efficiency, smoother flow of funds and relatively straightforward regulations, these economies make it easier for SDOs and donors to do good. All three offer a single-window facility for setting up nonprofits. Sri Lanka requires only one clearance and makes the process virtually free.

**China, Nepal and Vietnam are lagging.** Three factors hold them back. One, burdensome registration: Chinese SDOs need nine clearances to set up shop and the process takes around 100 days. Two, weaker accountability frameworks: in Vietnam, neither board members nor senior staff are legally liable for their organization's actions. Three, the flow of funds: all three economies place restrictions on foreign funding, and Nepal also does so for domestic fundraising.

## Key indicators

### Efficiency

- Number of registration clearances
- Time required to obtain registration clearances
- Single-window facility

### Flow of funds

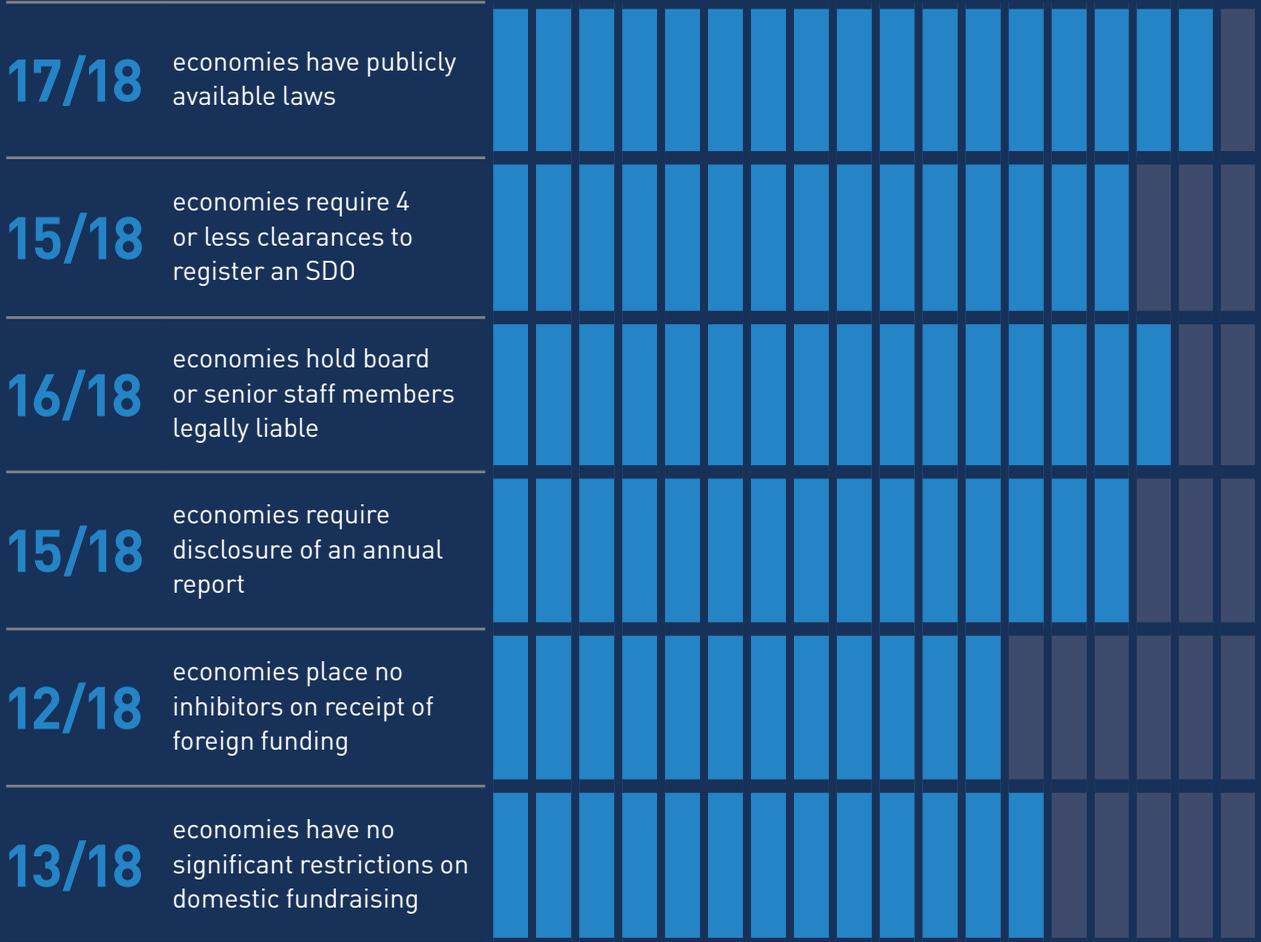
- Number of foreign funding clearances
- Time required to obtain foreign funding clearances
- Limit on amount of foreign funding
- Inhibitors on flow of funds

### Accountability

- Number of reporting requirements
- Legal liability of board members
- Legal liability of senior staffers
- Enforcement of regulations

### Communication

- Publicly available laws
- Easily understandable laws
- Involvement in policymaking



## CHAPTER 2

# REGULATIONS

## Ease of Doing Good

---

Regulations create a framework within which SDOs and their supporters operate. Private social investment in the social sector can be hampered by a lack of trust.<sup>34</sup> Regulations can mitigate this trust deficit by mandating transparency and preventing SDOs from being used for money laundering or as havens for tax evasion.<sup>35,36</sup> Enacting effective regulations is a delicate balancing act, however; excessive rules can be a drain on organizational resources and create barriers to giving and receiving.<sup>37</sup> The Regulations sub-index examines the nature of this balancing act through four groups of indicators:

- **Efficiency:** ease of the registration process for SDOs.
  - **Flow of funds:** how easy it is for SDOs to receive foreign and domestic funding.
  - **Accountability:** rules around accountability and transparency, including reporting and liability.
  - **Communication:** how effectively governments communicate laws and how easy they are to understand.
- 

### Efficiency

To reduce red tape and unnecessary friction for SDOs, procedures for registering and operating an SDO need to be transparent and efficient. A swift and straightforward registration process evens out the playing field and opens up the social sector to new entrants.

**Ease of registering as a nonprofit varies across the region.** Fortunately, most economies avoid making registration too onerous. Six economies require only one clearance for a potential nonprofit to set up: Cambodia, Malaysia, Myanmar, Pakistan, Sri Lanka and Taiwan. Nine economies require two to four clearances. The remaining three place a higher burden: China requires nine clearances, Bangladesh seven and Vietnam five.

On average, it takes around three months to register as a nonprofit. There are outliers: it takes a quick five days in Malaysia, but up to a year can be spent waiting for tax-exempt charity status in Hong Kong. In fact, Hong Kong takes twice as long as the next three economies (Bangladesh, India and Korea at six months).

Registration is practically free in Japan, Sri Lanka and Thailand, but the cost varies for the rest of Asia.

**Fewer than half the economies have a single-window facility for nonprofit registration.** In the seven

economies that offer it—Bangladesh, China, Nepal, Singapore, Sri Lanka, Taiwan and Thailand—almost three-quarters (70%) of SDOs find it helpful. They find it reduces the administrative burden of engaging with the government by “facilitating the registration and operation of SDOs.” At the same time, they acknowledge that a single window makes it easier for the government to monitor their activities.

### Flow of funds

86% of an average Asian SDO’s budget is sourced from domestic and foreign donations.<sup>xiii</sup> A smooth, unrestricted flow of funds is essential for these critical sources of income to reach the social sector. When giving and receiving is easy, funds can be allocated to projects and organizations more efficiently.

**Domestic fundraising is mostly unfettered across Asia.**

Only two economies, China and Nepal, need permission for all types of domestic fundraising. Most types of local fundraising can be done without hindrance in the other 16 economies (although specific activities such as soliciting street donations or setting up crowdfunding platforms may require permission).

**Fundraising from foreign sources is another matter.**

---

<sup>xiii</sup> The rest comes from government grants and government procurement.

Foreign funding is coming under greater scrutiny, even as reliance on it remains high in low- and middle-income countries. Governments, rightly, want to ensure transparent use of these funding channels and prevent their misuse for terrorism financing or money laundering. But there is more to this: foreign funding is increasingly viewed with suspicion as a channel for unwanted foreign political influence.<sup>38</sup> This is nestled within a larger trend of declining foreign funding in Asia, spurred in part by economic growth pulling low-income Asian economies into the middle-income band. At least eight economies in the *Doing Good Index* point to reduced foreign funding as a central factor in pushing SDOs to seek new sources of revenue.

**Nearly half of Asian SDOs receive some foreign funding.** This means that declines in foreign funding, no matter what the reason, will have repercussions across the region. In fact, 1 in 4 SDOs across the region relies heavily on foreign funding i.e. more than half of their income comes from foreign foundations or multilateral organizations. In six economies (Bangladesh, Cambodia, Myanmar, Nepal, Sri Lanka and Vietnam), this is true for 1 in 2 SDOs.

We recognize that it is a delicate balance to institute regulations that reduce opportunities for abuse without creating unnecessary friction for legitimate giving and receiving of private social investment. However, the effect of these regulations on shrinking the resources available to SDOs is real and measurable, according to our data. Part of the problem is that once a regulation is enacted, the inflow of funds is quickly constricted, not allowing much time for SDOs to find alternative, local sources of funding.

Another challenge is that local resources that

SDOs can tap into may not be available in the first place—68% of SDOs across Asia believe the level of local individual giving is low. It is more important than ever to put the right policies in place to unleash private social investment. As our index shows, these policies are accessible by all economies regardless of socioeconomic status.

**Six economies have put inhibitors on the inflow of foreign funds.** In Bangladesh, China, India, Nepal, Pakistan and Vietnam, SDOs must seek clearance from the government to receive foreign funding. This process takes from 45 days in Bangladesh and Nepal, to up to a full year in India. Once successfully obtained, permissions may only be valid for a year or as long as the project lasts. The administrative burden of soliciting foreign funding is quite heavy.

**This is having a dampening effect.** The majority of SDOs in five of these six economies receive foreign funding (China is the exception). Almost three-quarters of them are finding it harder to receive foreign funds.<sup>xiv</sup> Most report that foreign funding to their organization has declined by more than 20%. This puts the delivery of much-needed social services at risk: 51% of SDOs receiving fewer foreign funds are responding by cutting back on programs.

**Sending donations abroad is getting harder.** India, Malaysia and Pakistan place monetary limits on sending donations abroad, while Bangladesh, Nepal and Thailand prohibit it completely. In most of the remaining 12 economies, donors can still freely choose whether to deploy their resources locally or abroad. China and India ostensibly allow donations to be sent abroad, but there is government and societal pressure not to do so.<sup>xv</sup>

## Accountability

Regulations that enshrine accountability mechanisms—including formal reporting requirements and rules governing liability—can play a critical role in building trust in the social sector. Greater trust can, in turn, unleash greater private social investment as donors gain confidence their funds are being used appropriately. Enforcement is an important part of this equation: the extent to which laws and regulations are enforced determines their efficacy in increasing transparency and accountability.

# 4 months

**The average time required to obtain clearances for receiving foreign funds in 6 Asian economies\***

\* SDOs in 12/18 economies are allowed to receive foreign funds without any clearances.

<sup>xiv</sup> Three-quarters of the SDOs that are aware of these regulatory changes.

<sup>xv</sup> In India individuals are permitted to send donations abroad without any financial penalty up to a certain amount. Chinese nationals do not have any extra limitations on sending donations abroad, but the government does monitor and limit funds flowing out of the country in general.

## PUTTING INHIBITORS ON THE FLOW OF FOREIGN FUNDS

**Bangladesh's** complex system of regulatory approval for foreign funding is reinforced by the Foreign Donations (Voluntary Activities) Regulation Act of 2016.<sup>39</sup> All foreign-funded nonprofits are required to register and report their current and future activities to the NGO Affairs Bureau for approval. A last-minute addition to the law made it an offense for organizations to criticize the government.<sup>40</sup>

**China's** Law of Activities of Overseas Nongovernmental Organizations,<sup>41</sup> which came into effect in January 2017, imposes **burdensome** registration and approval procedures for foreign nonprofits as well as close supervision over activities. This law also applies to domestic organizations that receive funding from overseas. The Charity Law of 2016 regulates fundraising and requires foreign funding to be under surveillance by police and national security departments.<sup>42</sup>

**India's Foreign Contribution (Regulation) Act of 2010 (FCRA) requires organizations to report all receipts of foreign funds to the central government within 30 days of receipt.** In order to be allowed to receive foreign funds, organizations must gain (and maintain) FCRA registration. As part of the registration process a nonprofit must register with the government, agree to accept contributions through designated banks, and maintain separate books of accounts for all receipts and disbursement of funds. Additionally, nonprofits are required to file detailed annual reports **setting out the amount,** source, use and purpose of any foreign funding received. Registration must be renewed every five years.<sup>43</sup> Since 2014, 14,800 nonprofits registered under the FCRA have been banned from receiving foreign funds.<sup>44</sup> In 2019 alone, FCRA registration was canceled for 1,870 nonprofits.<sup>45</sup> Additionally, the Indian government has been considering new reporting requirements for boards of organizations receiving foreign support. While the intention is to increase transparency, the reality is that it will inhibit many from accepting board appointments.

**Nepal's** Social Welfare Act of 1992 requires civil

society organizations to obtain permission to receive both domestic and foreign funding on a case-by-case basis, and all funding received must pass through Nepalese banks.<sup>46</sup> SDOs have to submit a project proposal and application, and each founder has to be vetted by a government council, all within 45 days.<sup>47</sup> The National Integrity Policy, introduced in 2018, put in place several restrictions on foreign funding, including a requirement to apply for government permission to receive foreign grants.<sup>48</sup> While a 2018 letter from four United Nations special rapporteurs warned that the policy could "severely hinder the access of funding for organizations," the full impact of the policy is still unclear.<sup>49</sup>

**Pakistani** nonprofits receiving funds from foreign sources have been required to sign a Memorandum of Understanding with the Economic Affairs Division under the Ministry of Finance since 2013.<sup>50</sup> Although free of cost, the procedure is time-consuming. The goals and details of projects, their geographical coverage, and sources and amount of funding have to be disclosed.<sup>51</sup> Additionally, nonprofits planning to receive more than Rs50 million (approximately US\$310,000) in foreign funding are required to apply for a certificate from the Securities and Exchange Commission of Pakistan. International organizations are required to do the same regardless of the funding amount.<sup>52</sup>

**In Vietnam, the government enacted Decree 93 "On the Issuance of the Regulation on Management and Utilization of Aid from International Non-governmental Organizations" in 2009.**<sup>53</sup> Foreign-funded activities must seek government approval. At least two clearances are needed in order for SDOs to receive foreign funding. In 2016, a redrafted Law on Association that would have prohibited many nonprofits from receiving foreign funding was rejected, thanks to lobbying by the social sector. However, even in the absence of the law it has become increasingly difficult for SDOs to receive foreign funding over the past four years.<sup>54</sup>

## Accountability and transparency requirements for SDOs



**SDOs are required to comply with reporting requirements in almost all economies.** Legal reporting and record-keeping requirements lend transparency to the social sector. Fifteen of the 18 economies require registered nonprofits to file annual reports (this is optional in China, Hong Kong and Malaysia). The same number of economies require SDOs to disclose audited annual accounts to ensure fiduciary responsibility, although China, Sri Lanka and Vietnam make it voluntary.

Other basic reporting tools for accountability and transparent governance are in place. 17 economies require organizations to publish articles of incorporation; 15 require disclosure of the list of board members; 14 require organizations to retain key internal documents; and 11 require board meeting minutes. But other mechanisms that can increase accountability have not been widely adopted. Only 5 economies mandate the adoption of a code of conduct; 6 require a conflict of interest policy to be in place; 4 institute a clear gift acceptance policy; and just 2 offer protection to whistleblowers. Myanmar, Singapore and Taiwan have the highest number of mandatory reporting requirements.

### Not making records public is a missed opportunity.

Governments in half the economies do not release SDOs' annual reports and audited accounts publicly, thereby losing an important trust-building opportunity. Others only make them available upon request. Making some records publicly available, as is mandated for companies listed on

public stock exchanges, is a relatively straightforward way of amplifying the positive impact of existing regulations.

**Most economies have clearly designated liability for SDOs.** Either the board of directors or senior staff are legally liable for their SDO's actions in all economies except for Cambodia and Vietnam. Japan, Nepal and Sri Lanka only hold the board liable. Holding leadership liable is an important mechanism for deterring poor decision-making or **negligence**. Incomplete liability mechanisms in these five economies can weaken organizations' incentives to put adequate checks and balances in place.

**Only about half of SDOs (55%) report that laws pertaining to the social sector are generally enforced.**

## Are board and staff members legally liable for an SDO's actions?

Economy	Board	Senior staff
Bangladesh	✓	✓
Cambodia	X	X
China	✓	✓
Hong Kong	✓	✓
India	✓	✓
Indonesia	✓	✓
Japan	✓	X
Korea	✓	✓
Malaysia	✓	✓
Myanmar	✓	✓
Nepal	✓	X
Pakistan	✓	✓
Philippines	✓	✓
Singapore	✓	✓
Sri Lanka	✓	X
Taiwan	✓	✓
Thailand	✓	✓
Vietnam	X	X

Enforcement is particularly high in Korea, the Philippines, Singapore and Taiwan, where over three-quarters of SDOs agree that laws are generally enforced. On the other end of the spectrum, only 17% of SDOs in Myanmar and 25% in Japan believe their governments enforce these laws.

**Enforcement and compliance go hand in hand.** In the 11 economies where laws were perceived to be generally enforced, SDOs were less likely to bypass government regulations in the pursuit of social service delivery.

### Communication

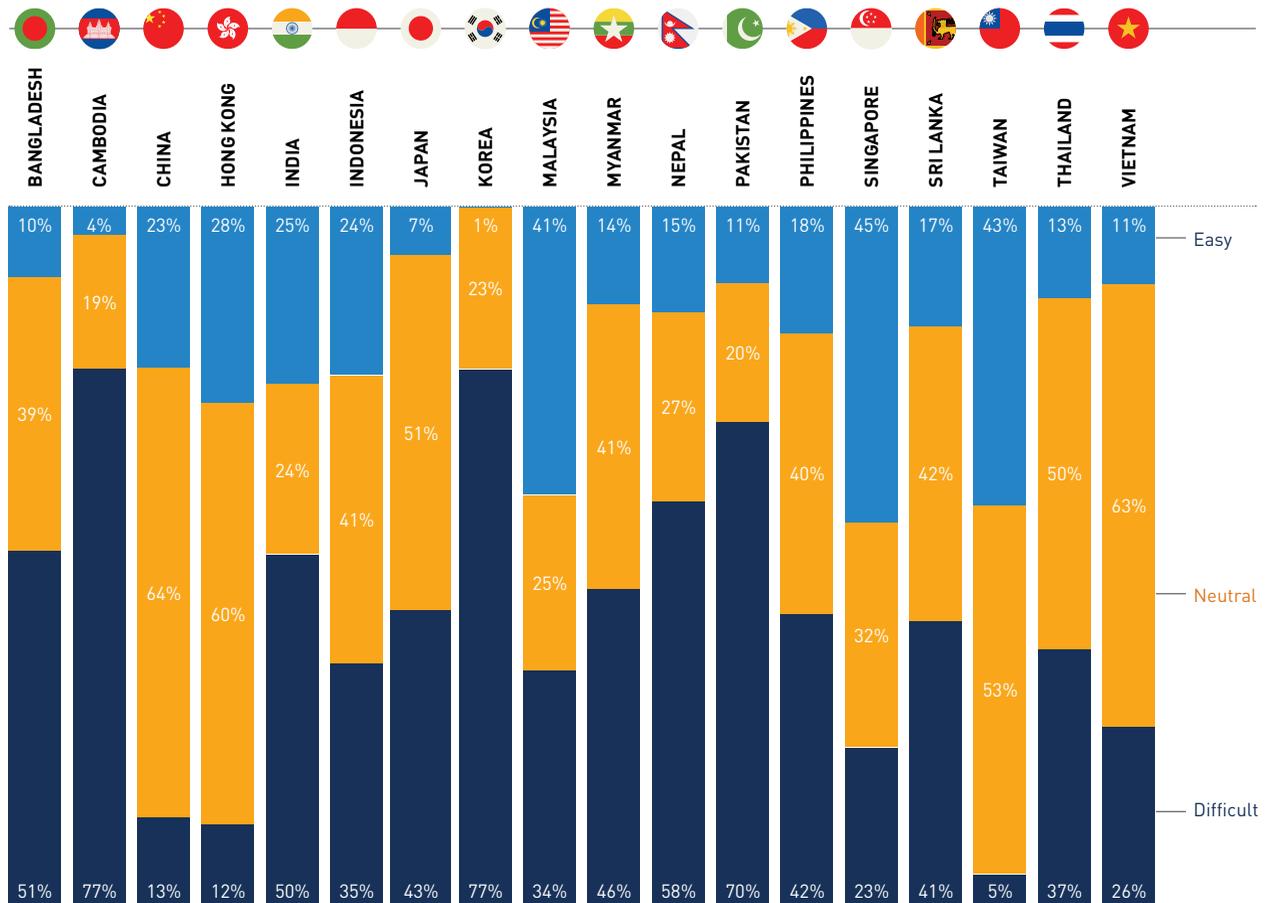
Enacting regulations that facilitate nonprofit registration and institute liability mechanisms is important, but the effectiveness of the regulations depends on how accessible they are. Ease of understanding laws is a precondition for acting lawfully. Clear communication of

laws and channels for SDOs to liaise with government are the final pillars of the Regulations sub-index.

**Governments generally make regulations pertaining to the nonprofit sector publicly available.** According to surveyed SDOs, all economies except Cambodia have made nonprofit laws and regulations publicly available. This signals a consistent commitment by almost all governments toward ensuring laws and regulations are in the public domain. Making these laws accessible and unambiguous to enable organizations to act lawfully is a critical next step.

**More than 40% of SDOs felt that the relevant laws and regulations were difficult to understand.** This is similar to what we found in 2018 and demonstrates that governments have not made much progress in clarifying laws. Regulations in Cambodia, Korea and Pakistan are especially complicated, with around 70% of SDOs struggling

### Ease of understanding laws



to understand them. On the other hand, Malaysia, Singapore and Taiwan make laws relatively easy to comprehend.

**There is confusion around changes in regulations.**

This is especially true for laws pertaining to the inflow of foreign funds. A majority of SDOs in economies that have tweaked these laws are unaware of changes. Even in economies where foreign funds can be received without requiring approvals or clearances, SDOs are confused about the presence or absence of restrictions.

**Encouragingly, more SDOs have been getting involved in policymaking.** In 2020, 72% of SDOs reported being involved in policy discussions with government, up from 47% in 2018. Nearly 20% report **being regularly consulted.** This is a very positive development. Involving SDOs in conversations on policy formulation can give voice to a diverse range of actors and interests, ultimately making laws more understandable and functional. It can also signal political will on behalf of the government

to strengthen and support the social sector. Indonesia, the Philippines and Vietnam continue to set the bar high with up to a third of SDOs being regularly involved in consultations. Bangladesh, Sri Lanka and Taiwan are not far behind. China, Japan and Malaysia, on the other hand, are notable for nearly half of surveyed organizations reporting “never” being involved in policymaking.

**SDOs are often left wondering: Which regulators do we engage with?** Seven economies in our study have a single government agency or ministry that oversees the charitable sector but most SDOs in them are unaware of this. In the remaining economies, the number of regulatory bodies ranges from three in Hong Kong and Japan to 43 in Korea (at the local and central levels), with SDOs finding it confusing as to who they need to deal with. This disconnect between perception and reality can be disorienting and strengthens the point that regulations and policies need to be made clearer across Asia.

## SDOs BANDING TOGETHER FOR SUPPORT: THE RISE OF NONPROFIT COALITIONS

SDOs can benefit from nonprofit coalitions that foster mutual learning, greater communication and increased collective bargaining power.

First, SDOs can sift through confusing regulations, share knowledge and learn from each other. Community learning can help clarify regulations. For example, the Cooperation Committee for Cambodia (CCC), a membership organization of local and international nongovernmental organizations, maintains a resource center covering government laws and policies and advises Cambodian nonprofits on registration, accreditation and other procedures.<sup>55</sup>

Second, SDOs can also coalesce into a stronger common voice to advocate on behalf of the sector. CODE-NGO, the largest coalition of development nonprofits in the Philippines, leverages its numbers to influence policy and build partnerships in the sector.<sup>56</sup>

Third, coalitions can become a platform for cross-pollination where SDOs take capacity-building into their own hands and train each other. This is especially important in the absence of donor support or funding for capacity building. The Association of Foundations, the

Philippines’ first network of nonprofits and our partner for the *Doing Good Index*, offers institution building, finance, and management courses for member organizations.<sup>57</sup>

Finally, SDO consortia can establish self-regulation mechanisms for accountability to counter the trust deficit. We noted in 2018 that in the Philippines and Pakistan, SDO self-regulation entities have taken root to the extent that governments rely on them. Accreditation from the Philippine Council for NGO Certification is needed for a nonprofit to be able to issue tax deduction receipts for donors. Certification from the Pakistan Centre for Philanthropy is required for tax exemption status for nonprofits.

This trend is catching on. In Cambodia, CCC’s Voluntary Certification System holds nonprofits accountable to a “Code of Ethical Principles and Minimum Standards for NGOs,” serving as an important tool for good governance and accountability.<sup>58,59</sup> In India, the nonprofit Credibility Alliance, a consortium of nearly 600 organizations, operates as a standards-setting accreditation body, aiming to enhance accountability and transparency in the sector.<sup>60,61</sup>

## CHAPTER 3

# TAX AND FISCAL POLICY AT A GLANCE

The Tax and Fiscal Policy sub-index looks at the available fiscal incentives for both donors and recipients of philanthropic funds.

## Key findings

**As in 2018, performance on the Tax and Fiscal Policy sub-index mirrors overall performance on the *Doing Good Index*.** Tax incentives for donors and recipients of philanthropic funds drive performance on this sub-index. All but two economies offer tax deductions to both individuals and corporates. All but one offer tax exemption for nonprofits.

**Rates of tax deduction vary widely across Asia, from 250% to 0%.** Fourteen economies offer rates of 100% or above.

**But income eligible for tax deduction is limited.** Sixteen economies restrict tax deductions to a proportion of income or profits.

**Incentives for giving upon death in the form of charitable bequests are lacking.** Just six economies have inheritance tax to begin with. Of these, four offer incentives for charitable bequests.

**Governments support SDOs through grants in most economies.** Almost one-third of surveyed SDOs report receiving government grants, but these grants constitute only 8% of the average SDO budget.

**Japan, Singapore and Taiwan remain the top three performers on this sub-index,** thanks to favorable tax incentives for charitable donations and ease of claiming deductions. Singapore's individual and corporate tax deduction rates of 250% are unparalleled within Asia—and most likely the world.<sup>62</sup> Taiwan's and Japan's standings are further bolstered by policies incentivizing charitable bequests.

**Cambodia, Nepal and Sri Lanka are at the other end of the spectrum.** Cambodia has no deductions for individuals, while Nepal does not offer tax incentives for corporations. Sri Lanka is the only economy where SDOs are not tax-exempt. Claiming tax exemption is amongst the most difficult in all three economies.

## Key indicators

### Incentives for donors

- Rate of individual and corporate tax deductions
- Limits on tax deduction
- Ease of claiming tax deductions
- Tax incentives for bequests
- Mandated corporate giving

### Incentives for recipients

- Tax exemption for SDOs
- Availability of government grants
- Penalty on operating surplus



## CHAPTER 3

# TAX AND FISCAL POLICY

## Incentives for Doing Good

Policymakers have an extensive arsenal of options to encourage philanthropic giving, such as tax deductions for donors and tax breaks for SDOs. A supportive fiscal policy also signals government support for giving, creating a positive knock-on effect in Asia, where government signals truly matter. The indicators in this sub-index are grouped into:

- **Tax incentives for donors:** policies that encourage giving, including tax deductions, incentives for bequests and mandated corporate giving.
- **Tax incentives for recipients:** tax exemption for SDOs and availability of grants.

### Incentives for donors

Fiscal measures such as tax deductions—gifts to charitable organizations that individuals or corporations can deduct against income tax or estate tax—can

encourage greater systematic giving. They are a basic and critical pillar of supportive fiscal policy.

**All economies offer tax incentives in the form of tax deductions.** Sixteen economies offer deductions for individual and corporate donations, signaling support for both types of giving. This signal is especially important in Asia where most institutions and actors tend to work cooperatively with the government on social issues.<sup>63</sup> When governments indicate support for charitable giving, donors take note.

Governments in Cambodia and Nepal, however, are sending mixed signals: Cambodia does not have deductions for individual giving; Nepal does not have any for corporate giving.

**Most economies, including lower- and middle-income ones, offer a 100% rate of tax deduction.** Fourteen economies offer a rate of 100% or greater for individual donations, while 15 offer the same for corporate donations. Singapore continues to offer the highest rate for both at

### WHAT ARE TAX DEDUCTIONS?

A **tax deduction** allows the donor to lower their income (or profit) tax burden. A 50% rate of tax deduction means that for every \$1 donated to charity, the donor's taxable income is reduced by \$0.50.

A **limit on income eligible for tax deduction** places a ceiling on the income (or profit) on which deductions can apply. A 50% limit means that tax deductions can only be applied to up to 50% of income. Even if a donor were to donate all of their income, they would only be able to claim deductions on half.

**93%** of SDOs across Asia believe tax deductions are important for individuals

**96%** of SDOs across Asia believe tax deductions are important for corporations

## Tax deduction rates and limits for charitable donations

Economy	For individuals		For corporations	
	Rate of tax deduction	Limit on tax deduction	Rate of tax deduction	Limit on tax deduction
 Bangladesh	12.5%	25%	10%	20%
 Cambodia	0%	0%	100%	5%
 China	100%	30%	100%	12%
 Hong Kong	100%	35%	100%	35%
 India	50%	10%	50%	10%
 Indonesia	100%	2.5%	100%	5%
 Japan	100%	40%	100%	*
 Korea	15%	30%	100%	10%
 Malaysia	100%	7%	100%	10%
 Myanmar	100%	25%	100%	25%
 Nepal	100%	5%	0%	0%
 Pakistan	100%	30%	100%	20%
 Philippines	100%	10%	100%	5%
 Singapore	250%	100%	250%	100%
 Sri Lanka	100%	33%	100%	20%
 Taiwan	100%	20%	100%	10%
 Thailand	100%	10%	100%	2%
 Vietnam	100%	100%	100%	100%

\*  $[\text{Capital Stock} \times 0.25\% + \text{Income} \times 2.5\%] \div 4$

250%, with no limit (deductions exceeding income can be carried forward for up to five years).<sup>64</sup>

Bangladesh has the lowest (non-zero) deduction rates of around 10% for individuals and corporations.

An especially heartening observation is that two-thirds of the lower- and lower-middle-income economies in our index offer 100% rates of tax deduction. Despite being resource-constrained, their belief in the importance of this policy tool holds strong.<sup>xvi</sup>

**But rates are only one-half of the picture: limits matter, too.** Despite the prevalence of high rates of deduction across Asia, 16 economies offset their incentivizing effect by limiting the income eligible for them.<sup>xvii</sup> Only Singapore and Vietnam allow 100% of individual income and corporate profit to be tax-deductible. Among the rest, limits on individual income range from only 2.5% in Indonesia to 40% in Japan.

## THE IMPORTANCE OF TAX DEDUCTIONS<sup>65</sup>

Tax deductions incentivize giving by reducing the donor's tax burden, regardless of income level.<sup>66</sup> Studies have shown they help unlock philanthropic capital across income groups: even households earning just US\$30,000 per year in the United States show sensitivity to tax incentives for charitable giving.<sup>xviii,67,68</sup>

Tax deductions also mitigate gaps between private value and social value. Consider this: a donor will generally only donate if each donated dollar generates \$1 worth of "warm glow" (their perception of the value of social investment). If a donated dollar only gives the donor a warm glow of \$0.75, the

donation will not happen. However, if the government "subsidizes" the donation via tax deductions that generate a benefit of \$0.25 for each donated dollar, the donation will go ahead.<sup>69</sup>

Deductions are also an "efficient" means of incentivizing private social investment. The tax price elasticity of giving is generally greater than 1. This means that every dollar of tax revenue foregone by government is compensated with more than a dollar donated to charity. This efficiency holds true for most areas of giving, including poverty alleviation, education and health.<sup>xix,70</sup>

<sup>xvi</sup> Of the nine lower- and lower-middle-income economies, six offer a 100% rate of tax deduction to individuals or corporates: Cambodia, Indonesia, Myanmar, Pakistan, Philippines and Vietnam.

<sup>xvii</sup> A 30% limit on tax deductions means that these deductions can only be applied to up to 30% of income.

<sup>xviii</sup> In fact, just under half of all charitable donations in the United States come from people who earn less than US\$100,000 annually.

<sup>xix</sup> Price elasticity is not constant across all types of giving. However, most people tend to donate to more than one cause so it is widely accepted that combined elasticity is greater than 1.

## Incentives for giving upon death

Japan, Korea, Philippines, and Taiwan represent the only four economies with a tax incentive to bequeath funds to charity.

JAPAN 

KOREA 

TAIWAN 

PHILIPPINES 

Bangladesh, India and Korea place a double disincentive on individual giving by coupling low limits with low rates of tax deduction.

**The importance of tax deductions in incentivizing giving is widely recognized.** The vast majority of SDOs in our survey (94%) continue to hold this perception. With individual and corporate giving constituting 20% and 15% respectively of an Asian SDO's income on average, the potential role of tax incentives in unleashing both cannot be overstated.

**Confusion about tax deductions mitigates their effectiveness.** What good are incentives if most people do not understand them and thus do not make use of them? Expert panels convened for this study were confused about tax incentives in 14 economies. In 6 economies most SDOs, too, were either confused or unaware. Streamlining tax laws, making information on them digestible and publicly available, and facilitating the deduction process is crucial for maximizing the effectiveness of existing tax incentives.

## Giving upon death through bequests

**Tax incentives for charitable bequests are underutilized in Asia.** Part of the reason is that only six economies have an estate or inheritance tax. Of these, four offer incentives for charitable bequests: Japan, Korea, Philippines and Taiwan.<sup>xx</sup>

Korea is going a step further: in 2019, the Seoul Metropolitan Government introduced an initiative to facilitate “unaffiliated” individuals (those with no heirs or those that are living in isolation) to bequeath their wealth to society.<sup>xxi,71</sup> By helping senior citizens actually do the paperwork for bequests, the government is going beyond just offering incentives.

**There is a strong case for incentivizing charitable bequests across Asia.** First, tax deductions for charitable bequests have been shown to be effective in boosting philanthropy.<sup>72</sup> Second, studies have found that as people age they are more inclined towards charitable giving.<sup>73</sup> Amid “greying” Asia—which will have more than half

<sup>xx</sup> Japan has a progressive inheritance tax rate of up to 55%, with gifts to approved nonprofits being tax-exempt. Taiwan has an inheritance tax of up to 20% and the Philippines has 6%. Both allow donations to be exempted.

<sup>xx</sup> As does Korea, which has one of the highest inheritance taxes in the world of up to 50%.

<sup>xxi</sup> The Seoul Social Welfare Public Interest Law Center, affiliated with the Seoul Welfare Foundation, KEB Hana Bank and the Korea Federation of Centers for Independent Living of Patriots with Disabilities help potential donors through this process.

of the world’s elderly population by 2030—policies that encourage charitable bequests can spur private social investment at the right time.<sup>74,75</sup> To illustrate the resources at stake, take Japan. Half of Japan’s US\$17 trillion in personal financial assets is owned by people aged 65 or older.<sup>76</sup>

## Mandates for corporate social responsibility

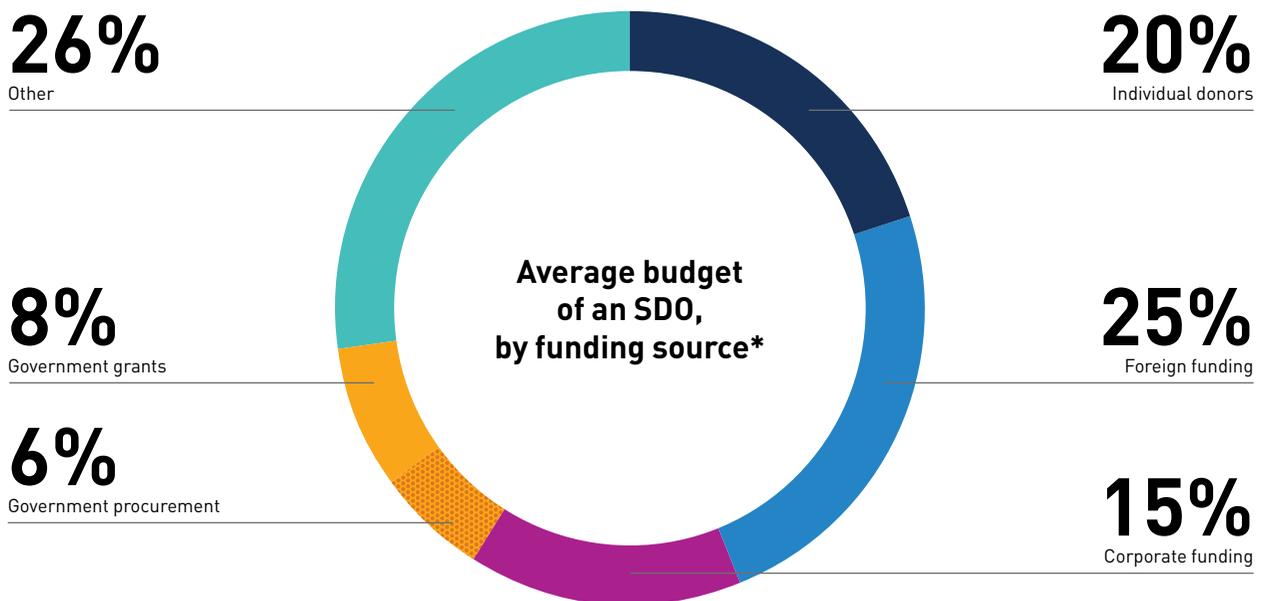
**India and Nepal have mandated levels of corporate social responsibility (CSR) giving.** Indian companies with revenues greater than ₹10 billion (US\$130 million) must donate at least 2% of their net profit to CSR activities.<sup>xxii,77</sup> This has resulted in an uptick in CSR spending, which went up by 14% between 2016 and 2018.<sup>78</sup> Nepalese corporations engaged in transactions worth more than US\$1.3 million have to contribute 1% of their profits to CSR.<sup>79</sup> Unlike Indian companies which exercise control over their CSR spending, the Nepalese government collects these funds and directs them to charitable organizations.<sup>80</sup>

Other Asian economies have taken a different approach. For instance, China’s Company Law

merely requires all companies to “undertake social responsibility.”<sup>81</sup> Indonesia requires corporations operating in the oil, gas and mining sectors to invest 2% of their profits in CSR programs.<sup>82</sup> However, due to the vague language and lack of enforcement mechanisms, these laws are effectively voluntary.

**Mandatory CSR laws can help drive funding to the social sector.**<sup>xxiii</sup> Growing focus on economic and environmental sustainability is triggering a trend towards mandating CSR giving.<sup>83</sup> As with most regulations, this requires a balancing act to ensure that both the policy and its implementation framework are suitable to the unique dynamics of the economy. Mandatory CSR spending can unleash enormous resources for the social sector on one hand, but create a heavy administrative burden for corporate donors and their recipients on the other. There is also the risk that funds will flow to well-established organizations rather than where they are most needed.

Take India which, with the most progressive CSR requirements in the world, has seen CSR spending grow significantly over the last few years. Critical sectors such



\* Based on data from 2017-2018, the last complete financial cycle at the time of data collection.

<sup>xxii</sup> Since April 2014 when an amendment was made to the Companies Act 2013.

<sup>xxiii</sup> CSR encompasses a broad spectrum of corporate social and environmental activities to address social needs. These may include donations or grants, transfer of technology, offering of pro bono goods and services or volunteering.

as hunger, poverty and healthcare; education and vocation skills; and rural development are the most heavily funded. At the same time, observers have warned that beneficiary states have largely been those with comparatively higher standards of living because company operations are more likely to be located there.<sup>xxiv,84</sup> States with the highest concentration of disadvantaged districts have received only 9% of CSR funds.<sup>xxv,85</sup>

Mandatory CSR aside, economies are also looking towards environmental, social and governance (ESG) reporting to normalize CSR: 12 stock exchanges in the region now provide ESG requirements or guidelines for listed companies.

## Incentives for recipients

Granting SDOs exemption from corporate profit taxes allows their lean resources to go toward meeting unmet social needs in their entirety. Tax exemption is also a recognition of SDOs' role in social service delivery, which sets them apart from a typical for-profit private sector firm.

**Seventeen out of 18 economies grant tax exemption to legitimate nonprofits.** Sri Lanka is the only exception. Indonesia's case is more complex but appears to be one of de facto tax exemption: while nonprofits are taxed under the standard framework for corporations, income from donations is tax-exempt.<sup>xxvi</sup>

Nine economies require nonprofit SDOs to renew their exemption status periodically, while the other eight grant this status for life. While granting tax-exempt status for life can ease administrative burden all around, periodic renewal can help ensure accountability.

**Most governments also offer grants to support the social sector.** Governments in all economies except Cambodia and Nepal make grants available to SDOs. Similar to the *Doing Good Index 2018*, just under a third

of surveyed SDOs (29%) receive government grants. This proportion is highest in Singapore (70%) and lowest in Myanmar (1%).

But SDO reliance on government funding is relatively low. Government grants make up only 8% of an average SDO's budget in Asia. However, they make up a third of a typical Singaporean SDO's budget, followed by 16% for an SDO in China.

Many SDOs are confused about the availability of government support. In all economies except one, a majority of surveyed SDOs found it difficult to access information about government grants and apply for them.<sup>xxvii</sup> In Myanmar, Pakistan and Vietnam, most SDOs

## POLICY INNOVATIONS TO UNLEASH FUNDING: DORMANT DEPOSITS

Japan is one of a handful of economies around the world that have turned funds in dormant accounts into more resources for the social sector.<sup>xxviii,87</sup> The Japan Dormant Deposits Utilization Act, which came into effect in 2018, allows funds in dormant bank accounts to be directed towards meeting social needs.<sup>xxix,88</sup> The government can disburse these funds as grants, loans or investment to nonprofits and community organizations supporting children and young adults; people facing severe financial constraints; and those championing the revitalization of local communities.<sup>xxx,89,90</sup> The law, which was estimated to have allocated approximately ¥3 billion (US\$28 million) to social issues in 2019, can serve as a useful example for other economies.<sup>91</sup>

<sup>xxiv</sup> Data released by the Corporate Affairs Ministry shows that Karnataka, Maharashtra, Andhra Pradesh, Tamil Nadu, Gujarat and Delhi account for over 40% of CSR funds spent by companies between 2014/2015 and 2017/2018.

<sup>xxv</sup> Jharkhand, Bihar, Chhattisgarh, Madhya Pradesh and Uttar Pradesh, which together have more than half of the 117 most disadvantaged districts in India, received only 9% of the total CSR spending between 2014/2015 and 2017/2018.

<sup>xxvi</sup> Donations are not taxed if there is no business or ownership relationship between the parties.

<sup>xxvii</sup> Singapore is the only economy where most SDOs (75%) found it easy to access information about government grants. Experts in Singapore estimate a total of S\$8.74 billion (approximately US\$6.1 billion) was available in 2017 as grants. The Tote Board, a notable Singaporean grantmaker, draws funding from lotteries to fund organizations meeting social needs in six key areas: arts, community development, education, health, social services and sports.

<sup>xxviii</sup> Others include the United Kingdom, Ireland and three provinces of Canada.

<sup>xxix</sup> Accounts are deemed dormant if they have been untouched for 10 years or longer and the account holder cannot be contacted.

<sup>xxx</sup> Money from dormant accounts will first be transferred from the banks to the Deposit Insurance Corporation of Japan, which in turn will distribute it to the Japan Network for Public Interest Activities (JANPIA). JANPIA disburses the funds as grants to fund distribution organizations, which then provide private organizations carrying out public-interest activities (such as nonprofits) with grants, loans or investments using the dormant deposits as a resource.

were unaware of the availability of government grants in the first place.

**Governments impose a penalty on operating surplus in six economies.** Whereas in 2018 three economies placed penalties on operating surpluses (India, Korea and Pakistan), 2020 sees the addition of Nepal, Philippines and Thailand.

A penalty on operating surplus is usually motivated by a desire to discourage SDOs from accumulating funds that should be used on program activities.<sup>86</sup> However, penalizing surpluses can **disincentivize prudent financial management. Saving for a rainy day is ever** more important in light of regulatory changes and declines in foreign funding sweeping across much of Asia, not to mention unexpected **calamities such as** Covid-19. The majority of governments—12 out of 18—recognize this and do not penalize operating surpluses.

All 18 governments, rightly, avoid placing limits on endowment building for SDOs. Doing so would limit their financial safety nets. However, 54% of SDOs across Asia lack awareness of this policy.

## CHAPTER 4

# ECOSYSTEM AT A GLANCE

The Ecosystem sub-index looks at societal and institutional engagement with and support for the social sector.

## Key findings

**Society continues to support the social sector.** Engagement is similar to 2018 with different institutions and the general public continuing to volunteer at, recognize and fund SDOs. While coordination across institutions is still weak, there are encouraging examples of emerging partnerships across Asia.

**Public perception of SDOs in Asia is generally positive.** However, donors' trust in the sector remains low, with public **scandals dampening funding.**

**Individuals engage with the social sector by donating—but not much.** Individual donations are the most common type of giving, but around two-thirds of surveyed SDOs continue to find the level of individual giving low.

**Doing good is widely recognized.** Awards for philanthropy are available in all economies, and for SDOs and corporate social responsibility (CSR) in all but three economies. Nationwide volunteering days are becoming more common, although giving days have yet to broadly take root.

**Talent recruitment and retention remain challenging.** Around 80% of SDOs struggle with staffing. A contributing factor is the persistent perception that nonprofit staff should be paid less than their for-profit counterparts.

**Volunteering is widespread, but finding volunteers is hard.** While 84% of SDOs work with volunteers, around half find it difficult to recruit them.

**Governance infrastructure for nonprofits is almost universally in place.** Having a board is mandatory in 15 out of 18 economies. The vast majority (87%) of SDOs have a board, with almost all boards meeting regularly. A quarter of board members are female.

**New and innovative models for doing good are gaining traction across Asia.** Around 60% of SDOs intend to use crowdfunding in the future. Half report an increase in social enterprises in their economy, and almost all think donor interest in social enterprises is on the rise.

**Nepal, the Philippines and Singapore are the top performers on the Ecosystem sub-index.** A high degree of trust in the social sector coupled with active societal and corporate engagement through volunteering and serving on boards drive their performance. Nepal is one of only two economies where the perception that nonprofit employees should earn less than their for-profit counterparts is not prevalent.

**Underperformance is largely attributable to lower levels of trust and less societal engagement.** Myanmar does not score well on most indicators, while Japan and Korea have low levels of trust and corporate engagement as well as a widespread perception that nonprofit employees should earn less.

## Key indicators

### Public perception

- Level of trust in SDOs
- Public scandals
- Level of individual giving

### Institutional recognition

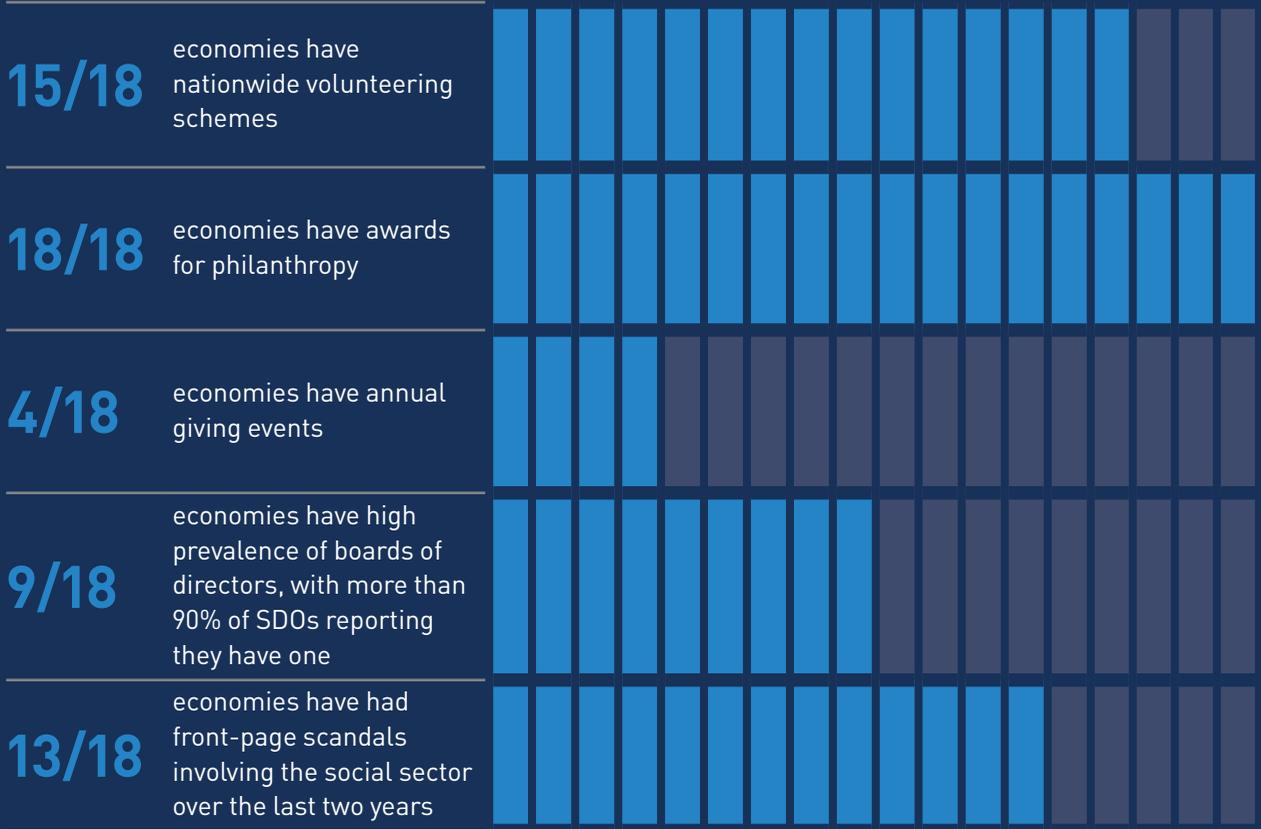
- Awards for philanthropy, SDOs and CSR
- National giving day and volunteering programs

### Talent infrastructure

- Recruitment of staff and volunteers
- Support for capacity building
- University courses on nonprofits and/or philanthropy
- Compensation gap

### Good governance

- Prevalence of boards and their composition
- Corporate representation on boards
- Government representation on boards
- Connections to elite



CHAPTER 4

# ECOSYSTEM

## Community for Doing Good

When it comes to doing good, societal support is important. A social sector with involvement from the public, corporations, universities and other institutions translates into a vibrant community addressing shared concerns. The Ecosystem sub-index maps the supportive environment for private social investment and the delivery of services through four groups of indicators:

- **Public perception:** the perception of SDOs’ trustworthiness, the impact of scandals and opinions on the level of individual giving.
- **Institutional recognition:** public and corporate engagement with the social sector denoted by awards and the availability of volunteers.
- **Talent infrastructure:** the ease of recruiting staff and volunteers, perceptions around compensation, and pipelines for future talent.
- **Good governance:** the prevalence of boards of governance and their composition.

### Public perception

Perceptions of the social sector matter. A sector perceived as trustworthy is more likely to attract funding and talent and thus deliver on its objectives. Individual donations to SDOs are also an indication of how invested the public is in the social sector.

**Social sectors across Asia feel largely trusted by society.** As in 2018, 95% of SDOs believe they are at least somewhat trusted by society. Almost half believe they are fully trusted. In the Philippines, 80% believe they are fully trusted but in Korea only 13% do.

The high level of self-reported trust stands in contrast to the continued lack of trust philanthropists sometimes voice. SDOs feel trusted by communities within which they operate and who know them well. At the same time, philanthropists, who are often a few degrees removed from the grassroots, do not feel the same way.

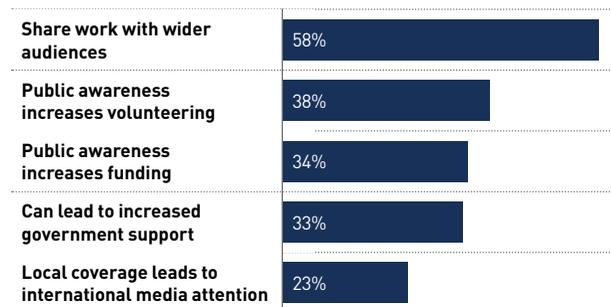
Fluctuating regulations, lack of transparency and the occasional scandal make them warier of engagement.<sup>92</sup>

Scandals continue to tarnish the social sector’s reputation. The most damaging influence on donors’ trust in SDOs are allegations of misuse of donated funds and misconduct by leadership.<sup>93</sup> Thirteen out

of 18 economies report front-page scandals involving the social sector in the last two years. As a result, a third of SDOs in these economies saw funding decline. The impact was grimmer in Korea: three-quarters were affected.

There are a number of ways to build more trust in the social sector. One, governments can increase transparency and accountability with the right regulations, as discussed in Chapter 2. Two, the sector can take matters into its own hands by setting up self-certification agencies as Pakistan and the Philippines have done.<sup>xxxix,94,95</sup> Finally, individual SDOs

### Reasons for engaging with local media\*



\* Respondents were able to select multiple answers.

<sup>xxxix</sup>The Philippine Council for NGO Certification and Pakistan Centre for Philanthropy are self-regulation entities that the respective governments rely on to certify nonprofits for eligibility for tax deduction donations in the Philippines and tax exemption status in Pakistan.

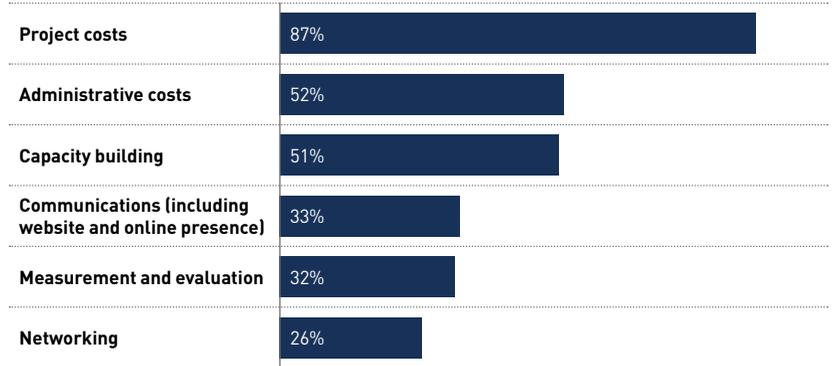
can practice good governance (covered later in this chapter) and relay their stories more effectively beyond local communities.

Historically, nonprofits have had neither the resources nor the ability to broadcast their stories and manage their image. Encouragingly, the advent of social media and greater coverage by local media is beginning to change that. Two-thirds of SDOs are engaging with local media to promote or disseminate their work and most recognize the importance of social media for marketing.

Donors can also step up. Only 33% of SDOs report that their donors support expenses related to communication, including building an online presence. Supporting the communication and marketing expenses of SDOs will help serve a greatly underserved area: the ability of SDOs to communicate their impact to a wider audience, and thus attract more funding, volunteering and trust.

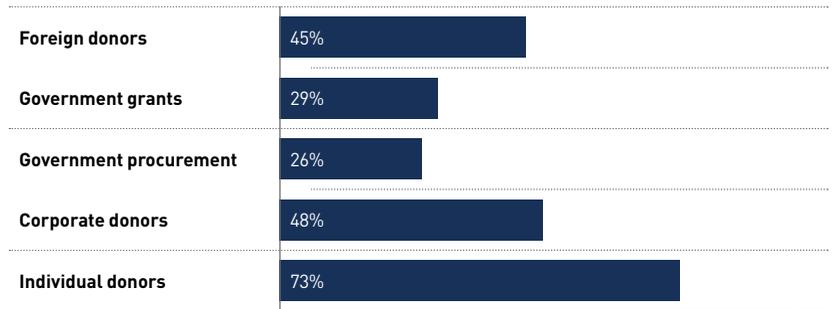
**Widespread donating by individuals signals societal support for the social sector.** Individual giving is more common than any other type: three-quarters of surveyed organizations receive donations from individuals, compared to half receiving corporate or foreign funding and a quarter receiving government funding.

### Expenses most commonly supported by donors\*



\* Respondents were able to select multiple answers.

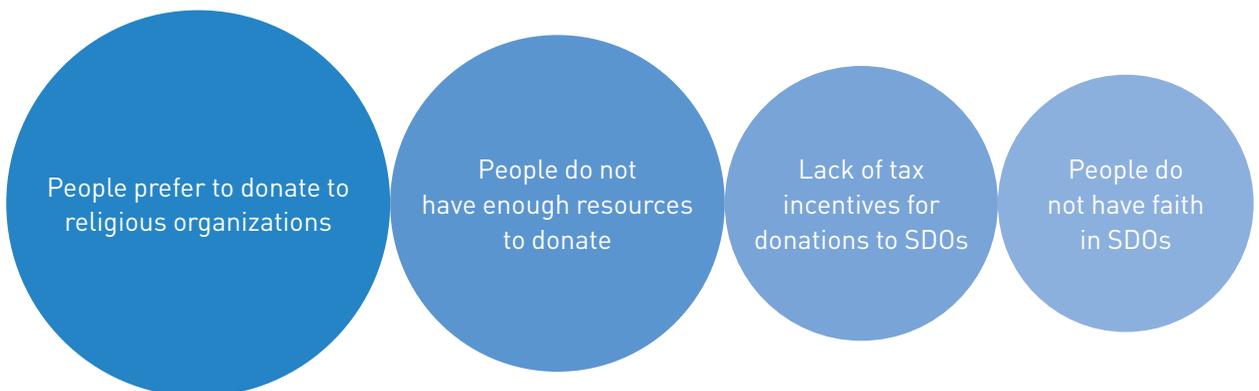
### Prevalence of funding sources\*



\* % of SDOs receiving each type of funding

**Although people donate, almost 70% of SDOs feel they do not give enough.** Half of surveyed SDOs receive less than 10% of their income from individual giving. Levels of individual giving are particularly low in those economies where trust in SDOs is also low,

### Top reasons for low individual giving



such as Bangladesh and Japan.

The most common reason for low levels of individual giving remains that people prefer to donate to religious organizations instead. Giving to the local church, temple or mosque or giving alms to monks are embedded practices in many Asian cultures. This helps explain why some Asian countries, such as Indonesia and Myanmar, perform well on the *World Giving Index* which measures the incidence of giving or volunteering.<sup>76</sup> That incidence is high, as our data shows. In fact, Asian societies have a long history of charitable giving.<sup>77</sup> However, as the *Doing Good Index* highlights, the infrastructure for systematic, large-scale giving—philanthropy—has yet to mature in most of Asia.

### Institutional recognition

Is doing good valued in society? Awarding SDOs and donors with recognition acknowledges their commitment to addressing social challenges. Public attention has the added benefit of spotlighting best practices that can be emulated. Institutional engagement with the social sector, particularly by corporates, strengthens the sector and signals broad support for it.

**Doing good is widely recognized and appreciated by public and private institutions.** All 18 economies have

recurrent awards for philanthropy, and 15 also recognize best-in-class corporate social responsibility (CSR) and social sector organizations. Fifteen economies have nationwide volunteering days. Corporate volunteering programs are common in 11 economies.<sup>xxxii</sup>

Nationwide giving days promoted by governments are not as common and only occur in China, Korea, Singapore and Vietnam (in Singapore, the “day” extends to a week). This trend would do well to catch on. National giving days can serve as an important signal of support for the social sector, and a majority of SDOs believe they would result in increased giving.

**Companies are directing funding to the social sector.** Almost half of all surveyed SDOs receive corporate funding, although for most it accounts for less than 10% of their income. Still, this amount is on the rise according to two-thirds of recipients. The proportion of SDOs receiving corporate funding is highest in the Philippines (74%), followed by Singapore (63%) and Malaysia (62%). It is least common in Cambodia (12%).

**Corporates are engaging in other ways, too.** The corporate sector engaged with 86% of SDOs in some capacity. After funding, the most common types of interaction are partnerships to raise awareness on social issues, companies donating services or products, and corporate volunteering.

## CELEBRATING GIVING IN SINGAPORE AND CHINA

In Singapore, the first week of December is Giving Week.<sup>xxxiii,98</sup> Initiatives like flea markets, blood donation drives, social media challenges and restaurants donating part of their revenue to charity applaud the spirit of giving.<sup>99</sup> The United Nations-mandated International Volunteer Day (December 5) is also part of the celebration.

In China, September 5 is National Charity Day.<sup>100</sup> Activities to raise awareness and enthusiasm for charity and volunteering are held in cities nationwide, such as charity exhibitions in Beijing and the Philanthropy Innovation Summit in Nanjing.<sup>101,102</sup>

Giving days or weeks do not have to be initiated by government.<sup>xxxiv,103,104</sup> Chinese conglomerate Tencent’s 9/9 Charity Day (actually spread over three days) is also in the same week in September. It connects donors to social sector organizations through Tencent’s crowdfunding platform. Four years on from its launch in 2015, the number of individual donations had increased more than 20 times. Total donations increased from ¥128 million (US\$18 million) in 2015 to ¥2.49 billion (US\$352 million) in 2019.<sup>xxxv,105,106</sup> More than 95% of the funds went towards education, health care and poverty alleviation.<sup>107</sup>

<sup>xxxii</sup> In these 11 economies more than 50% of SDOs host corporate volunteers.

<sup>xxxiii</sup> Giving Week was initiated by the National Volunteer and Philanthropy Centre and is supported by the Ministry of Culture, Community and Youth.

<sup>xxxiv</sup> GivingTuesday in the United States is an online giving day started by a community center in partnership with the United Nations Foundation. Companies and business leaders participate by donating or matching customer donations. Since its founding in 2012, it has raised more than US\$1 billion for charitable causes and has grown into a global event.

<sup>xxxv</sup> In 2019, more than 48 million individual donations were made, up from 2 million at its launch in 2015.

## SPOTLIGHT: CORPORATE ENGAGEMENT IN THE PHILIPPINES

Nearly 100% of Filipino SDO respondents report corporate engagement via funding or the provision of in-kind services, volunteers or technical support. Almost 80% receive corporate funding—the highest in Asia. One-third of their budget is supported by corporate donations, again the highest in Asia. The Philippines also sees the greatest participation of corporate representatives on nonprofit boards.

This can at least partially be explained by the formalized system of CSR made possible by the corporate-led foundation Philippines Business for Social Progress (PBSP), which helped launch widespread adoption of CSR practices. Comprising more than 260 businesses, PBSP channels corporate resources to support nationwide programs in

education, health, livelihoods and the environment. Founded in 1970, it was the first foundation of its kind in Asia to advocate and practice CSR at this scale and level of coordination.<sup>108</sup>

Another factor is that Filipino companies have stepped up to help overwhelmed public and social sectors deal with the aftermath of natural disasters. The Philippine Disaster Resilience Foundation (PDRF), founded in 2009, is the economy's major private sector vehicle and coordinator for disaster management.<sup>109</sup> In 2019, the Philippine private sector, through PDRF, was able to provide air and ground transportation, water, relief goods and sanitation support to communities affected by the Mindanao earthquake.<sup>110</sup> PDRF is now a major player in responding to Covid-19.

The corporate sector provides volunteers to half (51%) the SDOs who need volunteers. Almost all SDOs find the contributions of corporate volunteers helpful.

Philippines and Malaysia, in particular, stand out with respondents reporting significant involvement across all categories of corporate engagement. Singapore and China follow close behind. Relatively low corporate engagement in Korea and Japan points to a missed opportunity in these economies with large, well-established corporate sectors.

### Talent infrastructure

Human capital is as crucial to the success of doing good as philanthropic capital. Talent is even more important for under-resourced SDOs who often need staff to wear multiple hats. The ability of SDOs to recruit and retain staff and volunteers is a good proxy for the strength of the underlying talent infrastructure. Building the capacity of existing talent and universities' role in training future social sector leadership are also important for nurturing the talent pipeline.

**Skilled talent acquisition remains a challenge across Asia.** Of surveyed SDOs, 80% find it difficult to recruit and retain skilled staff—a statistically significant increase

from 2018. Recruitment is hardest in Hong Kong and Japan, high-income economies where the opportunity cost of lower-paid jobs in the nonprofit sector pinches more.<sup>111</sup> In Japan, full-time nonprofit staff make a median annual salary of ¥2.22 million (US\$21,000) compared to ¥4.14 million (US\$39,000) for corporate employees.<sup>112</sup> Jobs in the corporate or government sectors are also coveted for being more stable in some Asian economies.<sup>113</sup>

In the 11 economies where foreign funding is prevalent, recruitment can be even harder for locally funded organizations.<sup>xxxvi</sup> SDOs in these economies acknowledge that foreign-funded organizations can afford to pay their staff more, making local salaries even less competitive. There is no easy solution. Salaries in the social sector are undervalued as a whole as we discuss further on in this section.

**Perceptions of a compensation gap are persistent—and damaging.** 70% of SDOs report a widespread perception that nonprofit employees should earn less than their for-profit counterparts. This “social tax” penalizes those who are driven by a desire to do good. It narrows the recruitment pipeline and is a major impediment to the best and the brightest joining or staying in the social sector. Tackling

<sup>xxxvi</sup> Foreign funding is prevalent in these 11 economies, i.e. a majority of SDOs in them receive foreign funding. The 11 economies are Bangladesh, Cambodia, India, Indonesia, Myanmar, Nepal, Pakistan, Philippines, Sri Lanka, Thailand and Vietnam.

this perception is one of the biggest challenges faced by the sector and one it cannot resolve on its own. Donors can lead the charge by encouraging grantees to compensate their staff fairly—and giving them the funds to do so.

**General staff and volunteers are easier to recruit, but turnover can be high.** Similar to 2018, around half of SDOs find it relatively easy to recruit general staff. But retention is more difficult pointing to high turnover.<sup>xxxvii,114</sup> Frequent changes to the workforce can reduce efficiency as it takes time for new employees to ramp up.

**Recruiting volunteers is a bit harder than in 2018,** with around half of SDOs finding it relatively difficult. However, with 84% of surveyed SDOs working with volunteers, it is clear that the spirit and culture of volunteering are alive and well in Asia.

**SDOs recognize the importance of capacity building, but donors are lagging behind.** Training opportunities are offered to staff by 85% of surveyed SDOs. Yet, only 17% of SDOs consistently receive capacity building support from their donors. This gap points to an interesting finding: social sector organizations recognize the value of strategic talent management and training, but philanthropists and other donors have yet to catch on. Traditionally, donors have

focused on program management and have little appetite for line items related to human resource investments and other overhead costs. The winds are shifting though, with some prominent international foundations pledging more funding for overheads.<sup>115</sup> This is a positive development, although it remains to be seen if other donors will sign on.

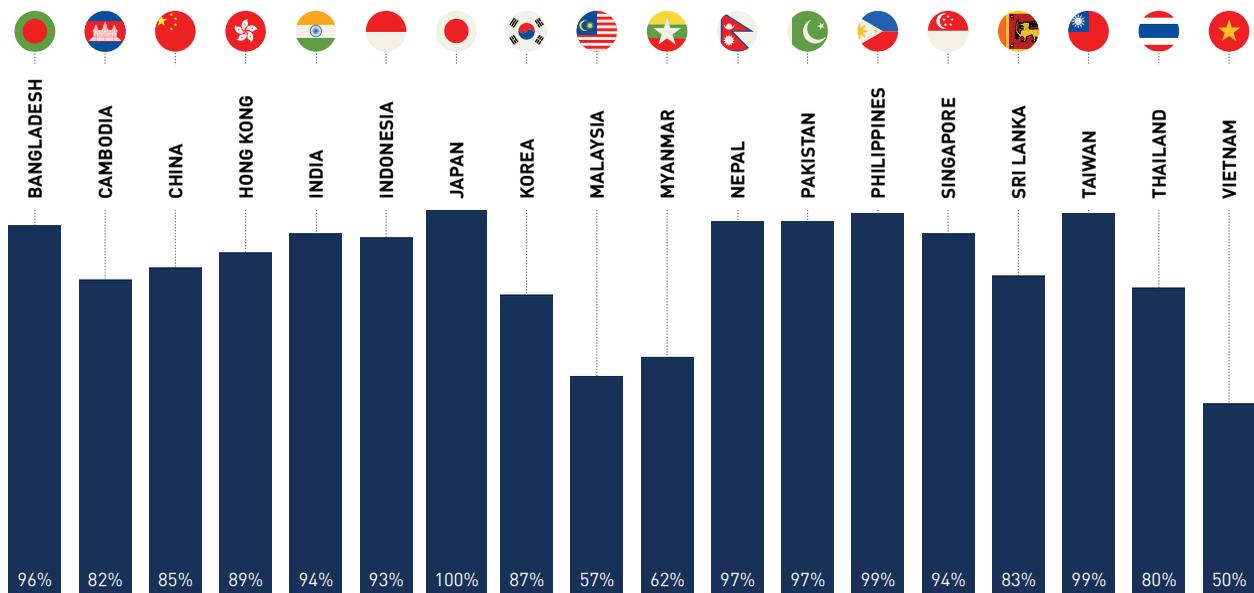
Of surveyed SDOs, 52% are not in favor of a cap on institutional overheads. In addition to limiting their organization's ability to allocate funds according to its needs and grow, respondents believe it would limit their ability to recruit and retain the best talent.

**Encouragingly, 16 out of 18 economies offer university courses on nonprofit management or philanthropy.** Educational opportunities for professionals wanting to work in the social sector can help strengthen the talent pipeline, eventually creating a more robust human resource infrastructure for a sector that greatly needs it.

### Good governance

Trust in SDOs is dependent on the standards of accountability, transparency and professionalism to which they adhere; in a nutshell, on governance. Boards are an important building block for good governance.

### Percentage of SDOs with a board



<sup>xxxviii</sup> Another study found that 64% of nonprofit organizations in Asia used their job only as a springboard for higher salaried positions.

They not only provide oversight but also professional expertise and skills that resource-strapped SDOs can leverage.

**Formalized governance mechanisms in the form of boards are widespread across Asia.**

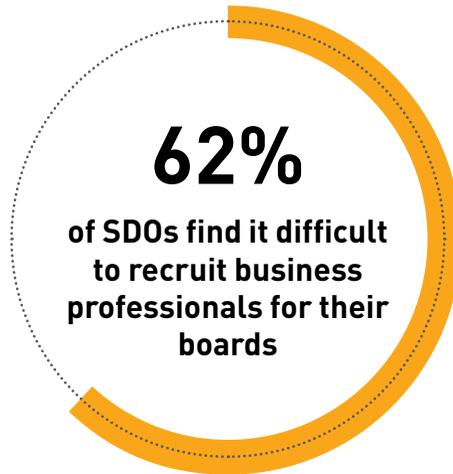
In 2018, we reported that the importance of a board as the basis for good governance is being recognized across the region. This trend continues in 2020 with an encouraging 87% of surveyed SDOs having a board. An effective board

sends a message of assurance to the public and other stakeholders that an organization is accountable, can be trusted and is in good hands.<sup>116</sup>

Having a board is legally mandated in 15 out of 18 economies. Extending this to the three economies that buck the trend—Malaysia, Myanmar and Sri Lanka—would see board prevalence move closer to the 100% mark.

**Increasing corporate representation demonstrates ongoing professionalization of the sector.** Three-quarters of SDOs have at least one board member with a corporate background—and this proportion has increased in 13 of the 15 economies covered in *Doing Good Index 2018*. Corporate members make up 43% of the board on average, up from 31% in 2018.<sup>xxxviii</sup>

Most SDOs (73%) recognize the contribution of these



board members as valuable. Corporate board members bring knowledge of best practices in corporate governance to the table. They also contribute skills and expertise in operations, management or finance.

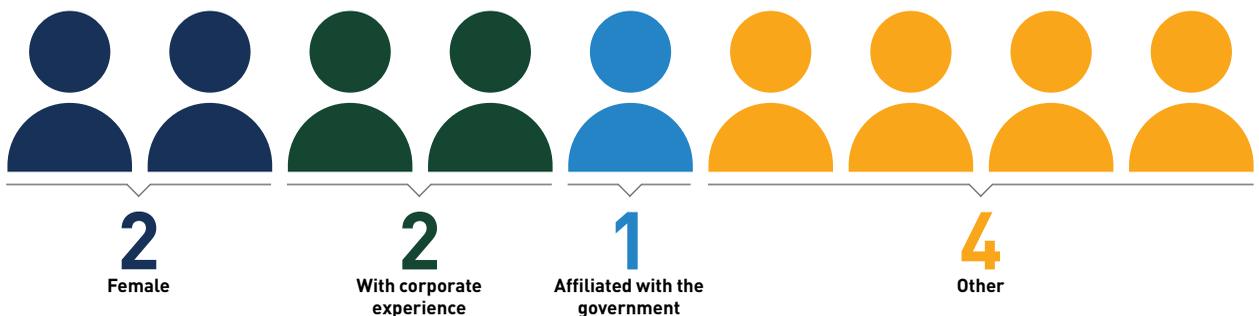
**But recruiting corporate board members continues to be difficult.** In 14 out of 18 economies, the majority of SDOs experienced difficulty in recruiting board members with corporate experience. Overall, 50% of SDOs classify the search as “very difficult.”

Recruitment of board members with corporate experience is especially hard in Bangladesh, Cambodia and Korea. It is unsurprising, then, that in Bangladesh only 14% of the average board is made up of people with corporate experience, with the figure hovering around a third for Cambodia and Korea. Even more worryingly, around 50% of SDOs in Bangladesh, Cambodia, India and Indonesia do not have corporate representation on boards at all.

The reasons differ from economy to economy. They can range from lower corporate engagement with the social sector, to a lack of appetite for the accountability risk serving on boards entails, to misaligned expectations around compensation.

**Women are surprisingly absent from nonprofit**

**Average composition of SDO boards across Asia**



<sup>xxxviii</sup> Average figure based on SDOs that have corporate members on their board.

**boards.** While they make up more than half (58%) of the typical nonprofit’s staff, they comprise only 22% of the average board (only slightly higher than the private sector where women hold 17% of global board seats).<sup>117</sup>

In Bangladesh, China and Taiwan, women comprise at least 36% of an SDO’s board on average—the highest across Asia. On the other end of the spectrum, they represent just 2% of Japanese boards. Studies have repeatedly shown that increasing diversity on the board leads to, among other things, higher net income growth and a positive impact on human resource performance and retention.<sup>118,119,120</sup>

**A third of SDOs have current or former government officials on their board.** On average, government representatives make up a fifth of the boards they sit on. The value of government representation on SDO boards is **nuanced** and can be a mixed bag. As noted in the *Doing Good Index 2018*, the presence of government officials can facilitate relationships and access to **pivotal resources**. However, it can also lead to increased government oversight and limit operational freedom.

**Senior leadership of half of surveyed SDOs have personal connections to business or government elite.** In Bangladesh and the Philippines, this figure **risers to around 70%**. Connections of board members or senior executives to society’s elite is a measure of the importance of social relationships to running social sector organizations.

### New ways of doing good

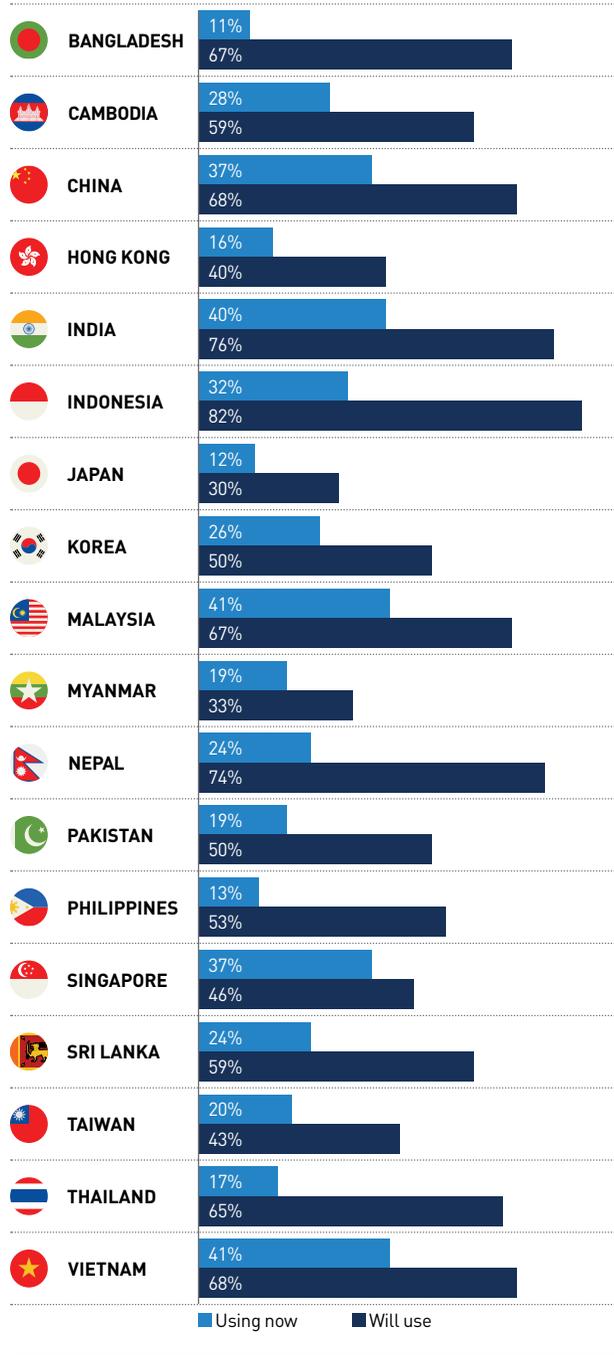
In the *Doing Good Index 2018*, we reported a rising trend of two new innovative models of doing good: crowdfunding and social enterprises. Both continue to be popular across Asia.

**Crowdfunding is on trend to become an important fundraising tool.**<sup>xxxix</sup> There is an **uptick in** those intending to use it in the future: from 46% in 2018 to 57%. Once an SDO starts to use crowdfunding, it is likely to continue; 93% of SDOs that currently use it plan to keep doing so.

We find that crowdfunding is most popular in India, Malaysia, Singapore and Vietnam, with around 40% of SDOs using it. According to Statista, the total transaction value of crowdfunding in Asia amounted to US\$5,650 million in 2019,

### Crowdfunding: now and in the future

Across the 18 surveyed economies in Asia, 25% of all SDOs reported using crowdfunding as a fundraising tool currently, and 57% reported an intention to use it in the near future.



<sup>xxxix</sup> Crowdfunding can be understood as the practice of leveraging the internet to fund a project or venture by raising small amounts of money from large numbers of people.

with average funding per campaign of US\$668.<sup>121</sup>

**Social enterprises also continue to garner interest across Asia.**<sup>x1</sup> 85% of all SDOs observe donors showing an increased interest in social enterprises. As we discuss in *Business for Good: Maximizing the Value of Social Enterprises in Asia*, there are at least 1.2 million social enterprises in the six economies studied, and these numbers will continue to grow.<sup>122</sup> Donor interest in social enterprises is particularly high in Bangladesh, Myanmar, the Philippines and Vietnam.

Despite growing interest, the social enterprise sector needs funding, talent and business support to realize its full potential.<sup>123</sup> **The challenge remains** to leverage the interest and resources of donors to support social enterprises in ways that will allow them to grow and prosper and deliver on their promise.

---

<sup>x1</sup>A social enterprise is defined as an organization that follows business principles to meet a social or environmental need through a product, service, process or distribution of profit.

## CHAPTER 5

# PROCUREMENT AT A GLANCE

The Procurement sub-index examines the prevalence and process of government procurement from the social sector.

## Key findings

**Asian governments procure services from 26% of surveyed SDOs.** This is lower than in 2018.

**There is room for improvement in the procurement process.** 61% of SDOs with government contracts found it difficult to access information about procurement. A majority continue to find the procurement process lacking in transparency.

**Procurement is a missed opportunity for high-performing economies.** Those that do well overall on the *Doing Good Index* have not cracked their procurement potential. Singapore and Taiwan, both in the Doing Well cluster, are not among the top performers on the Procurement sub-index.

**Korea, Pakistan and Vietnam are the top performers on this sub-index.** They are boosted by the availability of incentives for SDOs to bid for government contracts and application processes that are relatively accessible and transparent. Pakistan's performance stands out: it jumped from the bottom three in 2018 to the top three in 2020. Relative transparency of the application process coupled with a dedicated government procurement agency have helped drive its performance.

**Low performance can be explained by missing incentives and lack of transparency.** Cambodia, Myanmar and Sri Lanka do not offer incentives for SDOs to participate in procurement, and their application processes are among the most difficult and least transparent. Cambodia and Myanmar are also the only two economies where there is **no centralized platform** for accessing procurement opportunities.

## Key indicators

### Access to procurement opportunities

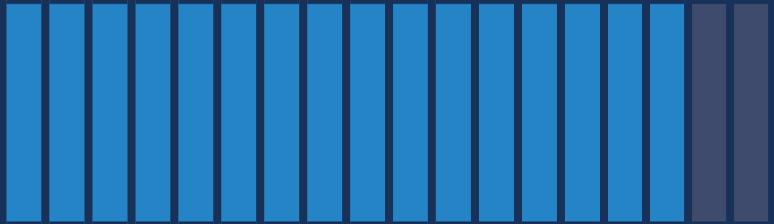
- Eligibility for Requests for Proposals (RFPs)
- Targeted incentives for SDOs

### Procurement process

- Access to information, transparency and ease of process

16/18

economies have a government or centralized platform for accessing procurement opportunities



26%

of SDOs have been contracted by the government to deliver social services

39%

of SDOs with government contracts felt it was easy to access information about procurement opportunities

68%

of SDOs with government contracts believe the bid approval process is not transparent or somewhat transparent

76%

of SDOs with government contracts believe the bid approval process is difficult

## CHAPTER 5

# PROCUREMENT

## Partnership for Doing Good

Government procurement of services from the social sector can be win-win for both. Governments can leverage SDOs' expertise and understanding of local needs, often resulting in more cost-efficient service delivery. SDOs can benefit from the income and legitimacy that comes with winning government contracts. This sub-index examines the ability of SDOs to participate in procurement, contingent on indicators grouped into:

- **Access to procurement opportunities:** SDOs' eligibility for and incentives to participate in government procurement.
- **Procurement process:** the efficiency and transparency of the approval process.

### Access to procurement opportunities

At a minimum, nonprofits and other SDOs must be able to participate in the procurement process by bidding for government contracts. Targeted incentives can further encourage their participation.

**Government procurement is open to SDOs in all 18 economies, but appears to be declining.** A quarter (26%) of surveyed SDOs have been contracted by the government to deliver social services in this round of the index, down from one-third in the *Doing Good Index 2018*. Procurement has declined in 11 of the 15 economies covered two years ago.

Among those SDOs that received government contracts, income from procurement is an important source of income. It accounts for 26% of their budget on average.

SDOs with government procurement contracts are most common in China (63%) and Bangladesh (52%), with India and Japan (37%) both a distant third. Myanmar has the lowest proportion (6%).<sup>xii</sup>

Procuring from the social sector legitimizes the sector and creates opportunities for growth for SDOs. But nonprofits often face barriers in accessing these opportunities, ranging from lack of information to complicated and burdensome application processes. It is also harder for nonprofits to build capacity to meet contractual obligations which can be financially devastating if the government does not pay in a timely manner. The social sector does not have access to the kind of debt or

equity capital that private sector firms can tap into when they want to grow.

**Additional incentives for SDOs to participate in procurement can help but are far from common.** Incentives such as low-cost loans for SDOs to buy materials and equipment to fulfill a contract can ease some of the friction points, as can preferred vendor lists or reduced transaction costs. Only three out of 18 economies offer these kinds of incentives: Korea, Pakistan and Vietnam.

The Social Enterprise Promotion Act in Korea requires public institutions to promote the preferential purchase of goods or services from social enterprises.<sup>124</sup> In Vietnam, SDOs bidding for government contracts are eligible for preferential rental rates and exemption from registration tax.<sup>125</sup> Pakistani federal and provincial government departments engage only SDOs for specific procurement contracts.

### Procurement process

Ensuring information on procurement opportunities is easily available and the approval process itself is efficient and transparent can help facilitate SDOs' ability to engage in government procurement.

Having a one-stop shop for learning about government requests for proposals (RFPs) makes it easy for SDOs and others to monitor opportunities as they arise. For the government, a centralized electronic procurement system

<sup>xii</sup> The next lowest proportions are Thailand with 9%, followed by Sri Lanka and Malaysia with 11%.

can be much more efficient and cost-effective. With the exception of Cambodia and Myanmar, all economies profess to have centralized procurement platforms.

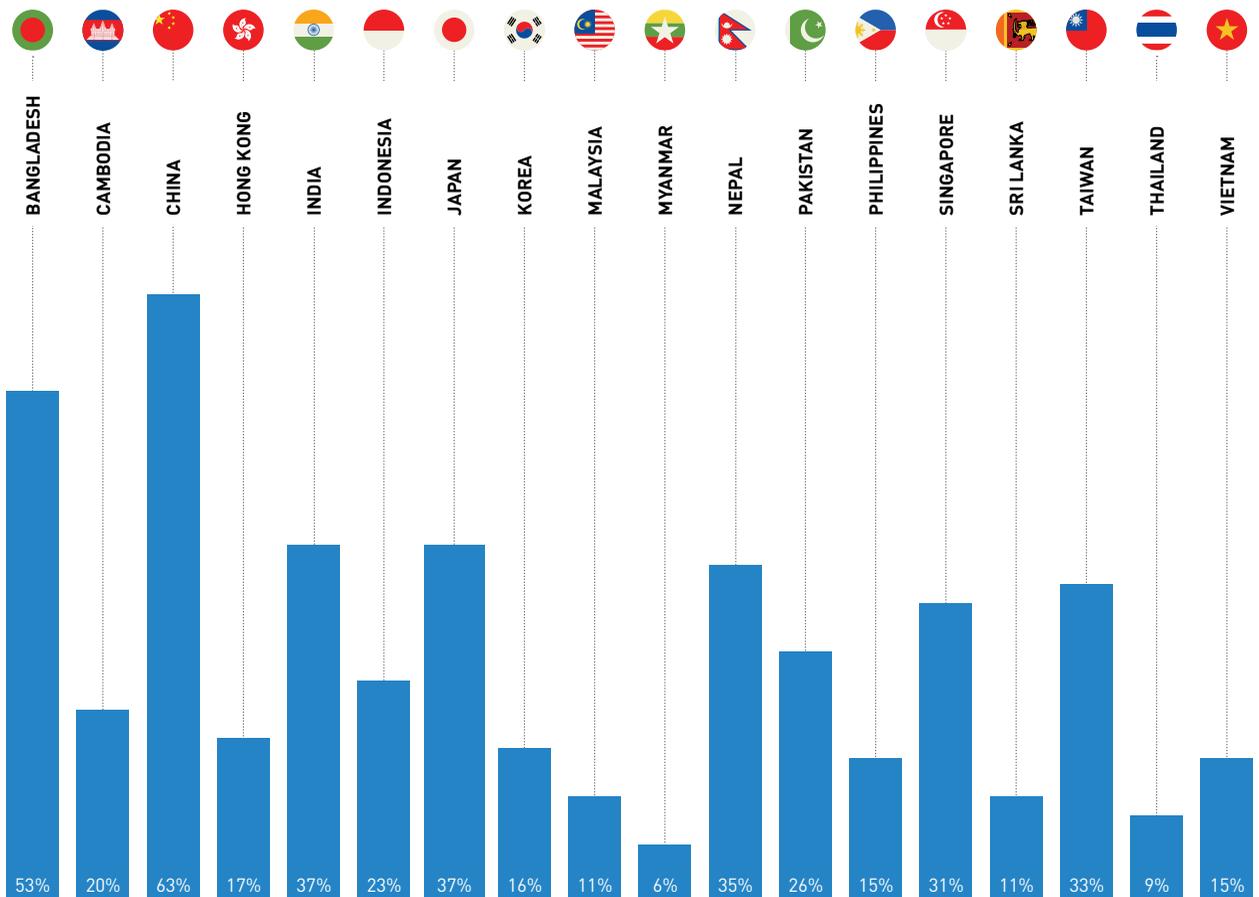
**Yet, information about procurement opportunities is hard to find.** Most (61%) SDOs with government contracts had found such information difficult to access. Timely information about procurement opportunities allows SDOs to plan ahead and submit **well-thought-out** proposals that are more likely to be successful.

**The approval process itself is also considered difficult.** Three-quarters (76%) of those with procurement contracts found the approval process challenging. With limited resources at their disposal, additional barriers in winning contracts can make SDOs reluctant to engage in the process. Transparency is also an issue: 68% of SDOs believe that the approval process is not or only somewhat transparent.

Cambodia illustrates some of these challenges. Government agencies in Cambodia often provide very short notice of available projects and the ensuing bidding process is complex. Contractors are required to bear expenses and then seek reimbursement, requiring **cash-strapped** SDOs to **muster upfront** funding to fulfill contractual obligations.

Government procurement of social services is relatively **untapped** in Asia. In OECD countries, public procurement from all sectors makes up 13% of GDP.<sup>126</sup> If social sectors can **tap into a small** fraction of this in Asia, the potential for growth is enormous. With so many aging societies in the region, procuring services through SDOs can be an important way to relieve the **pressure** on stretched government resources. In larger and more distributed economies, SDOs' involvement also has the added bonus of bringing local knowledge and expertise to the table.

### Percentage of SDOs with government contracts



## PROCUREMENT POSITIVES: DIGITIZING PUBLIC PROCUREMENT AGENCIES

Three of the top five economies on the Procurement sub-index have a dedicated public procurement agency: Pakistan, Korea and Vietnam. Digitizing these agencies has helped streamline the procurement process and made it more accessible, transparent and accountable.

**The Pakistan Procurement Regulatory Authority (PPRA)** was set up in 2002 to regulate “public procurement of goods, services and works in the public sector.”<sup>127</sup> It also provides regular training to government officials to ensure consistency in practice across departments.<sup>128</sup> To enhance transparency, all tenders over Rs100,000 (US\$620) are required to be advertised on the PPRA’s website.<sup>129</sup> As a result, online tender notices quadrupled in the decade leading up to 2016, with a simultaneous fall in the percentage of procurement policy violations from 95% to 11%.<sup>130</sup> Although the PPRA does not distinguish between procurement from SDOs and other institutions, increased transparency and accessibility benefit SDOs bidding for government contracts.

**The Public Procurement Service (PPS) of Korea** was founded in 1949 under the Prime Minister’s Office and has been the country’s central procurement agency since 1961.<sup>131</sup> In 2002, it established the Korea ON-line E-Procurement System (KONEPS), a digital, single-window service to manage public procurement from start to finish, from providing information to floating tenders to inspection and payment.<sup>xlii,132</sup> This has not only enhanced transparency, it has also resulted in all-around administrative savings of approximately US\$8 billion per year.<sup>133</sup> The success of KONEPS has seen the Korean government assisting in setting up similar systems in other countries.<sup>134</sup>

**The Vietnam Public Procurement Agency** is affiliated with the Ministry of Planning and Investment. It has run and managed the nationwide Vietnam National E-Procurement System (VNEPS) since 2016.<sup>135</sup> As with KONEPS in Korea, VNEPS manages government procurement electronically, making the process transparent and more efficient.<sup>xliii,136</sup>

## PROCUREMENT POSITIVES: LOCAL GOVERNMENT PROCUREMENT IN CHINA AND INDONESIA

Local governments are well placed to understand the needs of the local community—and to create opportunities for local SDOs to meet them on the government’s behalf.

China has leveraged this to promote decentralized procurement. Shanghai began procuring from the social sector as early as 2004 with the cities of Shenzhen and Guangzhou following a few years later.<sup>xliv</sup> Between 2008 and 2015 the Guangzhou government spent more than ¥1.3 billion (US\$184 million) to purchase services from SDOs.<sup>137</sup> In Shenzhen, ¥350 million (US\$49 million) was devoted to funding “social work” headcount in SDOs to facilitate social service delivery between 2007 and 2012.

The models pioneered in Guangzhou and Shenzhen were later adopted by other municipalities.

Indonesia is beginning to tread this path as well. One of the four types of decentralized procurement specified in the 2018 President’s Regulation was dedicated to registered SDOs. Services that can be procured from the social sector include research, capacity building, social mobilization and community-based construction.<sup>xlv,138</sup> Implementation has been slow due to concerns about the selection process and SDO capacity, but the potential “market” for sub-national procurement opportunities in Indonesia is among the largest in Southeast Asia.

<sup>xlii</sup> As of 2018, KONEPS had 55,040 government agencies and 400,915 suppliers registered. PPS Korea statistics reported that in 2016, the annual contracting volume of the public procurement market in Korea was ₩116.9 trillion (US\$95 billion) with 66.8% of this being conducted via KONEPS.

<sup>xliii</sup> As reported in the Korea IT Times article, VNEPS reported 8,200 e-procurement packages with a total value of ₫9 trillion (US\$383 million) in 2017, and 23,000 procuring entities and 72,000 suppliers registered on its system as of August 2018. VNEPS is gaining momentum with nearly 6,100 e-procurement packages reported in the first six months of 2018, with some packages valued up to ₫194 billion (US\$8.2 million).

<sup>xlv</sup> In 2008, the central government delegated the power and privilege to initiate policy experiments in innovating social management, which includes government purchasing.

<sup>xlv</sup> Government agencies can invite preferred SDOs to submit a proposal of a maximum of Rp100 million (US\$6,440) for consultancy works or Rp200 million (US\$12,880) for construction works.

## CONCLUSION

# THE PATH FORWARD

Asia has the potential to be at the **vanguard** of social innovation at a time when it is greatly needed. Our region still has **strides to make in the sustainable development** agenda. It needs to mitigate widening inequality; it needs to innovate and equip the world's largest generation of youth; and it still needs to bridge gaps in public health, education, and employment. In addition to the global coronavirus crisis blanketing the future with uncertainty, this part of the world is also facing two **formidable** challenges—climate change and shifting **demographics**—which are disproportionately affecting Asia-Pacific communities. These challenges threaten to roll-back years of hard-earned sustainable development and economic progress.

We need innovation. We need mobilization and we need collaboration. No single actor nor sector can address these **existential** threats on their own. It is **incumbent** on governments to strengthen their legion of SDOs, **incentivize** corporate engagement and investment, and facilitate cross-sector collaboration. And through enhanced regulations, tax and fiscal policy, and ecosystem support, governments can help build trust in and with the social sector. Increased trust will pave the way for accelerated social innovation to bring about greater security, stability, and wellbeing for society at large.

At US\$587 billion per year, the potential for **homegrown** private social investment in Asia is enormous. The *Doing Good Index* outlines the steps governments can take to **unleash** this capital towards this sector working for the greater good of society. It colors in policy frameworks with best practices and highlights policy implications that sometimes **inadvertently stem** the flow of this much-needed capital.

The inaugural *Doing Good Index* was **a first-of-its-kind** study that offered evidence-based insight into how Asian economies can build a more enabling environment for philanthropy. In its second iteration, the index is an even bigger body of evidence covering 18 economies in Asia, and continues to be the leading resource for strengthening the region's charitable sector. **The insights gleaned from a**

**comparative analysis** across Asia **illuminate** its enormous potential to be a leader in creating a more inclusive, secure, and sustainable future for all who live in the region.

Our study shows that governments matter a great deal, and government **regulations** are the **cholesterol of** the sector. They have the power to create transparency and accountability that will encourage more capital to flow to the social sector. They also have the power to **hinder** the flow of philanthropy and social investment, making it difficult for all parts of the society to work together to achieve shared goals. **Taxes** matter not only because they represent real money. They also act as a critical signal from government. An **ecosystem** of interrelated societal **factors**—institutional **recognition**, public perception, good governance and talent—can serve as a reinforcing cycle for good. Government **procurement** from the social sector can legitimize it and encourage its growth.

While each economy has initiated some measures conducive to **philanthropic** giving and the development of the social sector, no single economy has **tapped into** its full potential and there is room for improvement in all economies. In some cases, the “fixes” are relatively simple, in others it will require longer-term efforts. While no economy is the same, important lessons can be learned from each other.

In many ways, we already know what we have to do and it is a matter of **galvanizing the** will to do it. The time to act is now, as challenges arrive with scary **immediacy regularly**. As we put this report to press, the Covid-19 pandemic is upon us illustrating the point in dramatic detail.

Humanity has and always will rise to the challenge—we are all **witnessing** this right now as the world **grapples** with the pandemic. We are seeing socially innovative solutions and multi-sector collaborations emerge across the region as we write. It is with great excitement that we share the latest iteration of the *Doing Good Index* as a tool to help mobilize resources and accelerate these developments for a safer and more sustainable post-Covid-19 world.

# PART II: ECONOMY PROFILES

The following profiles tell the story of each economy. Each profile is a deeper dive into the state of the social sector, recent changes, rising trends, and some history. The profiles have been authored by the experts: our partners. CAPS has served as co-author and editor.\*

The economies that make up Asia are characterized by varied political, economic and cultural differences. Politically they range from constitutional monarchies, to liberal democracies, dependent territories, and one-party states. Economically, Asia spans all income groups from low-income economies to high-income economies. It is home to approximately 4.46 billion people speaking 2,300 languages and practicing all major religious traditions.<sup>139,140</sup>

For governments across Asia, responding to new wealth and citizen engagement looking to bring about

systemic solutions to new and old problems is both a hopeful and fraught situation. Governments have recognized they cannot meet needs alone, but are still figuring out how to work with the social sector.

It is against this backdrop that governments across Asia are putting in place new policies and regulations pertaining to it. Depending on one's political views and the countries in which these changes are taking place, the intention of these policies can be to enable or constrain social sector activity. But some trends are clear across the region, according to the following economy profiles:

**Ten of the eighteen profiles in this study cite increased government oversight.** It is clear that governments want the social sector to be more transparent and accountable, but new reporting



\*Except Nepal which was solely written by CAPS.

requirements can at times be onerous. Governments desire an uptick in local philanthropy as foreign funding declines—in six economies directly due to regulatory changes. At the same time, there is also increased consultation and partnership between governments and social sectors across the region.

**Half of the profiles speak to funding constraints in the sector and the need to find new funding streams.**

Whether as a result of reduced levels of foreign finding, underdeveloped domestic giving or constraints on flow of funds, it is clear that funding strains are a perpetual challenge to the social sector. Fortunately, many of the profiles point to strategies to accomplish this.

**More than two-thirds of the economies talk about new public-private collaborations as key strategies to plug the funding gap.** They talk about new efforts to

engage with companies to provide solutions. While it is still not clear what the long term impact of increased corporate contributions will be, there is little doubt that efforts focused on basic human needs will benefit, while those using advocacy as a tool and focusing on more controversial aspects of social change will find corporate fundraising a difficult hill to climb.

One thing is clear: much is changing as all three sectors—public, private and social—find their footing at a time when no single sector can meet social challenges on its own.



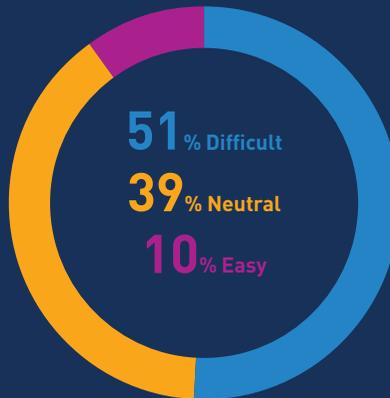
# BANGLADESH\*

## Prevalence of funding sources\*

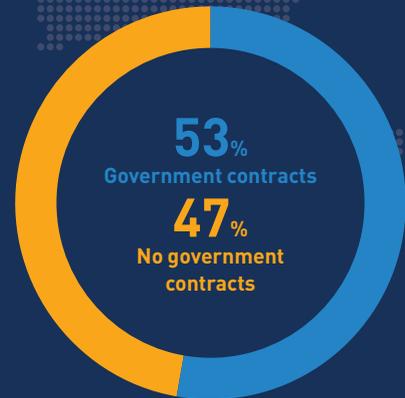


\* % of SDOs receiving each type of funding

## Ease of understanding laws



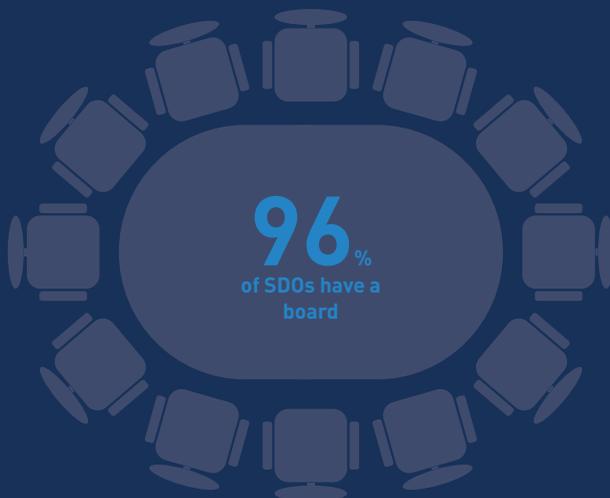
## Proportion of SDOs with government procurement contracts



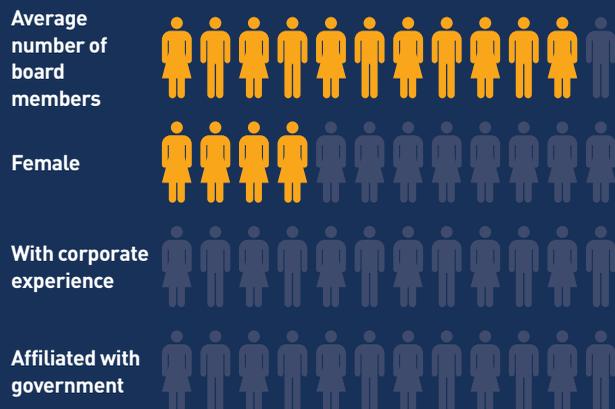
## Trust in SDOs



**34%**  
of respondents believe SDOs are trusted by society



## SDO board composition



\* In this and subsequent economy profiles totals may not add up to 100% due to rounding.

### Percentage of SDOs working with corporate volunteers



### Difficulty in recruiting skilled staff



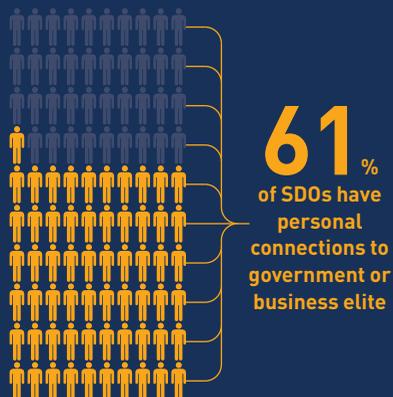
### Individual charitable giving



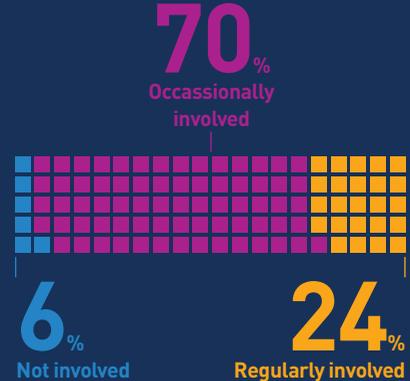
### Top 2 reasons for low levels of individual giving



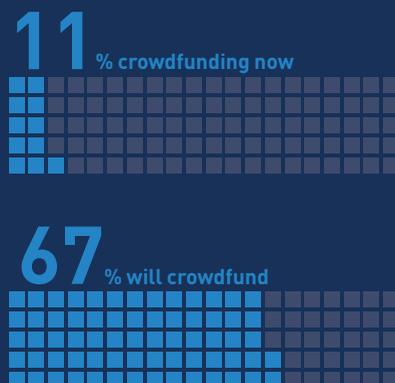
### SDOs with connections to elite



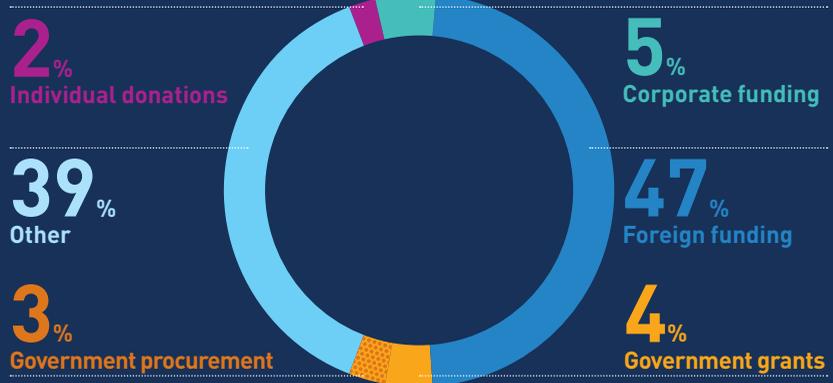
### SDOs involved in policy consultations



### Crowdfunding trends



### Average SDO budget by funding source\*



\* Based on data from 2017-2018, the last complete financial cycle at the time of data collection.

# BANGLADESH

**Summary:** The story of Bangladesh's social sector is largely driven by BRAC, the world's largest nongovernmental organization (NGO), which emerged in the 1970s to serve unmet social needs against the backdrop of a weak welfare state. Strong economic growth over the past two decades has shifted the landscape. The government is now better able to meet needs, and social delivery organizations (SDOs) are evolving to be partners in social service delivery rather than sole implementors. Bangladesh has a significant opportunity to harness multi-sector partnerships and its large population of youth to ensure that its newly gained wealth evenly serves all communities. However, like others in the region, it faces declining foreign funding with domestic philanthropy yet to plug the gap.

## Doing Good Index 2020: Doing Okay

### Demographics

**Population (2018):** 161,356,040<sup>1</sup>

**GDP per capita, PPP (current international \$) (2018):** \$4,549.60<sup>2</sup>

**Number of nonprofits (2018, rounded to the nearest 100):** 2,500<sup>3</sup>

**Estimated nonprofit-to-population ratio:** 1 for every 64,542 people

**% of GDP spent on health (2017):** 2.27%<sup>4</sup>

**% of GDP spent on education (2018):** 2%<sup>5</sup>

**Income status (World Bank classification):** Lower-middle income<sup>6</sup>

**Annual GDP growth (2018):** 7.9%<sup>7</sup>

**Human Development Index rank (2019):** 135<sup>8</sup>

## A social sector at an inflection point

Bangladesh has been one of the fastest-growing economies in South Asia in the recent past. Nevertheless, growth has been uneven, and gaps in meeting social needs persist. As new challenges emerge, particularly climate change, youth unemployment, and violence against women and children, the government's role in prioritizing and executing has become more critical. While the economy is prospering, foreign funding is declining. It is crucial for SDOs and the social sector as a whole to re-evaluate social needs, the delivery of social services, and explore alternate sources of funding. Greater awareness of philanthropy, an increase in public-private partnerships and an improved regulatory framework are necessary for the sustainable development of the social sector.

There are two major nonprofit organizations in the

social sector, BRAC and Grameen Bank, that deliver the bulk of social services in Bangladesh. In many ways, the government has outsourced some of its service delivery role to these organizations.

**BRAC serves a wide swathe of communities in Bangladesh.**<sup>9</sup> It was established in 1972 in the wake of the 1970 cyclone and grew during the 1974 famine when the government was unable to fully provide public services.<sup>10</sup> It has evolved from an almost entirely donor-funded, small-scale relief and rehabilitation project into what is now recognized as the world's largest NGO.<sup>11</sup>

BRAC's poverty alleviation programs have helped more than 75,000 households permanently come out of extreme poverty. Since 2017, BRAC has also provided humanitarian assistance to over 600,000 people from the

Rohingya community in a program that is still running.<sup>12</sup> In 2018, BRAC lent money to almost eight million people and educated more than one million children in Bangladesh and 10 other countries.<sup>13</sup>

**Grameen Bank is another major nonprofit organization providing social services in Bangladesh.**

Founded by Nobel laureate Muhammad Yunus, Grameen Bank also plays a pivotal role in the social sector. As a major microfinance institution for the poor, predominantly investing in women, it has filled in government funding gaps and has lifted many out of poverty.<sup>14</sup>

## The government and the social sector

**Despite delivering a major share of social services, SDOs receive limited funding from the government.**

Annual government spending has tripled from 2000 to 2018, yet government grants make up only 4% of the average budget of SDOs surveyed for the *Doing Good Index 2020*.<sup>15,16</sup> This is half the average for Asia. Even a large SDO like BRAC receives only 10% of its total funding from the government. Thus, SDOs need to seek and secure alternate sources of funding to ensure their sustainability.

There is more engagement between the government and the social sector through procurement of social

services. Almost half (53%) of the SDOs surveyed have procurement contracts—the second-highest figure across Asia. However, three-quarters of those with contracts found it difficult to access information about potential projects, implying that there is even greater potential for government procurement from the social sector if access issues can be resolved. Although procurement is fairly common, income from it only makes up 3% of the average Bangladeshi SDO's budget, among the lowest levels in Asia.

**Most SDOs see their role as a partner to the government.** In fact, 60% of the surveyed SDOs believe their primary role is “to work alongside the government to execute successful delivery of social services.” This was the highest response in this category across the 18 economies of the *Doing Good Index 2020*.

**The government and SDOs are increasingly working together.** Besides the overall stability of the regulatory framework governing the social sector, one noteworthy trend in recent years is that the government is more willing to consult with SDOs that embrace and prioritize areas of government concern, such as achieving the Sustainable Development Goals (SDGs). For example, BRAC and many SDOs are working alongside the government and supporting the government's efforts to achieve the SDGs. An impressive 94% of the SDOs

<sup>1</sup> World Bank, World Development Indicators. [2018]. *Population, total* [Data file]. Retrieved from <https://data.worldbank.org/indicator/SP.POP.TOTL>

<sup>2</sup> World Bank, World Development Indicators. [2018]. *GDP per capita, PPP [current international \$]* [Data file].

Retrieved from <https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD>

<sup>3</sup> NGO Affairs Bureau. [2018]. *List of Total NGOs up to May 2018*. The Prime Minister's Office. Retrieved from [http://ngoab.portal.gov.bd/sites/default/files/files/ngoab.portal.gov.bd/page/a86a0782\\_47b2\\_4756\\_b226\\_58e2fd6a97b4/Total%20List%20of%20NGOs\(May-2018\).pdf](http://ngoab.portal.gov.bd/sites/default/files/files/ngoab.portal.gov.bd/page/a86a0782_47b2_4756_b226_58e2fd6a97b4/Total%20List%20of%20NGOs(May-2018).pdf)

<sup>4</sup> World Bank, World Development Indicators. [2017]. *Current health expenditure (% of GDP)* [Data file].

Retrieved from <https://data.worldbank.org/indicator/SH.XPD.CHEX.GD.ZS>

<sup>5</sup> World Bank, World Development Indicators. [2018]. *Government expenditure on education, total (% of GDP)* [Data file]. Retrieved from <https://data.worldbank.org/indicator/SE.XPD.TOTL.GD.ZS>

<sup>6</sup> World Bank. *World Bank Country and Lending Groups*. Retrieved March 10, 2020, from <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups>

<sup>7</sup> World Bank, World Development Indicators. [2018]. *GDP Growth (annual %)* [Data file]. Retrieved from <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG>

<sup>8</sup> United Nations Development Programme. [2019]. *Human Development Index Ranking*. Retrieved from <http://hdr.undp.org/en/content/2019-human-development-index-ranking>

<sup>9</sup> Seelos, C., & Mair, J. [2006]. *BRAC—An Enabling Structure for Social and Economic Development*. IESE Business School, University of Navarra. Retrieved from [http://www.brac.net/sites/default/files/\(1\)%20BRAC-%20An%20Enabling%20Structure%20for%20Social%20and%20Economic%20Development.pdf](http://www.brac.net/sites/default/files/(1)%20BRAC-%20An%20Enabling%20Structure%20for%20Social%20and%20Economic%20Development.pdf)

<sup>10</sup> The Economist. [2019, September 5]. How BRAC, the world's biggest charity, made Bangladesh richer. Retrieved from <https://www.economist.com/international/2019/09/05/how-brac-the-worlds-biggest-charity-made-bangladesh-richer>

<sup>11</sup> Seelos, C., & Mair, J. [2006]. *BRAC—An Enabling Structure for Social and Economic Development*. IESE Business School, University of Navarra. Retrieved from [http://www.brac.net/sites/default/files/\(1\)%20BRAC-%20An%20Enabling%20Structure%20for%20Social%20and%20Economic%20Development.pdf](http://www.brac.net/sites/default/files/(1)%20BRAC-%20An%20Enabling%20Structure%20for%20Social%20and%20Economic%20Development.pdf)

<sup>12</sup> BRAC is focusing on eight areas in its five-year strategic plan for 2016–2020, namely, eliminating extreme poverty; expanding financial choices of people living in poverty; employable skills for decent work at home and abroad; climate change and emergency response; gender equality; universal access to healthcare, nutrition, water and sanitation; pro-poor urban development; and investing in the next generation. BRAC. [2018, July 26]. *BRAC's Annual Report 2017 launched*. Retrieved from <http://www.brac.net/latest-news/item/1162>

<sup>13</sup> The Economist. [2019, September 5]. How BRAC, the world's biggest charity, made Bangladesh richer. *The Economist*. Retrieved from <https://www.economist.com/international/2019/09/05/how-brac-the-worlds-biggest-charity-made-bangladesh-richer>

<sup>14</sup> Ibid.

<sup>15</sup> Ibid.

<sup>16</sup> Unless otherwise indicated, SDO survey data mentioned in this brief are from the *Doing Good Index 2020*.

surveyed in Bangladesh for this study are involved in policy consultations. This is rather different from the 1980s and 1990s when decision-making was top-down.

## Funding in flux

**Many SDOs in Bangladesh still rely greatly on foreign funding.** The great majority (85%) of the SDOs surveyed in Bangladesh receive funding from foreign donors—the highest proportion across Asia. For over half of them, foreign funding makes up more than 50% of their annual budget.

**While the economy is prospering, foreign funding is declining.** This is worrying for the many SDOs receiving foreign funding. Strong economic growth has spurred the country into lower-middle-income status, which means Bangladesh will soon become ineligible for the World Bank's International Development Assistance Loans.<sup>17</sup> Project aid for social welfare as a percentage of total project aid has declined from 6.31% in 2016–17 to 4.65% in 2018–19.<sup>18</sup> In response to this, the Centre for Policy Dialogue (CPD) has emphasized the need for greater NGO funding from the government, and foreign and domestic donors.<sup>19</sup>

**Exploring alternate sources of funding has become crucial for SDOs and the social sector as a whole.** Two-thirds (63%) of the SDOs surveyed in Bangladesh reported that fundraising is becoming harder. Among these, 86% cited decreased giving by foreign donors as the main reason. Many SDOs have yet to diversify their income streams. While 67% of the SDOs intend to use crowdfunding in the future, only 11% are currently using it. Only a third have a revenue-generating component—the lowest across Asia.

**Domestic philanthropy has yet to take off.** Almost all (93%) of surveyed SDOs believe that the overall level of individual giving to the social sector in Bangladesh is low (the highest proportion across Asia). Of the average SDO budget in Bangladesh, individual giving only makes up a tiny 2%—the average for Asia is 10 times higher. Worryingly, SDOs also report that individual giving to them is declining year-on-year. The top two reasons they cite for this dearth of individual giving are: people prefer to donate to religious organizations, and lack of tax incentives for donating to SDOs.

## There is a lack of strong tax and fiscal policies to incentivize individual or corporate philanthropy.

Bangladesh is one of the lower-scoring economies in the Tax and Fiscal Policy sub-index. While 14 out of 18 economies offer an individual tax deduction rate of 100% or more, Bangladesh only offers 12.5%. The rate of deduction for corporate donors at 10% is also the lowest in Asia.

SDOs in Bangladesh also remain largely confused about tax deduction policies. Most (80%) are unaware of their existence. Despite the confusion, the majority believe that tax incentives are important for boosting individual and corporate donations.

## An exhaustive regulatory framework

**There is an exhaustive framework of regulations governing the social sector.** On the plus side, a certain level of stability in terms of rules and regulations has been maintained as there have been no major changes in laws, regulations, tax, funding or political landscape impacting the social sector in recent years. Laws and regulations to ensure proper accountability of SDOs have proactively been put in place as have laws that promote greater transparency and good governance. These comprehensive laws help build trust in the sector and are useful for combatting governance challenges such as bribery, misuse of donations and income tax evasion by projecting lower base salaries.<sup>20</sup>

However, the plethora of regulatory requirements can also burden SDOs. Over half of the surveyed SDOs (51%) find these laws difficult to understand. They have to submit five accountability reports per year to the government. The stringent regulatory framework sometimes also leads to difficulties in releasing funds and causes delays in payment, overall having a dampening effect on the flow of funds. Moreover, regulations authorizing government officers to exercise their supervisory power and inspect SDOs from time to time contribute to an atmosphere of uncertainty.

**The registration process for nonprofits is not simple.** It takes an average of 180 days to register as a nonprofit in Bangladesh, double the Asian average of 94 days. Various acts govern registrations, and surveyed SDOs report having to deal with an average of five government

<sup>17</sup> The Economist. (2019, September 5). How BRAC, the world's biggest charity, made Bangladesh richer. *The Economist*. Retrieved from <https://www.economist.com/international/2019/09/05/how-brac-the-worlds-biggest-charity-made-bangladesh-richer>

<sup>18</sup> Economic Relations Division. (2019, December 31). *Flow of External Resources into Bangladesh 2018–2019: Disbursement of Project Aid by Sector (1971/72–2018/19)*. Retrieved from [https://erd.portal.gov.bd/sites/default/files/files/erd.portal.gov.bd/page/5b21cbd3\\_5877\\_4b24\\_889d\\_a03301bb974c/Tbl-3.7.pdf](https://erd.portal.gov.bd/sites/default/files/files/erd.portal.gov.bd/page/5b21cbd3_5877_4b24_889d_a03301bb974c/Tbl-3.7.pdf)

<sup>19</sup> Hashim, S. M. (2018, May 22). Funding crunch for non-profits. *The Daily Star*. Retrieved from <https://www.thedailystar.net/opinion/funding-crunch-non-profits-1579456>

<sup>20</sup> Transparency International Bangladesh (TIB). (2018). *NGOs of Bangladesh Funded by Foreign Donations: Governance Challenges and Way Forward*. Retrieved from [https://www.ti-bangladesh.org/beta3/images/2018/report/ngo/NGO\\_Study\\_2018\\_EX\\_English.pdf](https://www.ti-bangladesh.org/beta3/images/2018/report/ngo/NGO_Study_2018_EX_English.pdf)

bodies to carry out their work.<sup>21</sup>

**International NGOs face additional scrutiny.** According to the Foreign Donations Regulations Act (Voluntary Activities Regulation Ordinance, 1978), SDOs are required to have an initial license to operate, provide a report at the beginning of the project, and submit a “project completion report.”<sup>22</sup> Recently, advocacy organizations such as Transparency International have been subject to greater scrutiny due to their nature and role.

## Trends and opportunities for the social sector

**Bangladesh still faces challenges in addressing urbanization and inequality.** An ever-increasing urban population and rampant inequality present major challenges as Bangladesh strives toward achieving upper-middle-income status.<sup>23</sup> The government’s Seventh Five Year Plan emphasizes urban development and reduction of urban poverty, but inadequate government allocation, shortage of manpower, and flawed development plans and programs hamper the effective delivery and distribution of various social services to the growing urban population.<sup>24</sup> Outdated laws and rules are unable to address present needs. Although Bangladesh has been a pioneer in gender empowerment, household and external violence and abuse are on the rise.

Moreover, budgetary allocations to health and education as a share of gross domestic product (GDP) are not increasing. The sector share of GDP for health and social works has remained stagnant at 1.85% since 2016–17. Meanwhile, the sector share of GDP for education has declined from 2.48% in 2016–17 to 2.42% in 2018–19.<sup>25</sup>

### There are opportunities in emerging partnerships.

SDOs are networking and forming partnerships for learning, capacity building and service delivery. Three-quarters of the

surveyed SDOs reported that they collaborate with other organizations to deliver services or improve their capacity. The same proportion also reported being a part of at least one social sector network or association.

**There are also emerging public-private partnerships.** Such partnerships can be very useful in addressing new economic and social needs by, for instance, financing housing for the urban poor, or providing health services like the Bangladesh Institute of Research and Rehabilitation in Diabetes, Endocrine and Metabolic Disorders.<sup>26</sup> There is room for this to become a new interest area for donors seeking to invest in joint-venture models and will help the social sector become more sustainable.

**Engaging the next generation may improve youth employment and advance the social sector.** Bangladesh is facing a high rate of youth unemployment—10.6% compared to the overall national unemployment average of 4.2% in 2016–17.<sup>27</sup> The immense potential of the social sector for creating jobs and generating employment could help alleviate youth unemployment. Encouragingly, 85% of the surveyed SDOs believe that young people are equally or more interested in the social sector than their parents. Yet, the sector still struggles to attract talent: almost 90% of SDOs struggle to recruit and retain skilled staff. There is also a widespread perception (according to 81% of the SDOs) that nonprofit employees should earn less than their private-sector counterparts.

The social sector in Bangladesh has to cope with a changing funding landscape. Making regulations easier to understand and putting in place better tax incentives can help unleash greater domestic philanthropy to replace declining foreign funding. With greater awareness of philanthropy, a potential rise in public-private partnerships and greater participation of youth, the social sector can find new ways to grow and thrive.

<sup>21</sup> NGOs in Bangladesh are registered under various acts, including The Societies Registration Act, 1860; The Trust Act, 1882; Voluntary Social Welfare Agencies (Regulation and Control) Ordinance 1961; Co-operative Societies Act, 1925; and The Companies Act, 1913 (amended in 1914). For details of the laws, visit the website of Legislative and Parliamentary Affairs Division of the Ministry of Law, Justice and Parliamentary Affairs at <http://bdlaws.minlaw.gov.bd>

<sup>22</sup> NGO Affairs Bureau. (2017, November 15). *Comparative Description of Existing Laws, Proposed Laws and Comments as Regards NGO Affairs Bureau*. The Prime Minister’s Office. Retrieved from <http://www.ngoab.gov.bd/site/page/c5c209b3-0632-4997-b4d2-6bc823391404/>

<sup>23</sup> BRAC. (2019, May 23). *Pre-budget dialogue on pro-poor urban development*. Retrieved from <http://www.brac.net/latest-news/item/1227-pre-budget-dialogue-on-pro-poor-urban-development>

<sup>24</sup> Ibid.

<sup>25</sup> Finance Division, Ministry of Finance. (2019). *Bangladesh Economic Review 2019*. Government of the People’s Republic of Bangladesh. Retrieved from [https://mof.portal.gov.bd/sites/default/files/files/mof.portal.gov.bd/page/f2d8fabb\\_29c1\\_423a\\_9d37\\_cdb500260002/D.%20Appendices%20%28English-2019%29.pdf](https://mof.portal.gov.bd/sites/default/files/files/mof.portal.gov.bd/page/f2d8fabb_29c1_423a_9d37_cdb500260002/D.%20Appendices%20%28English-2019%29.pdf)

<sup>26</sup> BRAC. (2019, May 23). *Pre-budget dialogue on pro-poor urban development*. Retrieved from <http://www.brac.net/latest-news/item/1227-pre-budget-dialogue-on-pro-poor-urban-development>

<sup>27</sup> Bangladesh Bureau of Statistics (BBS), Ministry of Planning. (2018). *Labour Force Survey, Bangladesh 2016–17*. Government of the People’s Republic of Bangladesh. Retrieved from <http://www.bbs.gov.bd/site/page/111d09ce-718a-4ae6-8188-f7d938ada348/Labor-&-Employment>

## A BRIEF HISTORY OF NONPROFITS IN BANGLADESH

After the Bangladesh Liberation War in 1971, a collective spirit of compassion and empathy saw individuals take the initiative to help provide social welfare. These grassroots relief and rehabilitation initiatives grew into various NGOs working in social development and service delivery to the poor and marginalized. In the wake of the 1970 cyclone and 1974 famine, BRAC emerged to serve needs unmet by the government. Gradually, NGOs in Bangladesh started contributing to a wider spectrum of areas, including poverty alleviation, women's empowerment, social justice, good governance, education, human rights, child rights, microcredit, healthcare and nutrition, climate change and disaster management, vocational training, livelihood, agriculture and food security, water, sanitation and hygiene, renewable energy, legal aid, environmental conservation, land rights and labor rights.<sup>28</sup>

Since independence, international donors have

also been coming forward to help build the social sector. The World Bank, for example, has been a longstanding partner of Bangladesh. Through its concessional lending arm, the International Development Association (IDA), it has committed more than US\$28 billion in grants, interest-free and concessional financing credits to Bangladesh.<sup>29,30</sup> It has been the largest external funder of Bangladesh, providing over a quarter of all foreign aid to the country. Working alongside the government, the World Bank has supported the government's efforts in areas such as economic development and growth, power, infrastructure, disaster management, climate change, human and social development and poverty reduction.

Although significant economic growth in recent years has improved the government's capacity to serve social needs, the social sector continues to be a significant contributor to meeting unmet needs.

*We wish to thank our partner, Centre for Policy Dialogue (CPD), for primary authorship of this profile.*

<sup>28</sup> Transparency International Bangladesh (TIB). (2018). *NGOs of Bangladesh Funded by Foreign Donations: Governance Challenges and Way Forward*. Retrieved from [https://www.ti-bangladesh.org/beta3/images/2018/report/ngo/NGO\\_Study\\_2018\\_EX\\_English.pdf](https://www.ti-bangladesh.org/beta3/images/2018/report/ngo/NGO_Study_2018_EX_English.pdf)

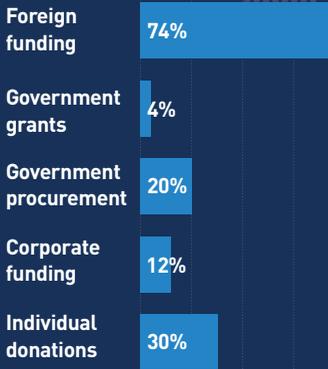
<sup>29</sup> In recent years, Bangladesh has been among the largest recipient countries of IDA funding and currently has the largest IDA program totaling US\$11.3 billion.

<sup>30</sup> The World Bank. (2018, November 15). *Bangladesh: Reducing Poverty and Sharing Prosperity*. Retrieved from <https://www.worldbank.org/en/results/2018/11/15/bangladesh-reducing-poverty-and-sharing-prosperity>



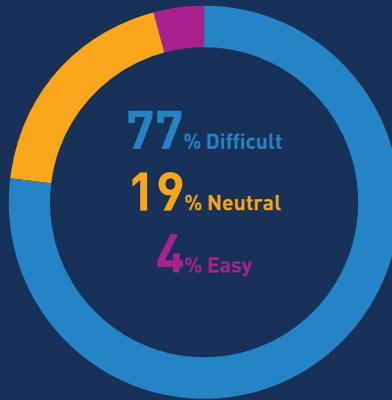
# CAMBODIA

## Prevalence of funding sources\*

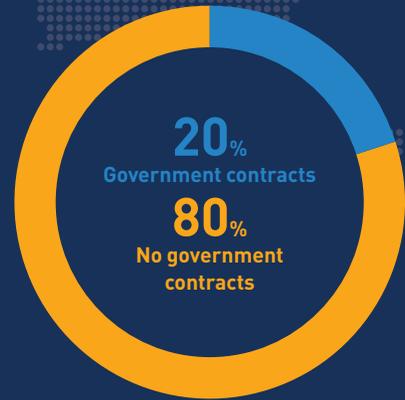


\* % of SDOs receiving each type of funding

## Ease of understanding laws



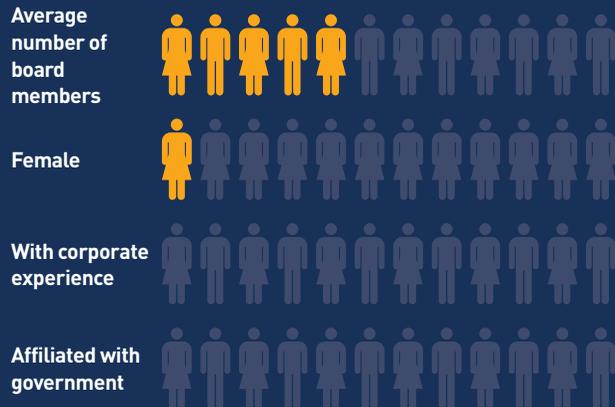
## Proportion of SDOs with government procurement contracts



## Trust in SDOs



## SDO board composition



### Percentage of SDOs working with corporate volunteers



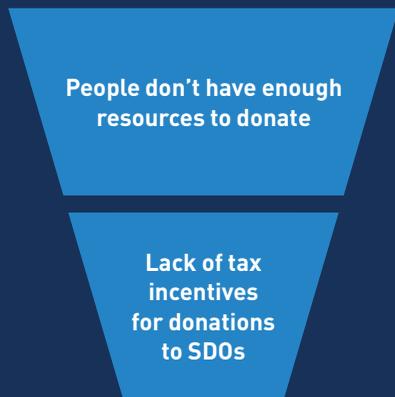
### Difficulty in recruiting skilled staff



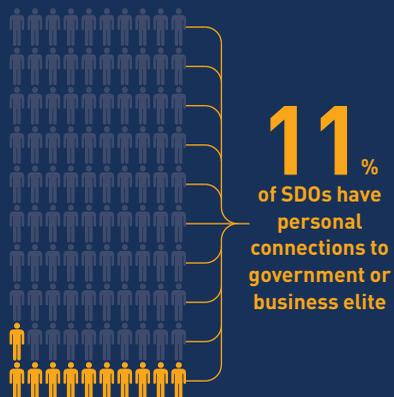
### Individual charitable giving



### Top 2 reasons for low levels of individual giving



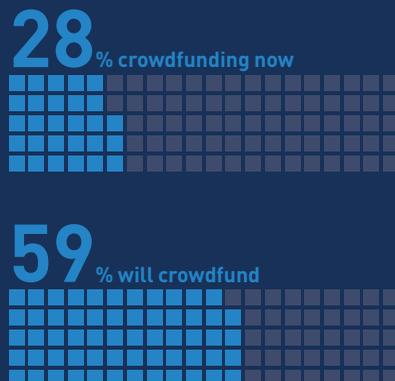
### SDOs with connections to elite



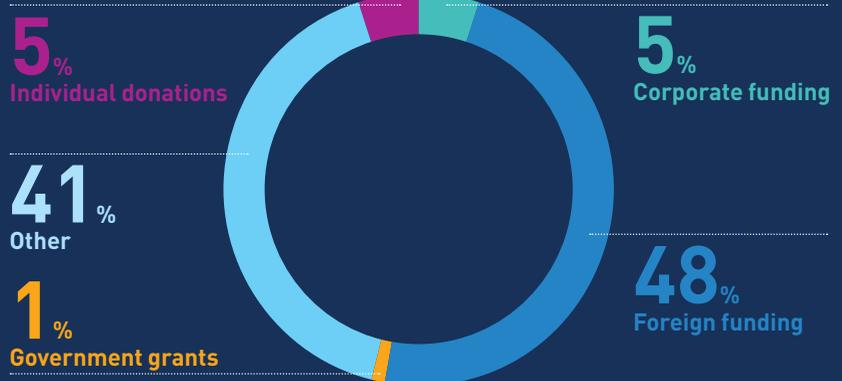
### SDOs involved in policy consultations



### Crowdfunding trends



### Average SDO budget by funding source\*



\* Based on data from 2017-2018, the last complete financial cycle at the time of data collection.



# CAMBODIA

**Summary:** Although the number of social sector organizations in Cambodia has grown, the regulatory infrastructure needed for nonprofits to thrive is weak, and the government’s mistrust of advocacy organizations and control over access to information is having a dampening effect. The social sector is largely fortified by foreign funding, and local philanthropy is yet to burgeon. Encouragingly, the social sector has broad community support and, as a result, harbors significant potential.

## Doing Good Index 2020: Not Doing Enough

### Demographics<sup>1</sup>

**Population (2019):** 15,288,489<sup>2</sup>

**GDP per capita, PPP (2018):** \$4,261.80

**Number of nonprofits (rounded to the nearest 100):** 6,000<sup>3</sup>

**Estimated nonprofit-to-population ratio:** 1 for every 2,548 people

**% of GDP spent on health (2017):** 5.92%

**% of GDP spent on education (2018):** 2.2%

**Income status (World Bank classification):** Lower-middle income

**Annual GDP growth (2018):** 7.5%

**Human Development Index rank:** 146

## The state of the social sector

In July 2018, in what *The Guardian* newspaper called a “preordained result,” Prime Minister Hun Sen of the Cambodian People’s Party (CPP) won a new term with more than 80% of the vote.<sup>4</sup> Subsequent to that victory, the Law on Associations and Non-Governmental Organizations (LANGO) began to be enforced more stringently. LANGO requires local organizations to register with the Ministry of Interior, and foreign organizations to register with the Ministry of Foreign Affairs and International Cooperation.

On June 4, 2019, the international civil rights advocacy group CIVICUS issued a statement, signed by 70 civil society organizations, calling on the government to stop harassing organizations affiliated with the Cambodia National Rescue Party (CNRP), the opposition party.<sup>5</sup>

Although the majority of the nongovernmental

organizations (NGOs) facing increased and hostile government oversight are affiliated with the CNRP, the whole social sector is affected by more stringent oversight, **onerous reporting** and tighter financial requirements.

**Despite this environment, there are still thousands of NGOs working on an array of social issues. Most**

focus on sectors such as education, environment and health, and run programs and projects which span the country. In Cambodia, it is still common for social delivery organizations (SDOs) to receive foreign support to carry out activities focused on basic human needs and fill social service needs not provided by the government. For example, while the government provides public education, nonprofit organizations support students with food, transportation, clothes and so on.

**Philanthropy is not yet widely embraced in Cambodia.** There are several reasons: for one, there is little cultural context for charity. Given Cambodia’s

tumultuous history, most Cambodians have had to prioritize their own survival. Another reason is the significant “trust deficit” between donors and SDOs, which feeds into a reluctance on the part of local wealthy people and companies to give. This deficit persists mainly due to a lack of clear government policies, the inability of NGOs to tell their stories and the absence of an infrastructure for building transparency and accountability.

## Foreign vs. domestic sources of funding

### Foreign funding remains a lifeline for many nonprofits.

Three-quarters (74%) of SDOs surveyed for the *Doing Good Index 2020* receive foreign funding.<sup>6</sup> As more evidence of just how important foreign funding is, it makes up more than half the budget for the great majority (77%) of SDOs.

Reliance on foreign aid by local community organizations can be a mixed blessing. While foreign funding allows SDOs to carry out their mission, it also contributes to a widespread misperception among the Cambodian people that these organizations have substantial financial wherewithal and do not require local support. Only 30% of surveyed SDOs receive funding from individuals—the lowest prevalence of individual giving in Asia where the average is 73%.

Other sources of funding are also far less common than in the rest of Asia. Only 4% receive funding from government grants, compared to 30% across Asia. Only 12% receive corporate funding—the lowest proportion in Asia—compared to the Asian average of 48%.

**The government can help plug the funding gap by offering more procurement opportunities.** While SDOs in Cambodia are permitted to bid for government services to deliver products and services, it is very challenging to do so. There are several reasons for this. Government

agencies often provide very short notice of available projects, and the bidding process is quite complex. SDOs with limited capacity find it difficult to navigate proposal requirements at such short notice. Almost all (more than 90%) of the surveyed SDOs with government contracts in Cambodia said that it was difficult to get information and the approval process was difficult.

Another significant hurdle is that the government requires the contractor to pay for the goods and services first and then seek reimbursement. Cash-strapped nonprofits do not have the resources to front the funding necessary to fulfill contractual obligations.

To date, very few SDOs have been able to procure services from the Cambodian government, and of those that have, they have had to pay “tips” to the appropriate government official to win the contract and implement the project. The majority of SDOs in our survey that received government contracts did not go through a bidding process.

One example of a successful procurement of social services is the government contracting an SDO to implement the New Generation Schools (“autonomous” public schools) program focused on improving the quality of education and innovative teacher training.<sup>7</sup> The government is supporting the pilot project which, if successful, may be adopted on a national scale.

## Murky regulations send mixed signals

### The government’s mistrust of advocacy organizations has constrained the whole sector.

Cambodia’s nonprofit sector historically has been strong on advocacy, rooted in the campaign of the 1980s when international NGOs advocated for recognition of the Phnom Penh government and ending of the aid embargo.<sup>8</sup>

However, since the 2018 elections, regulations governing nonprofits have continued to tighten. A recent European Commission report found that Prime

<sup>1</sup> Most of these statistics are from the World Bank or United Nations Development Programme (unless otherwise cited). For complete references please refer to the Bangladesh demographics box on page 52.

<sup>2</sup> National Institute of Statistics, Ministry of Planning. (June 2019). *General Population Census of the Kingdom of Cambodia 2019—Provisional Population Totals*. Retrieved from [https://www.nis.gov.kh/nis/Census2019/Provisional%20Population%20Census%202019\\_English\\_FINAL.pdf](https://www.nis.gov.kh/nis/Census2019/Provisional%20Population%20Census%202019_English_FINAL.pdf)

<sup>3</sup> USAID, FHI 360 & International Center for Not-For-profit Law. (2018). *CSO Sustainability Index for Asia*. (pp. 24–33). Retrieved from <https://www.fhi360.org/sites/default/files/media/documents/resource-csosi-2018-report-asia.pdf>

<sup>4</sup> The Guardian. (2018, July 29). *Cambodia: Hun Sen re-elected in landslide victory after brutal crackdown*. Retrieved on May 26, 2020, from <https://www.theguardian.com/world/2018/jul/29/cambodia-hun-sen-re-elected-in-landslide-victory-after-brutal-crackdown>

<sup>5</sup> CIVICUS. (2019, June 4). *CSOs express concern over judicial harassment of former Cambodia National Rescue Party members*. Retrieved from <https://www.civicus.org/index.php/media-resources/news/3882-csos-express-concern-over-judicial-harassment-of-former-cambodia-national-rescue-party-members>

<sup>6</sup> Unless otherwise indicated, SDO survey data mentioned in this brief are from the *Doing Good Index 2020*.

<sup>7</sup> Kampuchea Action to Promote Education (KAPE). *New Generation School (NGS)*. Retrieved from [http://www.kapekh.org/en/what-we-do/16/?pro\\_id=20](http://www.kapekh.org/en/what-we-do/16/?pro_id=20)

<sup>8</sup> Asian Development Bank (ADB). (2011). *Civil Society Briefs: Cambodia*. Retrieved from <https://www.adb.org/sites/default/files/publication/29442/csb-cam.pdf>

Minister Hun Sen's government has cracked down on the opposition, civil society groups and the media.<sup>9</sup> As a result, in February 2020, the European Union withdrew part of the tariff preferences granted to Cambodia through the Everything But Arms (EBA) trade agreement.

Under particular scrutiny are foreign-funded rights-focused organizations, but all social organizations must comply with the requirements of a more muscular government. It does not help that most (77%) surveyed SDOs in Cambodia find laws pertaining to the social sector difficult to understand. This is the highest proportion across Asia.

A relatively new requirement is that all nonprofits must provide a three-day notice to the government before embarking on any new initiative or project. This has also increased the number of permissions needed and paperwork required by a great deal. Further, in 2019 the Ministry of Interior announced new requirements making it mandatory for NGOs to meet with government representatives twice a year. There is zero tolerance for local and international NGOs proceeding with their work without registering with the relevant ministries and abiding by the more stringent reporting requirements.

**NGOs are exempt from income tax, but new tax laws and requirements have created an additional financial burden for them.** In order to be eligible for income tax exemption NGOs must submit an application to the General Department of Taxation (GDT).<sup>10</sup>

However, the Law on Taxation requires NGOs to pay tax on salaries, consultant services, grant income and office rent to the GDT. Under this law, if an NGO rents a car for traveling, for example, an additional amount of 15% tax must be paid to the government. Many donors will not provide funding support to their partners to

comply with the Law on Taxation either because it is not allowed in their own grantmaking processes or because it is simply too large an expense.

**There are weak or no incentives for domestic giving.** Cambodia is the only Asian economy that does not have a comprehensive personal tax system requiring individuals to file and pay taxes.<sup>11</sup> Consequently, there are also no tax incentives for individuals to donate to SDOs. Conversations with various stakeholders for the *Doing Good Index*, as well as desk research, made it clear that tax regulations are not well known among the public and charitable donations are not very common.

Corporates, on the other hand, do need to submit annual tax returns. Charitable donations by corporates can be deducted from taxable income at a rate of 100% but only up to a maximum limit of 5% of income provided that adequate evidence is available.<sup>12</sup>

### **The social sector: Efforts from within** **NGOs have recognized the importance of strengthening their sector's governance infrastructure on their own.**

<sup>13</sup> The Cooperation Committee for Cambodia (CCC), a membership organization with nearly 170 local and international NGOs as members, acts as an enabling agent for greater transparency and accountability.<sup>14</sup> CCC established the NGO Governance & Professional Practice, which runs a Voluntary Certification System (VCS) in which certified NGOs agree to be held accountable to a "Code of Ethical Principles and Minimum Standards for NGOs."<sup>15</sup> VCS serves as an important tool to help ensure good governance and accountability in Cambodia's nonprofit sector.<sup>16</sup>

**Encouragingly, 82% of nonprofit organizations in Cambodia do have boards of directors** with women holding 27% of the seats. Most organizations also hold

<sup>9</sup> The European Union launched the process to strip Cambodia of its preferential trade terms following the arrest of CNRP President Kem Sokha, the opposition leader, in September 2017, and the Supreme Court's decision to ban his party for its role in an alleged plot to topple the government two months later. See Human Rights Watch. (2020, February 13). *Cambodia: EU Partially Suspends Trade Preferences*. Retrieved from <https://www.hrw.org/news/2020/02/13/cambodia-eu-partially-suspends-trade-preferences>. The ban, along with a wider crackdown on NGOs and the independent media, paved the way for Hun Sen's CPP to win all 125 seats in parliament in the country's July 2018 general election. See Thul, P. C. (2018, August 15). Cambodia's ruling party won all seats in July vote: election commission. *Reuters*. Retrieved from <https://www.reuters.com/article/us-cambodia-election/cambodias-ruling-party-won-all-seats-in-july-vote-election-commission-idUSKBN1L01E7>

<sup>10</sup> Legal funds, donations from individuals or entities and other sources of income, except the income from business activities, are eligible for tax exemption. See Article 6 of Prakas 464 on Instruction in Tax Compliance of Associations and NGOs issued by the Ministry of Economy and Finance. Source: Cooperation Committee for Cambodia. (2018, August 15). *Prakas 464 on Taxation for Associations and NGOs*. Retrieved from <https://www.ccc-cambodia.org/en/resources/event-archives/prakas-464-on-taxation-for-associations-and-ngos>

<sup>11</sup> PricewaterhouseCoopers (Cambodia) Ltd. (2018). *Cambodian 2018 Tax Booklet*. Retrieved from <https://www.pwc.com/kh/en/tax/cambodian-2018-tax-booklet1.pdf>

<sup>12</sup> Ministry of Economy and Finance. *Annual Income Tax Return for the Year Ended*. Retrieved March 1, 2020, from [https://www.tax.gov.kh/forms/files/TOI\\_20180223.pdf](https://www.tax.gov.kh/forms/files/TOI_20180223.pdf)

<sup>13</sup> Asian Development Bank (ADB). (2011). *Civil Society Briefs: Cambodia*. Retrieved from <https://www.adb.org/sites/default/files/publication/29442/csb-cam.pdf>

<sup>14</sup> Cooperation Committee for Cambodia. *Who we are*. Retrieved on March 1, 2020, from <https://www.ccc-cambodia.org/en/about-us/who-we-are>

<sup>15</sup> Asian Development Bank (ADB). (2011). *Civil Society Briefs: Cambodia*. Retrieved from <https://www.adb.org/sites/default/files/publication/29442/csb-cam.pdf>

<sup>16</sup> Cooperation Committee for Cambodia. *NGO Governance & Professional Practice (GPP)*. Retrieved March 1, 2020, from <https://www.ccc-cambodia.org/en/membership/ngo-governance-professional-practice-gpp>

regular board meetings and understand one of the functions of the board is to recruit, supervise, terminate, and appraise the performance of the executive director. However, neither the board nor senior staff are held legally liable for the actions of the organization.

It is also a challenge to find board members with business skills and corporate experience: only 29% of surveyed SDOs with a board have corporate board members. Many board members do not see their role as overseeing the financial health of the organization or helping with fundraising.

**Talent is hard to find.** Cambodia is one of Asia's hardest places for recruiting and retaining skilled talent. Almost all (around 95%) of surveyed SDOs find it difficult to do so.

The ecosystem in Cambodia is very much influenced by the existence of international NGOs and aid agencies, which influences the economic structure for talent. Foreign organizations pay better than local ones. Around 61% of surveyed SDOs believe that foreign-funded organizations pay their staff more and find it easier to recruit and retain staff. This has the perverse effect of making it almost impossible for local organizations to hire the best talent. While this situation is not unique to Cambodia, it is pronounced because of the large number of international NGOs present.

## Looking forward: The opportunities ahead

**Education and health are getting more attention from the government.** Based on the 2019 budget brief, the government is planning to allocate 9.49% of the national budget to the Ministry of Education and 5.6% to the Ministry of Health.<sup>17</sup> This may create opportunities for organizations working in these areas.

**Cambodia's highest sub-index score in the *Doing Good Index 2020* is for Ecosystem.** Cambodia's awareness of the social sector seems to be on the rise and will likely spark greater societal engagement. Three-quarters of surveyed SDOs noticed an increase in media attention to philanthropy and the charity sector in the past year with the majority rating the coverage as positive. The national English-language

newspaper, *The Phnom Penh Post*, also has an "Around NGOs" section, spotlighting the work of nonprofits.

**SDOs are coming together for support.** There are also a number of membership and umbrella organizations working at the national level to push for improved policies and better coordination between international funding agencies and the government. The vast majority (93%) of surveyed SDOs are part of one or more networks of organizations—many of these being formal networks—the second-highest proportion across Asia. The top three functions of these networks were cited as capacity building, sharing knowledge and learning, and collaborating and forging partnerships.

**Foreign donors and international organizations underscore the importance of capacity building.** A positive consequence of having international donors and organizations in Cambodia is their understanding of the importance of capacity building. This includes an emphasis on strong internal management as well as human resources and financial management. Among surveyed SDOs, 81% reported that their donors support capacity building, far higher than the Asian average of 51%. Capacity building with a long-term lens augurs well for local SDOs as they face pressure to become less dependent on foreign assistance.

**The impact investing ecosystem is growing.** Despite an environment of mistrust and a lack of official support for the social sector, impact investing is receiving better treatment. The Law on Investment and Incentive Schemes lays out multiple incentives, including 100% ownership and land lease for up to 50 years, for international investments.<sup>18</sup> It is no wonder then that impact investment is thriving. Cambodia attracted 45% of impact investment deployed in Southeast Asia between 2007 and 2017.<sup>19</sup>

The path forward for Cambodia's charity sector is not clear. It is sure to be one of moving ahead in some ways and hindered in others. The government's mistrust of advocacy organizations in particular has had a dampening effect on the whole sector. Encouragingly, there are committed people on the ground who want to see Cambodia's social sector thrive and are committed to helping that happen.

<sup>17</sup> Ministry of Economy and Finance. (2019). *Budget in Brief—Fiscal Year 2019*. Retrieved from [https://www.mef.gov.kh/documents/shares/budget/BUDGET\\_IN\\_BRIEF\\_Fiscal\\_Year\\_2019.pdf](https://www.mef.gov.kh/documents/shares/budget/BUDGET_IN_BRIEF_Fiscal_Year_2019.pdf)

<sup>18</sup> Southeast Asia Globe. (2018, March 12). *Everything you need to know about investing in Cambodia*. Retrieved from <https://southeastasiaglobe.com/everything-you-need-to-know-about-investing-in-cambodia/>

<sup>19</sup> Asian Venture Philanthropy Network (AVPN). (2018). *Social Investment Landscape in Cambodia*. Retrieved from <https://avpn.asia/markets/cambodia/>

## A BRIEF HISTORY OF CAMBODIAN NONPROFITS<sup>20</sup>

Cambodia has been ruled by the CPP since the Khmer Rouge regime was overthrown in 1979. Civil society was almost non-existent in the 1980s, but Pagoda-based associations—a dominant form of social organization that encouraged volunteering and social services—existed before and survived the Khmer Rouge era. They continue to work today in rural Cambodia. International NGOs also played a significant role in providing humanitarian services following the 1979 ousting of the Khmer Rouge.

The signing of the Paris Peace Agreements in the 1990s paved the way for development partners, international nongovernmental organizations (INGOs), and other stakeholders to join forces to help develop the country. The number of local nonprofits mushroomed in the 1990s, after bilateral and multilateral donors entered the country in 1993 and during the period of the

United Nations Transitional Authority in Cambodia.

As a result, foreign funding has greatly influenced Cambodia's relatively young nonprofit sector. Many well-established nonprofits in the country today emerged through the influence and financial support of international donors, rather than the "natural scaling up of grassroots efforts," the birth of a volunteerism culture or a growing middle class turning to organized charity. In 2009, projects carried out by NGOs accounted for 20% of overseas development assistance, according to the government.

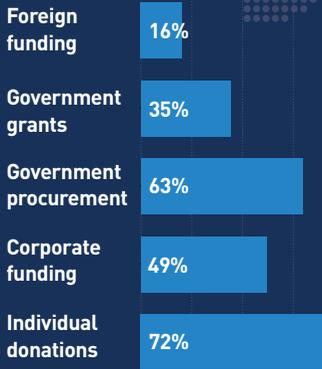
While there has been an observed decreased tolerance for political opposition and advocacy groups, which has had ramifications for the nonprofit sector, local and international nonprofits continue to work closely with the government, largely in the agriculture, education and health sectors.

*We wish to thank our partners, The NGO Forum on Cambodia as well as Cooperation Committee for Cambodia (CCC), for primary authorship of this profile.*

<sup>20</sup> Unless otherwise indicated, information in this section is based on the following report: Asian Development Bank (ADB). (2011). *Civil Society Briefs: Cambodia*. Retrieved from <https://www.adb.org/sites/default/files/publication/29442/csb-cam.pdf>

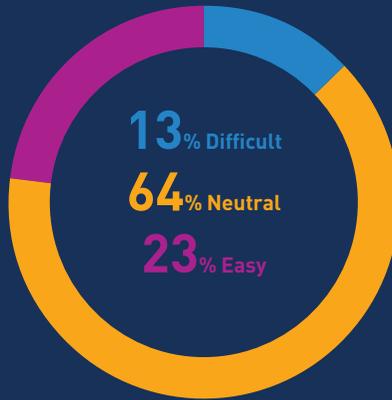
# CHINA

## Prevalence of funding sources\*

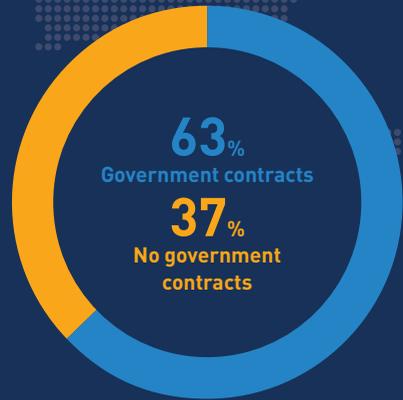


\* % of SDOs receiving each type of funding

## Ease of understanding laws



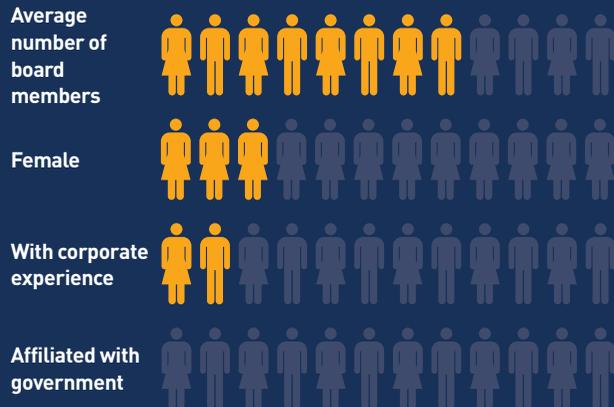
## Proportion of SDOs with government procurement contracts



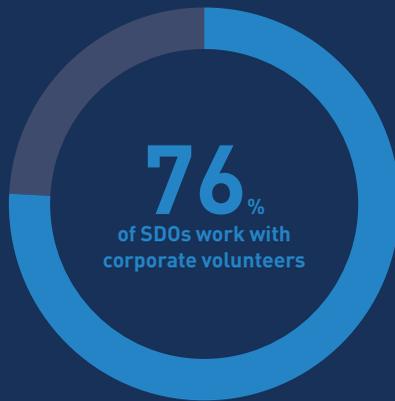
## Trust in SDOs



## SDO board composition



### Percentage of SDOs working with corporate volunteers



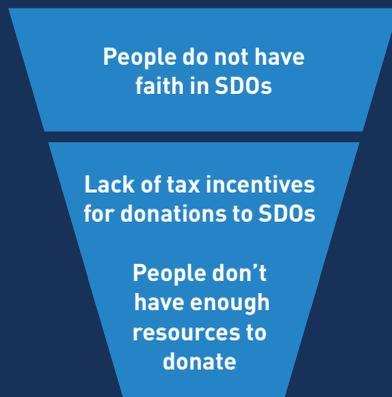
### Difficulty in recruiting skilled staff



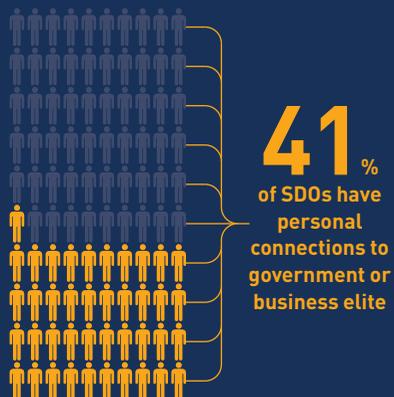
### Individual charitable giving



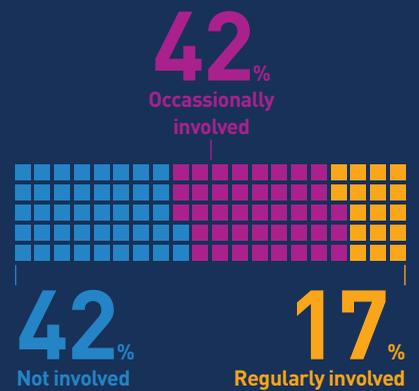
### Top 2 reasons for low levels of individual giving



### SDOs with connections to elite



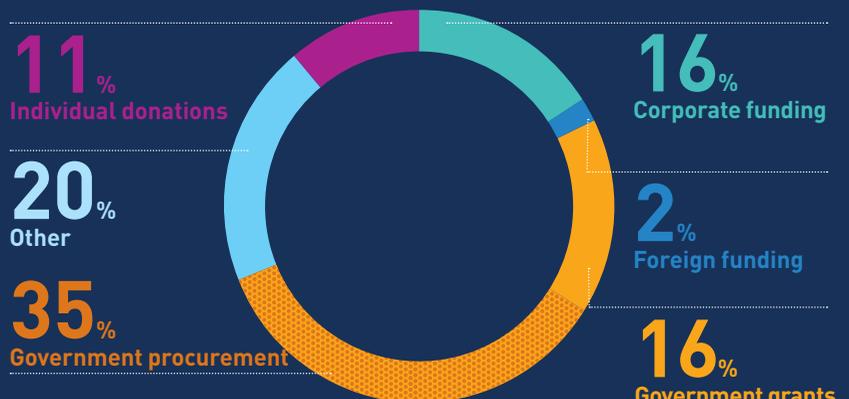
### SDOs involved in policy consultations



### Crowdfunding trends



### Average SDO budget by funding source\*



\* Based on data from 2017-2018, the last complete financial cycle at the time of data collection.



# CHINA

**Summary:** New laws relating to governmental oversight and nonprofit support, increased government procurement and rising private wealth have been the driving forces of change in China’s social sector in recent years. The result has been an increase in the numbers of local nonprofits and social enterprises as well as greater corporate and private philanthropy. Despite this growth, challenges remain, with slowing economic growth likely to further impact the sector in the future.

**Doing Good Index 2018: Doing Okay**  
**Doing Good Index 2020: Doing Okay**

## Demographics<sup>1</sup>

**Population (2018):** 1,392,730,000

**GDP per capita, PPP (2018):** \$18,236.60

**Number of nonprofits (2019, rounded to the nearest 100):** 826,200<sup>2</sup>

**Estimated nonprofit-to-population ratio:** 1 for every 1,686 people

**% of GDP spent on health (2017):** 5.15%

**% of GDP spent on education (2018):** 4.11%<sup>3</sup>

**Income status (World Bank classification):** Upper-middle income

**Annual GDP growth (2018):** 6.6%

**Human Development Index rank (2019):** 85

## The growth of the social sector in China

In the decade following the 2008 Wenchuan earthquake, the social sector in China thrived. Although still accepting foreign funding, the Chinese government became the sector’s largest financial supporter. With the continued rise in wealth and the use of social media, Chinese citizens with disposable income became more active in supporting local and national causes.

In 2018, China became the second-largest economy in the world, with a gross domestic product (GDP) of US\$13.6 trillion and a population of 1.4 billion.<sup>4</sup> Despite its slowest growth rate in 28 years, the Chinese economy swelled by an impressive 6.6% year-on-year in 2018, allowing it to continue holding its status as one of the fastest growing in the world.<sup>5</sup> With this growth has come increased participation of individuals and companies in addressing some of the challenges affecting Chinese society. The number of social organizations grew by 14.3% in 2017, the highest increase in 10 years. In the same

year, total charitable giving was estimated to have reached a new high of ¥155.6 billion (US\$23.4 billion).

This surge, along with the realization that private philanthropy can play a constructive role, and prompted by several high-profile scandals involving nonprofit organizations and philanthropists, the Chinese government enacted the Charity Law and the Law on Administration of Activities of Overseas NGOs (NGO Law) in 2016.<sup>6</sup>

**These laws were designed to manage domestic philanthropic and charitable activities,** making both more transparent and accountable. They introduced a new administration system for social organizations, characterized by the “classified management” of social organizations (whereby different government policies apply according to organizational type) and the national idea of “law-based governance.” Social delivery organizations (SDOs) are still adjusting to the “new normal” and the evolving policy environment.

## Evolving regulations

**Only registered organizations are recognized as “legal”**

under China’s licensing system for social organizations. Registration takes place at five levels: national, provincial, city, district and county. There are three types of social organizations registered with the ministries of finance or tax or the Bureau of Civil Affairs: social groups, which are membership-based; private non-enterprise units, which are social service delivery agencies; and foundations, which have their own source of funds. Any of these can be an SDO, but the private non-enterprise unit is the most common type. At the end of the first quarter of 2019, there were nearly 826,200 social organizations in China, including 368,000 social groups, 451,000 private non-enterprise units and 7,183 foundations.<sup>7</sup> There may also be unregistered SDOs such as community groups, but with the new regulations, their activities are very limited and they have little leeway to expand or change their operations.

Under the Charity Law (which came into effect on September 1, 2016), registered social organizations can apply for certification as charities if they have a mission of charitable activities and meet certain requirements such as working in certain areas of social development. Permissible objectives include poverty alleviation and assistance; care of elders, orphans and the ill, and assistance for the disabled; natural and emergency disaster relief, public health incidents and other emergencies; promotion of education, science, culture, health, and sports; prevention of environmental risks,

and protection and improvement of the environment; and other public interest activities permitted by the law.<sup>8</sup> Certified charities can seek public donations two years after registration and may have priority in obtaining procurement contracts from the government.

**Tax incentives are a work in progress.** Social organizations can apply to the Bureau of Finance for tax exemption, but exemption is awarded on a case-by-case basis. On the donations side, tax deductions are available. However, pre-tax deduction qualification needs to be approved by three ministries (finance, tax, and civil affairs), which makes approval almost impossible to get.<sup>9</sup>

**While the Charity Law governs local charities, the NGO Law governs foreign charities.** The NGO Law was “designed to standardize and guide all activities carried out by overseas NGOs within China.”<sup>10</sup> It mandates that foreign NGOs must be legally established overseas and have existed for two years prior to entering China (Article 10).<sup>11</sup> They must register with the Ministry of Public Security or its provincial equivalent. Furthermore, foreign NGOs must not “endanger China’s national unity, security, or ethnic unity; and must not harm China’s national interests, societal public interest and the lawful rights and interests of citizens, legal persons and other organizations.”<sup>12,13</sup> Foreign nonprofits, like Chinese nonprofits, require a professional supervisory unit to sponsor their registration. A local recruitment firm must be used for staffing, and the hiring of foreigners is limited. The law confers a high degree of oversight on the operations of foreign NGOs.

<sup>1</sup> Most of these statistics are from the World Bank or United Nations Development Programme (unless otherwise cited). For complete references please refer to the Bangladesh demographics box on page 52.

<sup>2</sup> Ministry of Civil Affairs, China. (2019). 2019年1季度民政统计数据 [Civil statistics for the first quarter of 2019]. Government of China. Retrieved from <http://www.mca.gov.cn/article/sj/tjyb/qgsj/2019/201904301008.html>

<sup>3</sup> Xinhua. (2019, October 17). China’s gov’t spending on education above 4 pct of GDP for 7 consecutive years. *Xinhua*. Retrieved from [http://www.xinhuanet.com/english/2019-10/17/c\\_138479441.htm](http://www.xinhuanet.com/english/2019-10/17/c_138479441.htm)

<sup>4</sup> The National Bureau of Statistics of China. (2018). *Annual Data* [Data file]. Retrieved from <http://data.stats.gov.cn/easyquery.htm?cn=C01>

<sup>5</sup> Yuan, X. (2019, January 21). 2018年中国GDP增长6.6%，创28年新低 [China’s GDP grew by 6.6% in 2018, a 28-year low]. Retrieved from <https://finance.sina.com.cn/roll/2019-01-21/doc-ihrfqziz9569000.shtml>

<sup>6</sup> Public Policy Research Center, China Social Sciences Academy. (2018). *Annual Report on China’s Philanthropy Development 2018*.

<sup>7</sup> Ministry of Civil Affairs, China. (2019). 2019年1季度民政统计数据 [Civil statistics for the first quarter of 2019]. Government of China. Retrieved from <http://www.mca.gov.cn/article/sj/tjyb/qgsj/2019/201904301008.html>

<sup>8</sup> Indiana University Lilly Family School of Philanthropy. (2018). *Global Philanthropy Environment Index—Country Report 2018: China*. Retrieved from <https://globalindices.iupui.edu/environment/regions/eastern-asia/china.html>

<sup>9</sup> Under the Corporate Income Tax Law and its implementation regulation, corporates can enjoy a tax deduction for a portion not exceeding 12% of its total annual profits if it donates through social organizations to public welfare undertakings defined in the Donations for Public Welfare Law. According to the Decision of the State Council on Amending the Regulations for the Implementation of the Individual Income Tax Law, individuals can enjoy a tax reduction for a portion not exceeding 30% of their taxable income if they donate through social organizations and state bodies in China to education and other public welfare undertakings as well as to areas suffering from severe natural disasters or poverty.

<sup>10</sup> Shapiro, R. A., Mirchandani, M., & Jang, H. (2018). *Pragmatic Philanthropy: Asian Charity Explained*. Singapore: Palgrave Macmillan.

<sup>11</sup> Wrest, S. (2016, December 7). Funding China’s Civil Society—Tax Incentives, Donation Law, and the Role of Foreign Charities. *Dezan Shira & Associates*. Retrieved from <http://www.china-briefing.com/news/2016/12/07/funding-china-civil-society.html>

<sup>12</sup> The permitted areas of work are economics, education, science, culture, health, sports, environmental protection, poverty, and disaster relief.

<sup>13</sup> Wrest, S. (2016, December 7). Funding China’s Civil Society—Tax Incentives, Donation Law, and the Role of Foreign Charities. *Dezan Shira & Associates*. Retrieved from <http://www.china-briefing.com/news/2016/12/07/funding-china-civil-society.html>

## The impact of government procurement

Government procurement from the social sector is one of the most significant reforms in terms of government-society relationships. Government procurement was first adopted in China in 2004 when the Shanghai government began outsourcing social service delivery to social organizations. According to the *Doing Good Index 2020*, China procures more services from SDOs than any other economy: 58% of Chinese respondents have government contracts compared to the Asian average of 19%.<sup>14</sup>

**Government procurement has grown rapidly in recent years.** In 2014, the Administrative Measures for Government Procurement of Services (Interim) were issued, aimed at increasing government procurement of services and products by SDOs.<sup>15,16</sup> As a result, government procurement has grown at a rapid pace and now extends to almost all major social services, especially those supporting the elderly, children and the disabled.

This has also led to the emergence of a special type of SDO: social work organization (SWO). By the end of 2018, there were 7,500 SWOs in China—up from 500 in 2010.<sup>17</sup> Around 440,000 social workers have passed the exam to achieve the professional qualification necessary to work in them. SWOs can be created by social workers who apply for government funding or by the government itself to address a particular issue or serve a particular geography. In some cases, government and civil society actors collaborate as cofounders. SWOs often rely largely, if not entirely, on government funds. It is not uncommon for an SWO to derive 100% of its revenue from government procurement projects.

**Government support is a mixed blessing.** While government funding allows an organization to align its activities with government policy, create sustainable income streams and address real problems, it also means that organizations function as quasi-governmental entities with little or no independence.

Social service agencies are proliferating, and many

have much more resources than in the fledgling days of the 1980s. But many of these organizations exist solely to utilize government funds and do not have an independent mission. If government funds dry up, they disappear. Many also do not have the means or vision to adapt service delivery to changing social needs. They operate only in the area that the government encourages them to be active in. This is different from the 1980s when social needs were the main driver of growth in SDOs.

## Private philanthropy as a driver of growth

**Private and corporate philanthropy in China continues to grow as wealth grows.** China now has 658 billionaires

(a 186% increase from 2014), with many engaging with philanthropy and setting up eponymous foundations.<sup>18</sup> Charitable giving by the masses has been catalyzed by online fundraising platforms: 37% of surveyed Chinese SDOs use crowdfunding, among the highest proportion in Asia.

Corporate engagement is also high, with 58% of SDOs receiving corporate funding and 76% engaging corporate volunteers (the highest across Asia). In 2016, corporate giving comprised 65% of total charitable giving in China. Increased corporate engagement can, in part, be attributed to the growing public pressure on the role of business in the social sector as well as a government push for increased corporate social responsibility.<sup>19</sup> Companies have leveraged technology in meeting social needs with great success. Tencent's annual 9.9 Charity Day raised ¥830 million (US\$125 million) from 28 million internet users in 2018.<sup>20</sup> Ant Forest, an app by Ant Financial (an Alibaba Group affiliate) that allows users to grow virtual trees and donate to environmental NGOs, has successfully planted 55.5 million real trees and reduced carbon emissions by 3 million tonnes.<sup>21</sup>

## Emerging trends

The shrinkage of foreign funds and the increase in government procurement have reshaped the structure of

<sup>14</sup> Unless otherwise indicated, SDO survey data mentioned in this brief are from the *Doing Good Index 2020*.

<sup>15</sup> These interim measures have been replaced by a new draft version of the regulations in June 2018.

<sup>16</sup> China Development Brief. [2018, June 29]. Draft of new regulations on government procurement of services released. *China Development Brief*. Retrieved from <http://www.chinadevelopmentbrief.cn/news/draft-of-new-regulations-on-government-procurement-of-services-released/>

<sup>17</sup> Wang, Y. (2019, February 21). 我国持证社工达44万人，社工机构7500多家 [There are 440,000 social workers in China and more than 7,500 social work organizations]. *China Development Brief*. Retrieved from <http://www.chinadevelopmentbrief.org.cn/news-22579.html>

<sup>18</sup> Hurun Research Institute. [2019, October 10]. *LEXUS-Hurun China Rich List 2019* [Press Release]. Retrieved from <https://www.hurun.net/EN/Article/Details?num=CE08472BB47D>

<sup>19</sup> Asian Venture Philanthropy Network (AVPN). [2019]. *Philanthropy in China*. Retrieved from <https://www.sdgphilanthropy.org/system/files/2019-06/Philanthropy-in-China-Web-Version-April-5-2019-FINAL.pdf>

<sup>20</sup> Tencent. [2018, September 8]. Ushering in a new era of "rational charity" with more than 28 million individual donations setting a record high. Retrieved from <https://www.tencent.com/en-us/articles/2200005.html>

<sup>21</sup> Xinhua. [2019, March 12]. China Focus: Innovation fuels China's green drive. *Xinhua Net*. Retrieved from [http://www.xinhuanet.com/english/2019-03/12/c\\_137889340.htm](http://www.xinhuanet.com/english/2019-03/12/c_137889340.htm)

social organizations in recent years. More social organizations have become service delivery agencies working solely in areas and on issues approved and supported by the government.

Despite the growth in their ranks, the challenges are obvious: high dependence on government procurement funds; financial risks of sustainable development; payment delays; inadequate professional abilities and outflow of talent; lack of autonomy, innovation and social recognition; and existential risks associated with challenging a government funder.

China is entering a period of low economic growth, which may influence resources available to SDOs, including government procurement funding. At the same time, charities are gaining greater social recognition due to the new Charity Law. Government procurement is continuing apace. Tweaks to the new legislation are being

made as organizations and government agencies work out the kinks associated with sweeping policy change. It is also a time when individual philanthropists and corporate responsibility programs are in a position to do much more to help the communities in which they operate. Given these factors, SDOs in China may have more room to grow and evolve. Certainly, this is true compared with advocacy organizations, which are struggling to survive if they can at all. Public fundraising is also growing quickly, with people likely to directly fund causes well within the government-mandated purviews. China also provides fertile ground for social entrepreneurship, with the number of social enterprises growing steadily over the past few years.

The social sector is evolving in China. Whether it maintains an independent voice and agenda or becomes an extension of the government remains to be seen.

## A BRIEF HISTORY OF THE CHINESE SOCIAL SECTOR<sup>25</sup>

During the 20<sup>th</sup> century, Deng Xiaoping's open-door economic policies sparked the beginning of contemporary charity and philanthropy in China. The growing popularity of a liberalized Chinese economy crept into the area of social services, allowing room for the third sector to take up a more influential role in delivering public goods and services to the people. During the second half of the 1990s, China experienced a surge in the number of large domestic charity organizations as well as the entry of many foreign NGOs.

Under the Hu Jintao government, charities faced a brief period of restrictions—in this environment, government-organized programs, such as the Chinese Red Cross, rose to prominence. The government's opinion about philanthropy and nonprofit organizations changed again from 2008 when, responding to reports on social media, individuals and organizations flocked to Sichuan province to help with relief efforts after a massive earthquake. Government officials realized that private money could be channeled into causes and problems identified by the state.

This led to an increase in local nonprofit organizations and philanthropy. This period has been referred to as the golden age of the social sector in China.

Another shift in attitudes came with a 2011 scandal, in which a young woman named Guo Meimei claimed to be the commercial general manager of the China Red Cross Chamber of Commerce while flaunting her lavish lifestyle on social media. It caused such public uproar that domestic charitable organizations saw a 90% drop in donations. This particular scandal exacerbated the lack of institutionalized trust in China, which heavily relies on *guanxi* (strong personal connections).

Such scandals and the resulting trust deficit remain an obstacle to the growth of the charitable sector. The 2016 Charity Law and NGO Law put forth by the National People's Congress are reshaping how government and nonprofit organizations interact. Supporters see improvements made in registration, fundraising, and tax incentives so far, while critics worry about restrictions on overseas NGOs.

*We wish to thank our partner, Institute for Philanthropy at Tsinghua University (IPTU), for primary authorship of this profile.*

<sup>22</sup> Shapiro, R. A., & Z, Tao. (2019, June 23). Crowdfunding for charity: why mainland China leads Hong Kong in online giving. *South China Morning Post*. Retrieved from <https://www.scmp.com/comment/opinion/article/3015381/crowdfunding-charity-why-mainland-china-leads-hong-kong-online>

<sup>23</sup> Estimates range from 1,684 to 1.75 million, depending on the definition of social enterprises.

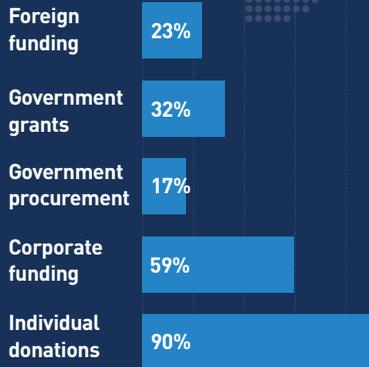
<sup>24</sup> China Social Enterprise and Impact Investment Forum, & Narada Foundation. (2019). *China Social Enterprise and Social Investment Landscape Report 2019*. Retrieved from <http://www.cseif.cn/Uploads/file/20190623/5d0f4381b9d97.pdf>

<sup>25</sup> Shapiro, R. A., Mirchandani, M., & Jang, H. (2018). *Pragmatic Philanthropy: Asian Charity Explained*. Singapore: Palgrave Macmillan.



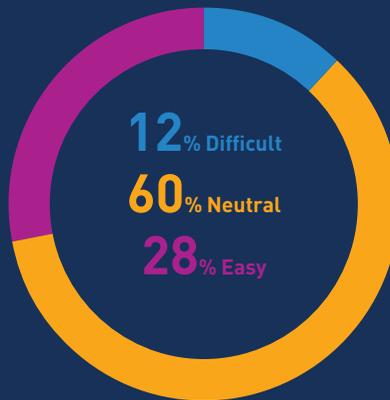
# HONG KONG

## Prevalence of funding sources\*

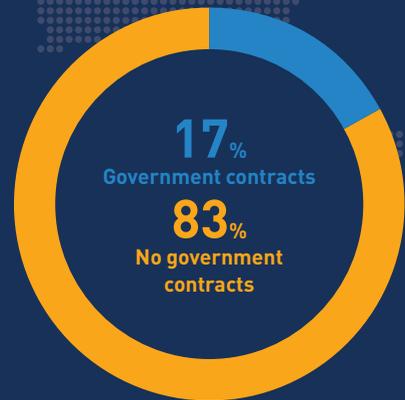


\* % of SDOs receiving each type of funding

## Ease of understanding laws



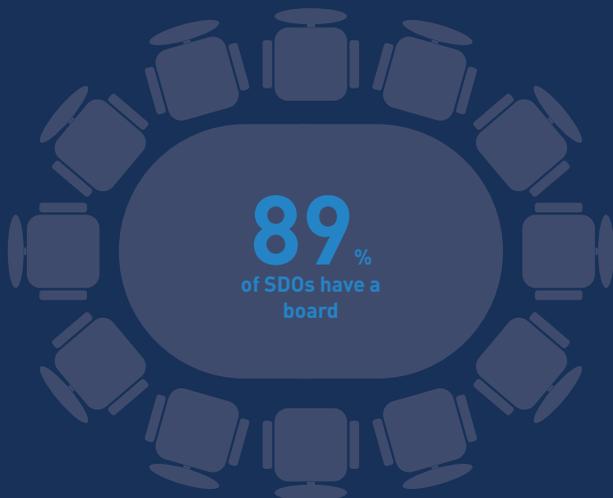
## Proportion of SDOs with government procurement contracts



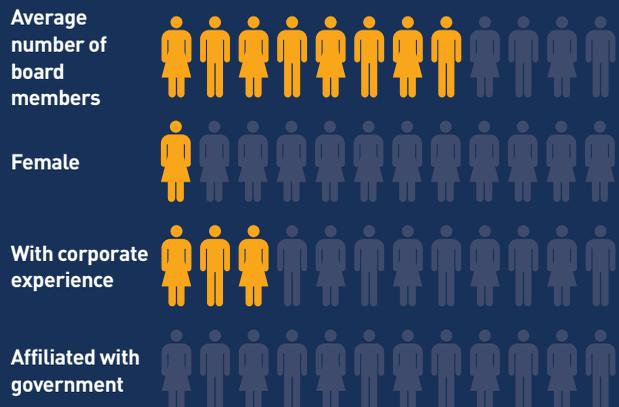
## Trust in SDOs



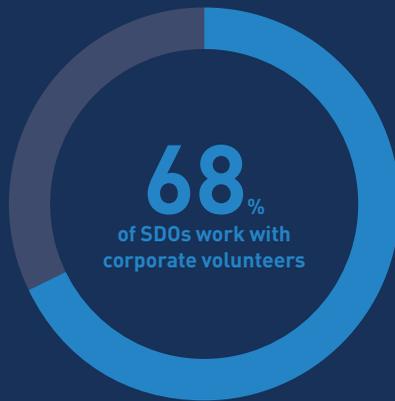
**57%**  
of respondents believe SDOs are trusted by society



## SDO board composition



### Percentage of SDOs working with corporate volunteers



### Difficulty in recruiting skilled staff



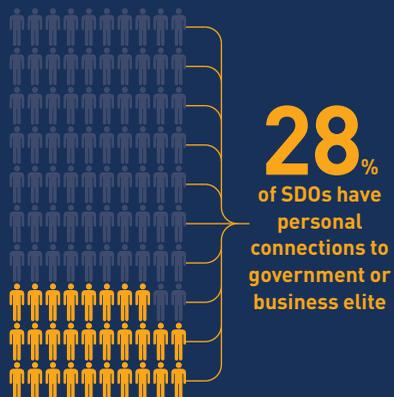
### Individual charitable giving



### Top 2 reasons for low levels of individual giving



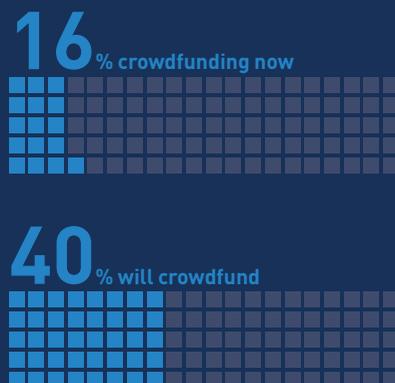
### SDOs with connections to elite



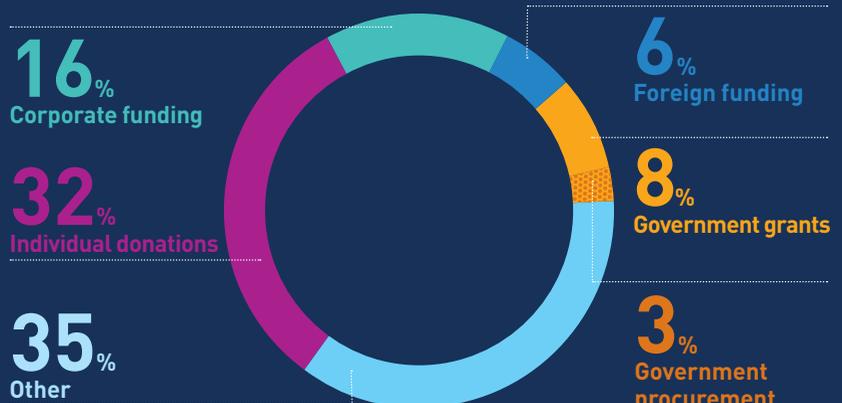
### SDOs involved in policy consultations



### Crowdfunding trends



### Average SDO budget by funding source\*



\* Based on data from 2017-2018, the last complete financial cycle at the time of data collection.

# HONG KONG

**Summary:** The charitable sector in Hong Kong is characterized by a high degree of government support for a relatively small group of organizations through funding and procurement but a patchy regulatory framework. Calls for regulatory reform remain unheeded. In a city of increasing inequality, domestic philanthropy and community efforts have become even more critical.

**Doing Good Index 2018: Doing Better**

**Doing Good Index 2020: Doing Better**

## Demographics<sup>1</sup>

**Population (2018):** 7,451,000

**GDP per capita, PPP (2018):** \$64,596.60

**Number of nonprofits (2020, rounded to the nearest 100):** 9,200 tax-exempt Section 88 charities<sup>2,3</sup>

**Estimated nonprofit-to-population ratio:** 1 for every 810 people

**% of GDP spent on health (2017-18):** 6.2%<sup>4</sup>

**% of GDP spent on education (2018):** 3.3%

**Income status (World Bank classification):** High income

**Annual GDP growth (2018):** 3%

**Human Development Index rank (2019):** 4

## The role of government: A piecemeal approach to the social sector

**Hong Kong has an active social sector that has experienced significant growth in the past 20 years.** The number of tax-exempt charities tripled from 3,250 in 2000<sup>5</sup> to 9,191 in 2020.<sup>6</sup> Donations to these charities quadrupled from HK\$2.9 billion (US\$374.1 million) in 2000–01 to HK\$11.7 billion (US\$1.5 billion) in 2014–15.<sup>7</sup> Almost all (90%) of social delivery organizations (SDOs) surveyed for *Doing Good Index 2020* received funding from individuals, and this funding accounts for a third of their income—the second highest in Asia.<sup>8</sup>

**History points to a piecemeal approach to regulation and oversight of the social sector.** As observed by the Audit Commission, “There is no overall statutory scheme for the registration and regulation of charities in Hong Kong.”<sup>9</sup> Currently, there is no statutory definition of a “charity” or “charitable purpose.” The rules governing charities are found across a variety of laws. These laws

are housed within a regulatory framework geared towards companies, with ad hoc additions to accommodate charitable institutions and their activities.<sup>10</sup>

### Registration can take up to a year—the longest in Asia.

The most common type, a company limited by guarantee (as opposed to limited by shares), first requires registration with the Companies Registry, which is relatively quick. But the second, tax-exempt charitable status with the Inland Revenue Department (IRD), takes up to a year.

There is no comprehensive public registry of charitable organizations, hindering transparency. The IRD keeps a public list of charitable entities approved for tax deductions on its website, but it is not compulsory for Hong Kong charities to have their names on this list. The Companies Registry maintains a registry of all organizations formed under the Companies Ordinance, but it does not distinguish between for-profit companies and nonprofit charities.<sup>11</sup>

### There have been numerous calls for regulatory reform

**but to no avail nor for want of effort.**

There have been several serious efforts by various government departments, but none have resulted in meaningful change.

- In 2003, the Office of the Ombudsman reported on its investigation into charitable fundraising activities. The report found that oversight was inconsistent and incomplete, and there was insufficient transparency and accountability in the system.<sup>13</sup> However, the findings were not widely embraced and did not lead to reform.
- Between 2007 and 2013, the Law Reform Commission of Hong Kong undertook a review of the laws and regulations pertaining to the social sector. Following a public consultation, it published a report proposing the introduction of a comprehensive regulatory regime for charities, including the establishment of a charity commission.<sup>14</sup>
- In 2017, the government's Audit Committee report highlighted how the city's rules on charities were riddled with loopholes, underperforming groups

## LEGAL FORMS FOR CHARITABLE ORGANIZATIONS IN HONG KONG<sup>12</sup>

Charitable organizations in Hong Kong can take the following legal forms:

- A company limited by guarantee incorporated under the Companies Ordinance (Chapter 622)
- An unincorporated association, which may or may not be required to register under the Societies Ordinance (Chapter 151)
- A trust
- A statutory body established by Hong Kong legislation, such as the Po Leung Kuk and the Tung Wah Group of Hospitals

None of these forms guarantee automatic tax exemption; all of them have to apply to the Inland Revenue Department for tax-exempt charitable status under Section 88, Chapter 112 of the Inland Revenue Ordinance.

continued to receive full public funding, and grant money was being misused in some cases.<sup>15,16</sup>

- In January 2018, the Hong Kong Legislative Council's Public Accounts Committee unveiled a report expressing "grave concern" over the inability of city authorities to overturn the tax-exempt status of charities that breach registration rules.<sup>17</sup>

<sup>1</sup> Most of these statistics are from the World Bank or United Nations Development Programme (unless otherwise cited). For complete references please refer to the Bangladesh demographics box on page 52.

<sup>2</sup> Inland Revenue Department. (2020). *List of the Charitable Institutions and Trusts of a Public Character, which are Exempt from Tax under Section 88 of the Inland Revenue Ordinance as at 31 January 2020*. Retrieved April 27, 2020 from [https://www.ird.gov.hk/eng/pdf/s88list\\_emb.pdf](https://www.ird.gov.hk/eng/pdf/s88list_emb.pdf)

<sup>3</sup> The number of societies registered under Chapter 151 of the Societies Ordinance in 2014 is 37,074. However, many of them are not social delivery organizations, so the number of tax-exempt charities under Section 88 is more commonly used to calculate the size of Hong Kong's charitable sector. Source: Hong Kong Police Force (2020). *List of Societies*. Retrieved May 5, 2020 from <https://www.police.gov.hk/info/doc/srr012n.pdf>

<sup>4</sup> Food and Health Bureau, The Government of the Hong Kong Special Administrative Region. *Statistics: Estimates of health expenditure*. Retrieved from [https://www.fhb.gov.hk/statistics/en/dha/dha\\_summary\\_report.htm](https://www.fhb.gov.hk/statistics/en/dha/dha_summary_report.htm)

<sup>5</sup> Research Office, Legislative Council Secretariat. (2017). *Donations to Charities in Hong Kong*. Retrieved from <https://www.legco.gov.hk/research-publications/english/1718issh03-donations-to-charities-in-hong-kong-20171117-e.pdf>

<sup>6</sup> Inland Revenue Department. (2020). *List of the Charitable Institutions and Trusts of a Public Character, which are Exempt from Tax under Section 88 of the Inland Revenue Ordinance as at 31 March 2020*. Government of the Hong Kong Special Administrative Region. Retrieved April 27, 2020, from [https://www.ird.gov.hk/eng/pdf/s88list\\_emb.pdf](https://www.ird.gov.hk/eng/pdf/s88list_emb.pdf)

<sup>7</sup> Research Office, Legislative Council Secretariat. (2017). *Donations to Charities in Hong Kong*. Government of the Hong Kong Special Administrative Region. Retrieved from <https://www.legco.gov.hk/research-publications/english/1718issh03-donations-to-charities-in-hong-kong-20171117-e.pdf>

<sup>8</sup> Unless otherwise indicated, SDO survey data mentioned in this brief are from the *Doing Good Index 2020*.

<sup>9</sup> Audit Commission. (2017, April 3). *Government's Support and Monitoring of Charities*. Government of the Hong Kong Special Administrative Region. Retrieved from [https://www.aud.gov.hk/pdf\\_e/e68ch01.pdf](https://www.aud.gov.hk/pdf_e/e68ch01.pdf)

<sup>10</sup> Chevalier-Watts, J. (2017). *Charity Law: International Perspectives*. Routledge.

<sup>11</sup> Bethke, D. (2016). Charity Law Reform in Hong Kong: Taming the Asian Dragon. *International Journal for Not-for-Profit Law*, 18(1).

<sup>12</sup> Inland Revenue Department. (2020). *Tax Guide for Charitable Institutions and Trusts of a Public Character*. Government of the Hong Kong Special Administrative Region. Retrieved from [https://www.ird.gov.hk/eng/pdf/tax\\_guide\\_for\\_charities.pdf](https://www.ird.gov.hk/eng/pdf/tax_guide_for_charities.pdf)

<sup>13</sup> Office of the Ombudsman, Hong Kong. (2003). *Investigation Report—Monitoring of Charitable Fund-Raising Activities*. Retrieved from <https://ofomb.ombudsman.hk/abc/files/2-2003-1.pdf>

<sup>14</sup> The Law Reform Commission of Hong Kong. (2013). *Report—Charities*. Retrieved from [http://www.hkreform.gov.hk/en/docs/rcharities\\_e.pdf](http://www.hkreform.gov.hk/en/docs/rcharities_e.pdf)

<sup>15</sup> Xinqi, S. (2017, November 23). Watchdog urges Hong Kong welfare officials to scrutinise spending by NGOs as deficits increase nearly 60 per cent. *South China Morning Post*. Retrieved from <https://www.scmp.com/news/hong-kong/community/article/2121200/watchdog-urges-hong-kong-welfare-officials-scrutinise>

<sup>16</sup> Lo, A. (2018, January 19). Grants for Hong Kong businesses are too charitable. *South China Morning Post*. Retrieved from <https://www.scmp.com/comment/insight-opinion/article/2129596/grants-hong-kong-businesses-are-too-charitable>

<sup>17</sup> Lam, J. (2018, January 17). "Grave concern" over money owed by rule-breaking Hong Kong charities out of reach of tax authorities. *South China Morning Post*. Retrieved from <https://www.scmp.com/news/hong-kong/politics/article/2128701/grave-concern-over-money-owed-rule-breaking-hong-kong>

Some of the possible reasons why these efforts have stalled are a lack of public consensus on the function and structure of the proposed charity commission, and the fear of potential interference with SDOs' autonomous operations and burdensome reporting requirements.<sup>18</sup>

Nevertheless, there have been some efforts to increase transparency in the sector and ease bureaucratic hurdles, including the *Good Practice Guide on Charitable Fundraising*, a reference guide developed by the Social Welfare Department.<sup>19</sup> Furthermore, the government publishes all approved public fundraising activities online and has set up a hotline for public inquiries/complaints about them.<sup>20,21</sup>

#### **Tax incentives for donations send mixed signals.**

Donations to Section 88 charities are tax-deductible, but the individual income or corporate profits eligible for deductions are capped at 35%.<sup>22</sup> While it is not uncommon for economies in Asia to place such limits, they dampen the incentivizing effect of tax deductions. It is worth noting that Hong Kong is known as a fundraising mecca for foreign universities and international nongovernmental organizations. While Hong Kong is to be commended for the unfettered flow of funds, with improved tax incentives there could be a commensurate rise in local fundraising.

### **The unrealized potential of procurement**

The government actively contracts out social services to local nonprofits and offers grants to them. It is difficult to distinguish the numbers for one versus the other, as both types of funding are often disbursed from the same pool. In 2000, the government adopted a Lump Sum Grant Subvention Scheme for nonprofits. Administered by the

Social Welfare Department, this is the biggest pool of funding made available for nonprofits in Hong Kong.

**But government policies are confusing and support is not easily accessible.** Despite these efforts, data from the *Doing Good Index 2020* show that only 17% of SDOs have government procurement contracts, compared to the 26% Asian average. More than two-thirds of surveyed SDOs found it difficult to access information about procurement, and 71% of those who won contracts found the approval process difficult. In fact, only about 2% (169 organizations) of the nearly 9,000 tax-exempt charities received subvention from the Department of Social Welfare to the tune of HK\$15.8 billion (US\$2 billion) in 2018–19.<sup>23</sup> For 2019–20, this amount is expected to be HK\$19.4 billion (US\$2.5 billion).<sup>24</sup>

### **Other actors in the Hong Kong ecosystem**

**Although the government is slow to change, there are other actors in the ecosystem that exert great influence.**

One of the major players is the Hong Kong Jockey Club (HKJC) Charities Trust. In exchange for a monopoly on gambling and horse racing in Hong Kong, the HKJC donates approximately 90% of its operating surplus after tax to the trust, enabling it to play a significant role in delivering social services.<sup>25</sup> In 2018–19 alone, the HKJC Charities Trust provided a total of HK\$4.3 billion (US\$565.7 million), benefiting 294 charities and community projects.<sup>26,27,28</sup>

The second major player is the Community Chest of Hong Kong, the primary recipient of corporate philanthropy in Hong Kong. It undertakes fundraising on a centralized basis for Hong Kong social welfare agencies and in 2018–19 made allocations to a select group of member agencies amounting

<sup>18</sup> The Law Reform Commission of Hong Kong (2013). *Report—Charities*. Retrieved from [http://www.hkreform.gov.hk/en/docs/rcharities\\_e.pdf](http://www.hkreform.gov.hk/en/docs/rcharities_e.pdf)

<sup>19</sup> Social Welfare Department (August 2018). *The Good Practice Guide on Charitable Fundraising*. Government of the Hong Kong Special Administrative Region. Retrieved from [https://www.gov.hk/en/theme/fundraising/docs/good\\_practice\\_guide.pdf](https://www.gov.hk/en/theme/fundraising/docs/good_practice_guide.pdf)

<sup>20</sup> Public fundraising refers specifically to activities on the streets of Hong Kong from “flag selling, setting up of donation boxes for collection of money in public places and lottery events to on-street selling.”

<sup>21</sup> Government of Hong Kong. *About Approved Fund-raising Activities*. Retrieved on April 27, 2020, from <https://www.gov.hk/en/theme/fundraising/welcome/#psp>

<sup>22</sup> Inland Revenue Department. *Charitable Donations and Tax-Exempt Charities*. Government of Hong Kong Special Administrative Region. Retrieved March 20, 2020, from <https://www.ird.gov.hk/eng/tax/ach.htm>

<sup>23</sup> Social Welfare Department. (2019, April 1). *Social Welfare Subventions [Provisional] for 2019–2020*. Government of the Hong Kong Special Administrative Region. Retrieved from [https://www.swd.gov.hk/storage/asset/section/728/en/Social\\_Welfare\\_Subventions\\_\[Provisional\]\\_2019-20.pdf](https://www.swd.gov.hk/storage/asset/section/728/en/Social_Welfare_Subventions_[Provisional]_2019-20.pdf)

<sup>24</sup> Social Welfare Department. *Subventions allocation information*. Government of Hong Kong Special Administrative Region. Retrieved March 20, 2020, from [https://www.swd.gov.hk/en/index/site\\_ngo/page\\_subventions/sub\\_modesofsub/id\\_subvention/](https://www.swd.gov.hk/en/index/site_ngo/page_subventions/sub_modesofsub/id_subvention/)

<sup>25</sup> The Hong Kong Jockey Club. *The Charities Trust—About the Trust*. Retrieved March 20, 2020, from <https://charities.hkjc.com/charities/english/charities-trust/index.aspx>

<sup>26</sup> Ibid.

<sup>27</sup> Asia-Pacific Philanthropy Consortium. (2001). *Strengthening Philanthropy in the Asia Pacific: An Agenda for Action— Background Paper: Hong Kong*. Retrieved from [https://www.cuhk.edu.hk/centre/ccss/publications/terence\\_yuen/TY\\_05.pdf](https://www.cuhk.edu.hk/centre/ccss/publications/terence_yuen/TY_05.pdf)

<sup>28</sup> While the HKJC works closely with the government in supporting various causes, it is an independent body and pursues its own philanthropic agenda in responding to community needs. It does not reveal the financial details of grants given on an individual basis. Instead, the HKJC only reveals the amount of funds allocated per sector. Some details about individual projects appear on its website but financial details for individual grants are not readily available.

to HK\$306.9 million (US\$40.4 million).<sup>29</sup>

The final organization is the Hong Kong Council for Social Services (HKCSS), which plays a key coordinating role in the philanthropy landscape, acting as a bridge between the government and the nonprofit sector. Established in 1947 as a facilitator, HKCSS gradually took on a role that also focuses on quality management and efficiency enhancement of its partners. HKCSS is a nonprofit partially funded by the government.<sup>30</sup>

**The public is also active and local giving is on the rise.** Hong Kong SDOs responding to the *Doing Good Index 2020* survey report that 32% of their funding comes from individuals—among the highest in Asia. Two-thirds (60%) report that the share of individual giving in their budgets has increased compared to previous years. There is other evidence for increased giving in Hong Kong: according to the Hong Kong Legislative Council's Public Accounts Committee, local giving has increased by 126% between 2005 and 2015 to reach HK\$11.84 billion (US\$1.6 billion).<sup>31</sup> A recent report by The University of Hong Kong found that 34.8% of local people give an average of HK\$1,755 (US\$230.92) per annum.<sup>32</sup> However, the lack of central registration obscures an accurate picture of the scale and flow of philanthropic funds.

**Businesses in Hong Kong are also engaged in corporate social responsibility.** In 2016, the Hong Kong Stock Exchange made it compulsory for all listed companies to submit an “environmental, social and governance” (ESG) report annually. In 2018, 86% of companies published sustainability reports.<sup>33</sup>

The relatively high level of corporate engagement in Hong Kong is reflected in the *Doing Good Index* findings as well. More than two-thirds (68%) of surveyed SDOs engage with corporates in some form or another, 51% host corporate volunteers and 59% receive corporate funding, all of which are well above the Asian average.

## Trends to watch

**Despite increased giving, there is evidence of eroding trust in the social sector.** The lack of formal mechanisms for disclosure does not help build trust in the sector. Neither does the reluctance of nonprofit religious and political groups in disclosing information about their activities. Media coverage of SDOs, especially in the local press, can be harsh. This is unsurprising, given the dearth of information. There is also a widespread belief, according to 63% of SDOs, that nonprofit staff should earn less than their private-sector counterparts. This makes it hard for the sector to attract and retain skilled talent, including accountants and other professionals who could contribute to making organizations more transparent.

**Social enterprises are on the rise.**<sup>34</sup> Two-thirds (62%) of SDOs say there has been a significant increase in the number of social enterprises recently, and 82% say that donors are showing more interest in social enterprises as well. As is the government, which sees them playing a complementary role to traditional nonprofits in social service delivery. Social enterprises are playing important roles in diverse areas such as elderly and medical care, youth, education, business support, eco-living and transport. The government recognizes the importance of social enterprises and provides financial and non-financial support to these organizations through various funds, awareness-raising campaigns and intermediary services.<sup>35,36</sup>

Hong Kong is in the midst of a pivotal reckoning on the future of government responsibility and citizen engagement. Challenges lie ahead, but so does an opportunity for new conversations and partnerships that can shape the social sector. However, as long as attention remains focused on fighting the global pandemic and mitigating its effect on livelihoods, only time will tell if and when all relevant stakeholders can come together to work towards shared goals.

<sup>29</sup> The Community Chest. *Annual Report. 2018–19*. Retrieved May 5, 2020, from [https://www.commchest.org/file\\_manager/view/publication/annual\\_report/1819/17.pdf](https://www.commchest.org/file_manager/view/publication/annual_report/1819/17.pdf)

<sup>30</sup> Bethke, D. (2016). Charity Law Reform in Hong Kong: Taming the Asian Dragon. *International Journal for Not-for-Profit Law*, 18(1).

<sup>31</sup> Lam, J. (2018, January 17). “Grave concern” over money owed by rule-breaking Hong Kong charities out of reach of tax authorities. *South China Morning Post*. Retrieved from <https://www.scmp.com/news/hong-kong/politics/article/2128701/grave-concern-over-money-owed-rule-breaking-hong-kong>

<sup>32</sup> Centre for Civil Society and Governance. *2016–17 Giving Hong Kong Report*. The University of Hong Kong. Retrieved from [https://ccsg.hku.hk/wp-content/uploads/2019/12/GivingHK-Report\\_2016-2017.pdf](https://ccsg.hku.hk/wp-content/uploads/2019/12/GivingHK-Report_2016-2017.pdf)

<sup>33</sup> Chinese University of Hong Kong Business School. (2019, January 7). *CUHK Business School Announces the 4th Hong Kong Business Sustainability Index* [Press Release]. Retrieved from <https://www.bs.school.cuhk.edu.hk/press-releases/the-4th-hong-kong-business-sustainability-index/>

<sup>34</sup> Center for Entrepreneurship, The Chinese University of Hong Kong & HKCSS–HKBC Social Enterprise Business Centre (SEBC). (2014). *The Social Enterprise Sector in Hong Kong—The Existing Landscape. Development. Future*. Retrieved from <https://entrepreneurship.bs.school.cuhk.edu.hk/sites/default/files/page/research-study-social-enterprise-sector-hong-kong/sec-leafletlinesingle.pdf>

<sup>35</sup> Centre for Asian Philanthropy and Society (CAPS). (2019). *Business for Good: Maximizing the Value of Social Enterprises in Asia*. Retrieved from [www.caps.org/our-research/business-for-good](http://www.caps.org/our-research/business-for-good)

<sup>36</sup> Home Affairs Department. *Social Enterprise*. Government of Hong Kong Special Administrative Region. Retrieved February 28, 2020, from <https://www.sehk.gov.hk/tc/support3.html>

## A BRIEF HISTORY OF THE SOCIAL SECTOR IN HONG KONG

Governed by a British colonial government from 1841 to 1997, Hong Kong became a commercial hub that embraced free enterprise capitalism, the rule of law and an independent judiciary. Until the 1950s, the British government embraced a laissez-faire approach when it came to social services and largely outsourced their provision. Local SDOs and religious organizations provided many of the health and education services needed by the local Chinese population.

Over the first half of the 20<sup>th</sup> century, the colonial government's coffers grew, but social service delivery remained weak. This partially explains the widespread riots of 1967. This social unrest, coupled with rapid economic growth in the 1970s, placed a new impetus on the government to improve the direct state provision of welfare to the populace.

The government started to invest in education, healthcare, social housing and other services. In 1971, primary schooling became free and

compulsory, and in 1978, primary school leavers could sign up for another three years of junior secondary education for free. Healthcare followed a similar trajectory, with a commitment to public healthcare made in 1964 and implementation taking several more years. Public housing and social security were also put in place. Sovereignty was transferred from Britain to China in 1997.

The 2008 global financial crisis created an increased need for social services, and the government turned to SDOs as a means of delivering them. As the economy grew, income disparity also grew. With a Gini coefficient of 0.539, Hong Kong ranks as the 9<sup>th</sup> most unequal place in the world.<sup>37</sup> Aside from offering three more years of free secondary education in 2008, very little has changed since the 1970s. Given this situation, the role of home-grown philanthropy and citizen-led efforts continues to be critical in Hong Kong.<sup>38</sup>

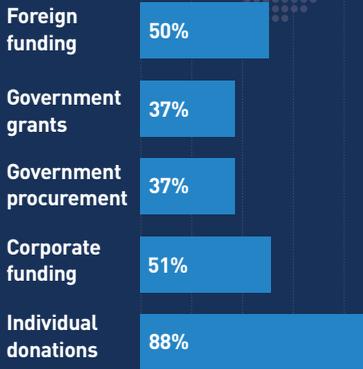
*We wish to thank our partner, the Department of Social Work and Social Administration, The University of Hong Kong, for primary authorship of this profile.*

<sup>37</sup> Central Intelligence Agency. *The World Factbook*. Retrieved April 24, 2020, from <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2172rank.html>

<sup>38</sup> The Government of the Hong Kong Special Administrative Region (2007). *2007–08 Policy Address*. Retrieved April 24, 2020, from <https://www.policyaddress.gov.hk/07-08/eng/p88.html>

# INDIA

## Prevalence of funding sources\*

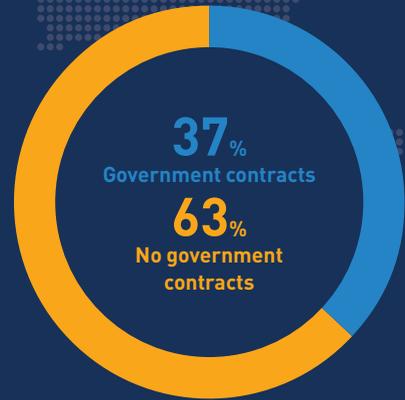


\* % of SDOs receiving each type of funding

## Ease of understanding laws



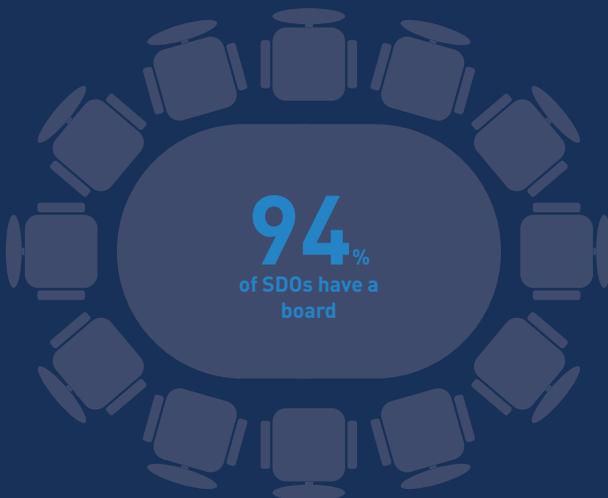
## Proportion of SDOs with government procurement contracts



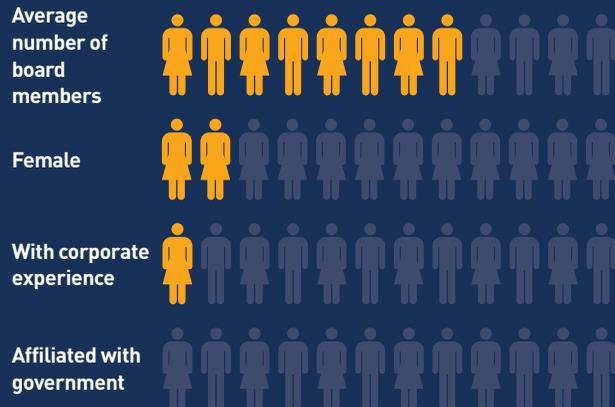
## Trust in SDOs



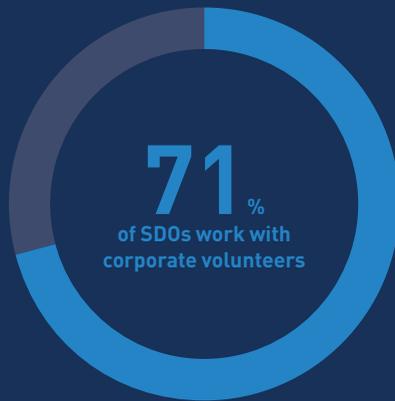
**62%**  
of respondents believe SDOs are trusted by society



## SDO board composition



### Percentage of SDOs working with corporate volunteers



### Difficulty in recruiting skilled staff



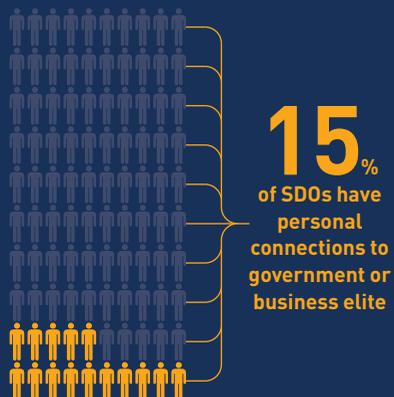
### Individual charitable giving



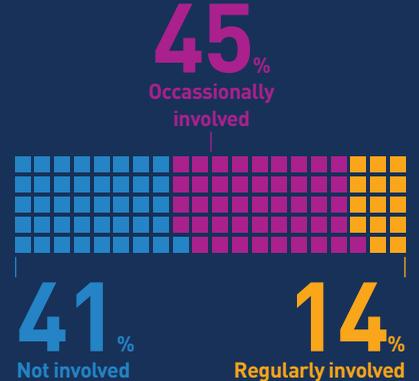
### Top 2 reasons for low levels of individual giving



### SDOs with connections to elite



### SDOs involved in policy consultations



### Crowdfunding trends



### Average SDO budget by funding source\*



\* Based on data from 2017-2018, the last complete financial cycle at the time of data collection.



# INDIA

**Summary:** By mandating corporate social giving, the government has acknowledged the potential for domestic philanthropy to help tackle India's social problems. This has resulted in increased corporate giving, although individual philanthropy by high-net-worth individuals (HNWIs) has yet to catch up. At the same time, growing oversight of social delivery organizations (SDOs) that are funded by foreign sources is creating friction between the government and the social sector. A perceived dearth of accountability and transparency in the charitable sector has yet to be addressed in a cohesive way.

**Doing Good Index 2018: Doing Okay**

**Doing Good Index 2020: Doing Okay**

## Demographics<sup>1</sup>

**Population (2018):** 1,352,617,330

**GDP per capita, PPP (2018):** \$7,762.90

**Number of nonprofits (2016, rounded to the nearest 100):** 3,300,000<sup>2</sup>

**Estimated nonprofit-to-population ratio:** 1 for every 410 people

**% of GDP spent on health (2017):** 3.53%

**% of GDP spent on education (2013):** 3.8%

**Income status (World Bank classification):** Lower-middle income

**Annual GDP growth (2018):** 6.8%

**Human Development Index rank (2019):** 129



## The state of the social sector in India

India's nonprofit sector is vibrant and growing. There are an estimated 3.3 million registered SDOs, approximately one for every 410 citizens.<sup>3</sup> SDOs in India do not simply fill gaps in the government's service delivery system but also contribute significantly to the country's gross domestic product (GDP) and are a major provider of empowerment and livelihood to millions. According to the India Philanthropy Report 2019, overall funding to India's social sector has grown at a rate of 11% over the past five years.<sup>4</sup>

**India is a land of huge contrasts.** There are areas of abject poverty and pockets of tremendous affluence. It is not uncommon to witness the rich and poor live cheek by jowl. India is the seventh-largest economy in the world—and the third-largest by purchasing power parity (PPP) adjusted exchange rates.<sup>5,6</sup> The number of ultra-wealthy individuals is at its highest ever and increasing.<sup>7</sup>

Yet, millions of people are living below the poverty line, many of whom do not even have access to basic needs such as sanitation, health care and education.

**Is India's wealth translating to meaningful, effective or impactful philanthropy?** Philanthropic funding from individuals has grown by 21% in the past five years, with HNWIs currently contributing about 60% of the total private funding, estimated at ₹43,000 crore (US\$5.7 billion).<sup>8,9</sup> However, the contribution of India's richest to philanthropic activities has not kept pace with the increase in their wealth. The majority of private funding comes from just a few established individuals such as Azim Premji. If Azim Premji's donations are not included, HNWI funding has in fact decreased by 4%.<sup>10</sup>

Almost all (93%) of the Indian SDOs surveyed for the *Doing Good Index 2020* believe that the level of individual giving is low in India—the highest proportion in Asia.<sup>11</sup> The top reasons cited are that most people

prefer to donate to religious organizations, and tax incentives for donations are not attractive. India's 50% tax-deduction rate is one of the lowest in Asia, and only 10% of income is eligible for deduction. This does not make systematic philanthropy an attractive proposition for donors.

### Tightening the regulatory framework: Making it harder to do good

While corporate laws in India have seen significant reform aimed at simplification and bringing them in sync with global trends, social sector regulations have not witnessed similar reform. Business startups enjoy a number of benefits, but SDO startups face delays and obstacles in getting approved for tax exemption and deductions, or in being granted eligibility to receive corporate social responsibility (CSR) funding. Nonprofits receiving foreign funding face heightened scrutiny under amendments being made to the Foreign Contributions Regulation Act (FCRA) 2010.<sup>13</sup>

Although the national *mantra* (chant) is ease of doing business, the ease of doing good is not on the radar. In fact, compliance requirements for SDOs seem to be increasing, and laws are being amended to disable rather than enable charitable initiatives.

#### Digitization has facilitated registration and

## LEGAL FRAMEWORK FOR SDOS<sup>12</sup>

Charities can take one of three types of legal structures:

**Society**—These are membership organizations that may be registered for charitable purposes. They are regulated by the Societies Registration Act of 1860, with each state having the authority to make its own modifications to the law.

**Trust**—Public charitable trusts may be established for many purposes, including poverty relief, education and medical relief. There is no national law that governs public charitable trusts, although a few states like Maharashtra and Gujarat have passed Public Trust Acts.

**Section 8 company**—Section 8 of the Indian Companies Act allows for the establishment of a company for charitable purposes, provided that it intends to apply its profits, if any, or other income in promoting its objectives and intends to prohibit the payment of any dividend to its members.

Many social entrepreneurs are also choosing to register as for-profit enterprises. These are either registered as private companies, partnership firms, limited liability partnerships or sole proprietors.

#### reporting, but regulations remain difficult to understand and delays in processing are common.

Most registration processes are now online, which has led to corruption aligned with fraudulent organizations dropping dramatically. However, laws pertaining to the sector remain complex, with half of the surveyed SDOs finding them difficult to understand. Procedural delays are also rampant, with approval for tax exemption and FCRA registration often taking much longer than the

<sup>1</sup> Unless otherwise cited, these statistics are from the World Bank or United Nations Development Programme. For complete references please refer to the Bangladesh demographics box on page 52.

<sup>2</sup> Supreme Court of India figure shared by the Centre for Advancement of Philanthropy (CAP). See also: Rautray, S. (2017, January 11). Chief Justice tells "slow" government to audit all 30 lakh NGOs. *Economic Times*. Retrieved from <https://economictimes.indiatimes.com/news/politics-and-nation/chief-justice-tells-slow-government-to-audit-all-30-lakh-ngos/articleshow/56463986.cms?from=mdr>

<sup>3</sup> Ibid.

<sup>4</sup> Bain & Company. (2019). *India Philanthropy Report 2019*. Retrieved from <https://www.bain.com/insights/india-philanthropy-report-2019/>

<sup>5</sup> World Bank. (2018). *Gross Domestic Product 2018*. Retrieved from <https://databank.worldbank.org/data/download/GDP.pdf>

<sup>6</sup> World Bank, World Development Indicators. (2018). *GDP, PPP (current international \$)* [Data file]. Retrieved from <https://data.worldbank.org/indicator/NY.GDP.MKTP.PP.CD>

<sup>7</sup> Bain & Company. (2019). *India Philanthropy Report 2019*. Retrieved from <https://www.bain.com/insights/india-philanthropy-report-2019/>

<sup>8</sup> Crore is a unit in the Indian numerical system which is equivalent to 10 million (1 crore equals 10,000,000).

<sup>9</sup> Bain & Company. (2019). *India Philanthropy Report 2019*. Retrieved from <https://www.bain.com/insights/india-philanthropy-report-2019/>

<sup>10</sup> Ibid.

<sup>11</sup> Unless otherwise indicated, SDO survey data mentioned in this brief are from the *Doing Good Index 2020*.

<sup>12</sup> Council on Foundations (COF). (2019). *Nonprofit Law in India*. Retrieved from <https://www.cof.org/content/nonprofit-law-india#Types>

<sup>13</sup> *Foreign Contribution (Regulation) Act*. (2010). Act No. 42 of 2010 (India). Retrieved from [https://fcronline.nic.in/home/PDF\\_Doc/FC-RegulationAct-2010-C.pdf](https://fcronline.nic.in/home/PDF_Doc/FC-RegulationAct-2010-C.pdf)

regular four to six months, which is already the second-longest setup time in Asia.

**Stringent FCRA compliance remains a concern for the sector.** Under FCRA 1976, which was repealed and replaced by FCRA 2010, all nonprofits wishing to receive funding from “foreign sources” must register and get permission from the Ministry of Home Affairs.<sup>14</sup> An organization may apply for one-time permission to receive funds from a single foreign source or for a five-year permit to receive unlimited contributions from several foreign sources. Registration is generally only granted to organizations that have been active for at least three years and have spent at least ₹1 million (US\$13,233) on project/program activities, excluding administration expenses. Compliance requirements under FCRA are onerous and keep changing year after year. Further changes to the FCRA rules in 2015 narrowed the scope and purpose for foreign financing and require nonprofits to report quarterly.

Critics are worried that the FCRA is now being used as a tool to exert control over nonprofits highlighting the social costs of rapid economic development. Since 2014, FCRA licenses of some 24,000 nonprofits have been canceled for supposed misreported donations and non-compliance with financial reporting.<sup>15</sup> There are currently only around 25,000 organizations registered under the FCRA.<sup>16</sup> Half of the surveyed SDOs in this study receive funding from foreign donors, and 43% find fundraising more difficult in the wake of changing regulations. Another study estimates that foreign funding has decreased by 40% between 2015 and 2018.<sup>17</sup>

**Lack of uniformity and standardization in regulations hamper nonprofit governance.** The

charitable sector falls under the jurisdiction of states, not the national government. This has led to excessive regulations in some states and others having hardly any. The oversight of SDOs is also split across different agencies. Trusts and societies are regulated by state charity commissioners. Nonprofit companies are regulated by the Registrar of Companies. The Income Tax Department manages tax exemption, while the Ministry of Home Affairs regulates the flow of foreign funding.<sup>18</sup> It is no surprise that many new nonprofits in India attempt to seek registration in territories where it is possible to legally bypass at least one regulatory authority. They also tend to choose a legal type with the least amount of accountability; trusts are exempt from some of the accountability requirements levied on societies and nonprofit companies.

**Proposed changes in the 2020 Budget Law are likely to affect charitable giving.** The Finance Act 2020 and the Taxation Law Amendment Act 2019 propose a new tax regime under which individuals will be taxed at a lower rate if they forego certain exemption and deductions, including charitable donations. In other words, individuals who opt for the new reduced tax rate will not be entitled to deduct charitable donations. There is concern that this law will dampen charitable giving.<sup>19</sup>

**Trends to watch: New ways of doing good India’s mandatory CSR law creates new opportunities for corporate engagement with the social sector.**<sup>23</sup>

India is one of the first countries to mandate CSR through the Companies Act 2013, requiring companies meeting certain financial criteria of net worth, turnover or net profit to spend 2% of pre-tax profits on CSR.<sup>24</sup>

<sup>14</sup> Sampradaan Indian Centre for Philanthropy. [September 2004]. *A Review of Charities Administration in India*. Sponsored by The Planning Commission, Government of India. Retrieved from <https://ngosindia.com/images/planning-commission-review-charities-admn.pdf>

<sup>15</sup> Cyrill, M. & Pitman, A. [2017, September 28]. FCRA Compliance in India: How 24,000 NGOs Lost Their License. *India Briefing*. Retrieved from <https://www.india-briefing.com/news/fcra-compliance-idea-how-24000-ngos-lost-their-license-15287.html/>

<sup>16</sup> Ministry of Home Affairs. *List of FCRA Registered Associations*. Retrieved from [https://fcraonline.nic.in/fc8\\_statewise.aspx](https://fcraonline.nic.in/fc8_statewise.aspx)

<sup>17</sup> Bain & Company. [2019]. *India Philanthropy Report 2019*. Retrieved from <https://www.bain.com/insights/india-philanthropy-report-2019/>

<sup>18</sup> Of the 3.3 million nonprofits in India, approximately 219,708 organizations are tax-exempt. Source: Income Tax Department, Government of India. *Exempted Institutions*. Retrieved May 7, 2020, from <https://www.incometaxindia.gov.in/Pages/utilities/exempted-institutions.aspx>.

<sup>19</sup> Centre for Advancement of Philanthropy. [2020, February 4]. *Finance Bill 2020—Potential death knell for charitable giving*. Retrieved from <https://capindia.in/finance-bill-2020-potential-death-knell-for-charitable-giving/>

<sup>20</sup> *Lokpal and Lokayuktas Act*. [2013]. Act No. 1 of 2014 (India). Retrieved from [https://dopt.gov.in/sites/default/files/407\\_06\\_2013-AVD-IV-09012014\\_0.pdf](https://dopt.gov.in/sites/default/files/407_06_2013-AVD-IV-09012014_0.pdf)

<sup>23</sup> *Companies Act*. [2013]. Act No. 18 of 2013 (India). Retrieved from <https://www.mca.gov.in/Ministry/pdf/CompaniesAct2013.pdf>

<sup>24</sup> The act requires that during a block of three fiscal years, if the company has a net worth of ₹500 crore (US\$66.1 million) or more, a turnover of ₹1,000 crore (US\$132.2 million) or more, or a net profit of ₹5 crore (US\$661,113), it must: constitute a CSR committee of the board; have a CSR policy and disclose its contents in reports and on the company’s website; and ensure that the company spends, in every financial year, at least 2% of average net profits made during the three preceding financial years in pursuance of its CSR policy.

## ANTI-CORRUPTION MEASURES UNDER THE LOKPAL AND LOKAYUKTAS ACT 2013<sup>20</sup>

The Lokpal and Lokayuktas Act 2013 was intended to regulate and control corruption in public institutions but runs the risk of discouraging individuals from associating themselves with charitable organizations. The role of the Lokpal (“public guardian”) is to investigate corruption allegations against administrators of public institutions, including office-bearers of nonprofits, at the national level (the Lokayuktas carry out the same role at the state level). The law required trustees of charities to file annual returns declaring not only their assets and liabilities but also those of their family members. In June 2016, notifications were issued requiring key personnel of

nonprofits who received more than ₹1 million (US\$13,233) a year from overseas sources (under the FCRA) or ₹1 crore (US\$132,222) from the government to file declarations of their personal assets and those of their spouse and dependent children for the past three years.

There was a public outcry against these provisions due to concerns around implementation and their deterrent effect on corporate and individual participation in the social sector. The rules related to declaring kin’s assets have since been removed. Reportedly, the government is in the process of finalizing new regulations and new forms for reporting.

Since the implementation of the law in 2014, budget allocation for CSR grew at a rate of 12% between 2014 and 2018.<sup>25,26</sup> It is estimated that if every eligible company were to comply fully with the law, the funds available for CSR would amount to more than ₹22,000 crore (US\$3 billion).<sup>27</sup>

Most CSR funding flows to education, skills development, poverty alleviation and health care.<sup>28</sup> However, critics argue that funds do not always end up where they are most needed, and that budget allocations sometimes remain unspent.

### **New types of fundraising are growing rapidly in India.**

Retail fundraising, carried out face-to-face through home, office or street solicitation, is on the rise. Crowdfunding and social media are also increasingly popular platforms for fundraising. In this study, 40% of surveyed SDOs are

using crowdfunding and 76% intend to do so in the future. However, crowdfunding is unregulated, and there are concerns about oversight and compliance.

**Social enterprises are burgeoning.** There are an estimated two million social enterprises in India.<sup>29</sup> Most (84%) SDOs surveyed for the *Doing Good Index 2020* report that donors are showing increasing interest in social enterprises. The impact investing market is also growing: it ballooned from around US\$0.5 billion in 2010 to almost US\$1.1 billion in 2016.<sup>30</sup>

Although the line between traditional nonprofits and for-profit social enterprises is blurring, a nonprofit can maintain its exemption from income tax by ensuring profit from commercial activities is applied fully towards charitable objectives. Also, business income cannot comprise more than 20% of its total income.<sup>31,32</sup>

<sup>20</sup> *Lokpal and Lokayuktas Act*. (2013). Act No. 1 of 2014 (India). Retrieved from [https://dopt.gov.in/sites/default/files/407\\_06\\_2013-AVD-IV-09012014\\_0.pdf](https://dopt.gov.in/sites/default/files/407_06_2013-AVD-IV-09012014_0.pdf)

<sup>21</sup> Miranda, L. (2016, August 11). The Lokpal and I. *Forbes India*. Retrieved from <http://www.forbesindia.com/blog/accidental-investor/the-lokpal-and-i/>

<sup>22</sup> Centre for Advancement of Philanthropy. (2019, March 18). *Compliance under Lokpal Act could be back to haunt NGOs*. Retrieved from <https://capindia.in/compliance-under-lokpal-act-could-be-back-to-haunt-ngos/>

<sup>25</sup> Bain & Company. (2019). *India Philanthropy Report 2019*. Retrieved from <https://www.bain.com/insights/india-philanthropy-report-2019/>

<sup>26</sup> While budget allocations have been in line with government requirements of 2%, as much as 15% was unspent in 2018.

<sup>27</sup> Karunakaran, N. (2013, December 23). Around Rs 22,000 crore to enter social sector as India Inc steps up CSR plans. *The Economic Times*. Retrieved from <https://economictimes.indiatimes.com/news/company/corporate-trends/around-rs-22000-crore-to-enter-social-sector-as-india-inc-steps-up-csr-plans/articleshow/27763117.cms?from=mdr>

<sup>28</sup> NGOBOX. (2018). *India CSR Outlook Report 2018*. Retrieved from [https://csrbox.org/India\\_CSR\\_report\\_India-CSR-Outlook-Report-2018\\_47](https://csrbox.org/India_CSR_report_India-CSR-Outlook-Report-2018_47)

<sup>29</sup> British Council. *The State of Social Enterprise in India*. Retrieved from [https://www.britishcouncil.org/sites/default/files/bc-report-ch4-india-digital\\_0.pdf](https://www.britishcouncil.org/sites/default/files/bc-report-ch4-india-digital_0.pdf)

<sup>30</sup> Centre for Asian Philanthropy and Society (CAPS). (2019). *Business for Good: Maximizing the Value of Social Enterprises in Asia*. Retrieved from [www.caps.org/our-research/business-for-good](http://www.caps.org/our-research/business-for-good)

<sup>31</sup> This is true for any SDO falling under the category of “any other object of general public utility.” The 20% threshold is not applicable to SDOs in the following categories: poverty relief, education and yoga, medical relief, and environment, among others.

<sup>32</sup> *Income Tax Act*. (1961). Act No. 43 of 1961 (India). Section 10(23C)(7) and Section 11(4)-(4A). Retrieved from <https://www.incometaxindia.gov.in/pages/acts/income-tax-act.aspx>

## Looking ahead

India has a long and rich tradition of charity. It has thousands of SDOs positively impacting the economy through poverty-alleviation programs, skill development, and providing livelihood and economic empowerment to the marginalized. And yet, there appears to be tremendous mistrust from government and regulating authorities toward SDOs, many of which fill gaps in the government's own service delivery system.

Funding received from foreign sources is viewed with extreme suspicion by the Ministry of Home Affairs, while income tax authorities seem to consider income-

generating activities undertaken by SDOs for financial sustainability as business or commercial deviations. It would not be an exaggeration to say that the price SDOs are paying for doing good is high. Viewing their services with suspicion and enforcing excessive and complex compliance procedures further dampens their spirit and devalues the very essence and spirit of voluntary action.

A legally enabling environment is essential for the growth of philanthropy and also the growth and sustainability of SDOs. If India wishes to do well on any global philanthropy index, it must first ensure ease of doing good.

## A BRIEF HISTORY OF NONPROFITS IN INDIA

India has a rich tradition of informal giving for community, religious and spiritual causes. Voluntary organizations can be traced back as early as the medieval era.<sup>33</sup> More organized forms of philanthropy began to emerge during industrialization in the 19<sup>th</sup> century under the British Raj. The modernized economy and subsequent increase in wealth resulted in an increase in both the size and scope of philanthropy in India.

In 1860, India legally recognized the existence of nonprofit groups through the Societies Registration Act, granting the status of a "society" to a group of seven or more people in a literary, scientific or charitable association.<sup>34</sup> The act resulted in the emergence of numerous nonprofit organizations and philanthropic foundations. The first modern foundations were also established around this time by prominent members of the private sector, including the J.N. Tata Endowment Scheme (1892), the N.M Wadia Foundation (1909) and Sir Ratan Tata Trust (1919).<sup>35,36</sup>

At the beginning of the 20<sup>th</sup> century, voluntary action at the village level became pivotal in the drive to tackle widespread poverty resulting in a proliferation of local community organizations.<sup>37</sup> Gandhi inspired many wealthy individuals to donate money and resources to the greater good in accordance with his theory of trusteeship and self-sufficiency.

Following independence in 1947, a spate of family foundations and trusts were established. Through these, the likes of the Tata, Godrej, Birla and Bajaj family conglomerates have invested in the construction of some of India's most prestigious universities, research centers, and technical and medical institutions.<sup>38</sup> The state-driven model of development deployed from the 1950s put a damper on activity, but philanthropy boomed again from the 1990s, as India's economy liberalized, and new domestic and foreign charities and foundations established a presence.

*We wish to thank our partner, Centre for Advancement of Philanthropy (CAP), for primary authorship of this profile.*

<sup>33</sup> Asian Development Bank (ADB). (June 2009). *Overview of Civil Society Organizations—India*. Civil Society Briefs. Retrieved from <https://www.adb.org/sites/default/files/publication/28966/csb-ind.pdf>

<sup>34</sup> *Societies Registration Act*. (1860.) Act No. 21 of 1860 (India) Retrieved from [http://www.mca.gov.in/Ministry/actsbills/pdf/Societies\\_Registration\\_Act\\_1860.pdf](http://www.mca.gov.in/Ministry/actsbills/pdf/Societies_Registration_Act_1860.pdf)

<sup>35</sup> Sundar, P. (2013). Philanthropy in the building of modern India. In *Revealing Indian Philanthropy* (pp. 31–38). London: Alliance Publishing Trust.

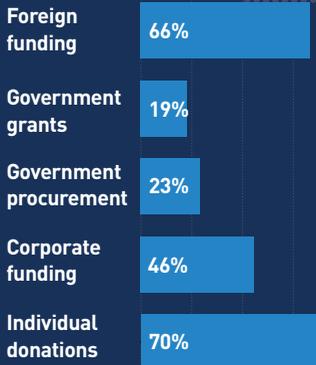
<sup>36</sup> Coutts. (2015). *Million Dollar Donors Report 2015—India*. Retrieved from <http://philanthropy.coutts.com/en/reports/2015/india/discussion.html>

<sup>37</sup> Asian Development Bank (ADB). (June 2009). *Overview of Civil Society Organizations—India*. Civil Society Briefs. Retrieved from <https://www.adb.org/sites/default/files/publication/28966/csb-ind.pdf>

<sup>38</sup> Shetty, S. (2017, November 10). What is the State of Philanthropy in India? *Huffington Post*. Retrieved from [https://www.huffingtonpost.com/entry/what-is-the-state-of-philanthropy-in-india\\_us\\_5a053997e4b0ee8ec369407c](https://www.huffingtonpost.com/entry/what-is-the-state-of-philanthropy-in-india_us_5a053997e4b0ee8ec369407c):

# INDONESIA

## Prevalence of funding sources\*

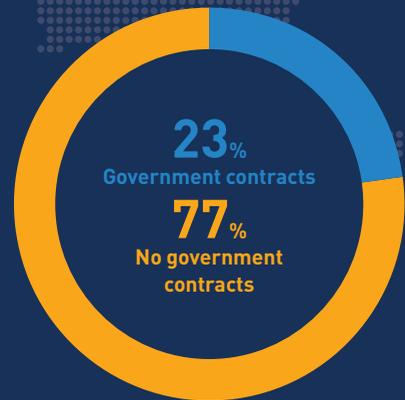


\* % of SDOs receiving each type of funding

## Ease of understanding laws



## Proportion of SDOs with government procurement contracts



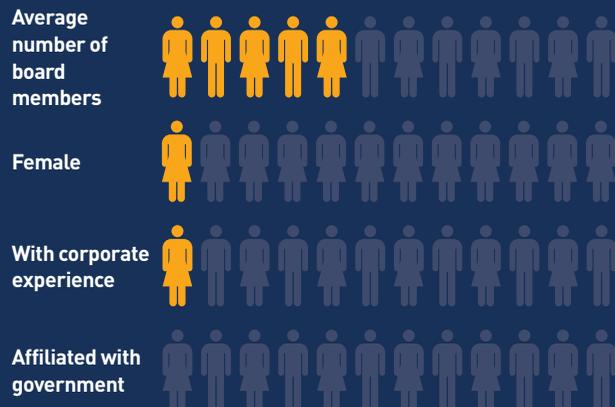
## Trust in SDOs



**61%**  
of respondents believe SDOs are trusted by society



## SDO board composition



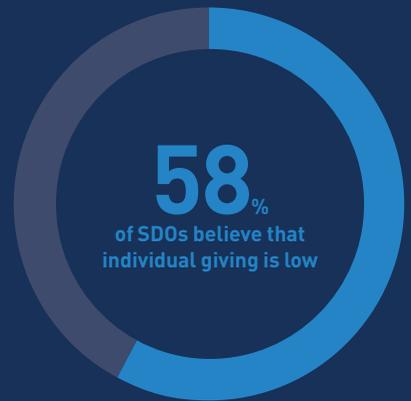
### Percentage of SDOs working with corporate volunteers



### Difficulty in recruiting skilled staff



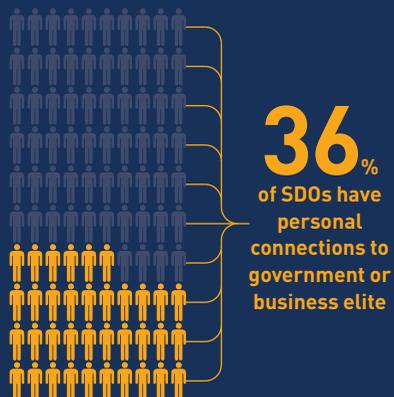
### Individual charitable giving



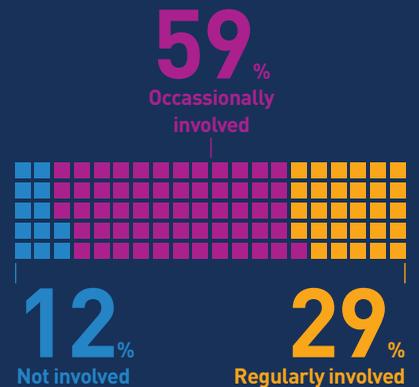
### Top 2 reasons for low levels of individual giving



### SDOs with connections to elite



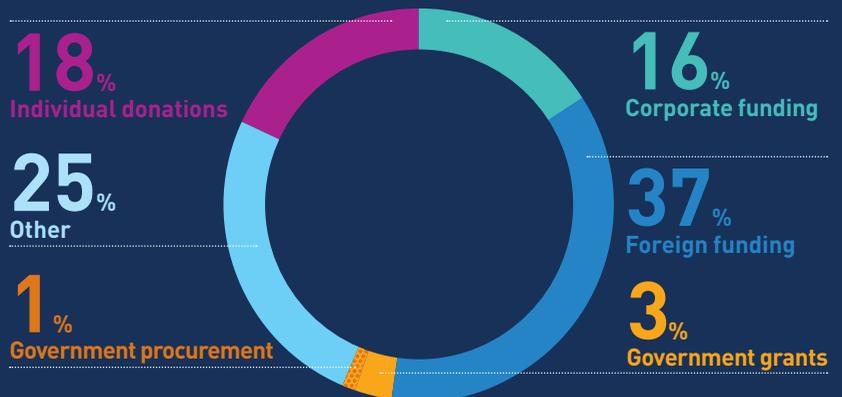
### SDOs involved in policy consultations



### Crowdfunding trends



### Average SDO budget by funding source\*



\* Based on data from 2017-2018, the last complete financial cycle at the time of data collection.

# INDONESIA

**Summary:** As the Indonesian economy develops and foreign funding decreases, both the government and social delivery organizations (SDOs) recognize the need to evolve in the way they address social needs. For the government, this has meant introducing regulations and efforts to strengthen community-based initiatives and citizen engagement. For SDOs, this has meant seeking new sources of funding, but further steps are needed to unlock the potential for domestic philanthropy. Tax incentives to drive philanthropy are limited in scope, and initiatives to mandate corporate social responsibility (CSR) giving in the natural resources sector have petered out due to lack of clarity.

**Doing Good Index 2018: Not Doing Enough**

**Doing Good Index 2020: Doing Okay ▲**

## Demographics<sup>1</sup>

**Population (2018):** 267,663,430

**GDP per capita, PPP (2018):** \$13,079.60

**Number of nonprofits (2019, rounded to the nearest 100):** 406,600<sup>2,3</sup>

**Estimated nonprofit-to-population ratio:** 1 for every 658 people

**% of GDP spent on health (2017):** 2.99%

**% of GDP spent on education (2015):** 3.6%

**Income status (World Bank classification):** Lower-middle income

**Annual GDP growth (2018):** 5.2%

**Human Development Index rank (2019):** 111

## Growth of the social sector in Indonesia

Indonesia has seen great growth in its social sector, both in the number of SDOs as well as the types of services. From an estimated 1,600 in 2000, there were over 406,600 registered nonprofits in March 2019.<sup>4</sup> Community development is the main focus, with a majority of nonprofits filling gaps in essential services created by underdeveloped social safety nets and deficient infrastructure.<sup>5</sup>

**Indonesia's classification as a lower-middle-income country is an issue for a sector still dependent on foreign aid.** Its growing status makes it less attractive to foreign donors and international nongovernmental organizations (INGOs) who are redirecting aid to low-income countries. With almost two-thirds (66%) of SDOs surveyed for this study still receiving some foreign funding (compared to the Asian

average of 45%), this trend poses a major challenge.<sup>6</sup>

Domestic institutional philanthropy has been slow to fill the gap, and nonprofits are increasingly looking to crowdfunding, social entrepreneurship and government procurement to compensate for depleting foreign funds. There is also some evidence of government funding becoming more common: 62% of surveyed SDOs say the government provides grants to SDOs, compared to 41% in 2018.

**The growing rank of high-net-worth individuals (HNWIs) has driven a proliferation of large family foundations.** The number of HNWIs has risen at an average annual rate of 7.3%, from 943,370 in 2014 to approximately 1.3 million in 2018.<sup>7,8</sup> The country's biggest companies are owned by families, and members of these families often manage corporate and family foundations. Some of these foundations are also beginning to be

professionally managed.<sup>9</sup>

And yet homegrown philanthropy has much room for growth: 58% of surveyed SDOs believe that individual giving in Indonesia is low. The top two reasons they identify for this are that people prefer to donate to religious organizations, and resource constraints due to a low average disposable income.

## Evolving regulatory environment

The government has tried to strengthen the regulatory framework for the social sector since the early 2000s. Regulatory changes have exerted opposing forces on the nonprofit sector, however, both supportive and controlling.

**The Law on Societal Organizations impacts registration and oversight of nonprofits.** This legislation regulates the registration process, and introduced a variety of reporting obligations but also imposed prohibitions on activities. The registration process for Indonesian nonprofits is among the quickest in Asia (up to 20 days compared to the 94-day average). However, many—especially those in rural areas—are not officially registered.

## TYPES OF SDOS IN INDONESIA

Indonesia has three primary forms of nonprofits (locally known as NPOs).<sup>10,11</sup>

**Foundations (Yayasan):** Foundations are charity-based organizations that do not make a profit but can receive tax benefits. They can be grantmakers only or operating foundations. There are three types of foreign-affiliated foundations: foreign foundations; Indonesian foundations founded by foreign nationals, or by foreign nationals together with Indonesian citizens; and Indonesian foundations founded by a foreign legal entity.<sup>12</sup> All foundations are regulated by the Law on Foundations.<sup>13</sup>

**Associations (Perkumpulan):** Associations are member-based organizations with a social purpose that do not make a profit. They must be formed by at least three Indonesian citizens and they come in two types: incorporated associations (that possess legal status) and ordinary associations (without legal status).<sup>14</sup> There is no detailed regulatory framework for associations.

**Societal organizations without legal entity status (Organisasi kemasyarakatan):** These organizations must be established by a minimum of three Indonesian citizens. While they have no legal status, they are formally recognized upon receipt of a registration certification from the Ministry of Home Affairs or the local government.

Since a certificate of registration from the local branch of the Ministry of Home Affairs also suffices, these smaller NPOs have historically opted for this.<sup>15</sup> This law has also been criticized for subjecting the activities of civil society groups to

<sup>1</sup> Unless otherwise cited, these statistics are from the World Bank or United Nations Development Programme. For complete references please refer to the Bangladesh demographics box on page 52.

<sup>2</sup> Of these, 380,182 were registered at the Ministry of Law and Human Rights; 1,327 at the Ministry of Home Affairs; 16,954 at city/district government; 8,170 at provincial government; and seven at the Ministry of Foreign Affairs.

<sup>3</sup> CNN Indonesia. (2019, March 20). Mendagri Tjahjo Sebut Indonesia sebagai Negara Ormas [Minister of Home Affairs, Tjahjo call Indonesia a Community Organization Country]. *CNN Indonesia*. Retrieved from <https://www.cnnindonesia.com/nasional/20190320192758-20-379234/mendagri-tjahjo-sebut-indonesia-sebagai-negara-ormas>

<sup>4</sup> Ibid.

<sup>5</sup> Anand, P. U., & Hayling, C. (2014). *Lever for Change—Philanthropy in Select South East Asian Countries*. Social Insight Research Series. Lien Centre for Social Innovation: Research. Retrieved from [https://ink.library.smu.edu.sg/lien\\_reports/6/](https://ink.library.smu.edu.sg/lien_reports/6/)

<sup>6</sup> Unless otherwise indicated, SDO survey data mentioned in this brief are from the *Doing Good Index 2020*.

<sup>7</sup> According to the source cited, HNWLs are those with liquid assets of US\$50,000–1 million.

<sup>8</sup> Gonçalves, P. (2019, October 15). Indonesia's growing HNWLs present 'opportunity for wealth managers'. *International Investment*. Retrieved from <https://www.internationalinvestment.net/news/4005945/indonesia-growing-hnwis-opportunity-wealth-managers>

<sup>9</sup> The Tahir Foundation, Mien R. Uno Foundation, Putera Sampoerna Foundation, Ciputra Foundation, Eka Tjipta Foundation, Arsari Djojohadikusumo Foundation and Tanoto Foundation are some of the leading names.

<sup>10</sup> Cooperatives and financial institutions have been excluded from consideration.

<sup>11</sup> Law No. 17/2013 *Regarding Societal Organizations* (2013) (Indonesia).

<sup>12</sup> Council on Foundations. *Nonprofit Law in Indonesia*. Retrieved on January 8, 2020 from <https://www.cof.org/country-notes/nonprofit-law-indonesia#exemptions>

<sup>13</sup> Law No. 16 of 2001 on Foundations came into effect in August 6, 2001, and amended by Law No. 8 of 2004, which came into effect in October 2004.

<sup>14</sup> Council on Foundations. *Nonprofit Law in Indonesia*. Retrieved on January 8, 2020, from <https://www.cof.org/country-notes/nonprofit-law-indonesia#exemptions>

<sup>15</sup> Anand, P. U., & Hayling, C. (2014). *Lever for Change—Philanthropy in Select South East Asian Countries*. Social Insight Research Series. Lien Centre for Social Innovation: Research. Retrieved from [https://ink.library.smu.edu.sg/lien\\_reports/6/](https://ink.library.smu.edu.sg/lien_reports/6/)

excessive and unpredictable government control.<sup>16,17</sup>

**The operational scope for foreign organizations has been tightened.** Following an amendment to the Law of Foundations in 2004, philanthropic organizations set up by foreign entities can only operate in partnership with an Indonesian organization. They are also subject to further residency and capital restrictions: in order to establish a nonprofit, a foreign national must have resided in Indonesia for five years and have significant initial assets.<sup>18</sup>

**Regulations to promote transparency and accountability have also been put in place.**<sup>19</sup> In 2008, the government enacted the Public Information Disclosure Act, which requires nonprofits to reveal their objectives, activities, structure, address, and fund management and decision-making procedures as well as submit annual reports to the relevant government ministry.<sup>20</sup> Due to the lack of feedback and unclear sanctions for non-compliance, this legislation is not yet an impactful mechanism for improving transparency and accountability.

**Despite some progress, regulations are unclear and enforcement is weak.** Confusing organizational classifications and overlapping (or even contradictory) regulations cast a shadow over the regulatory framework. Only 24% of Indonesian SDOs surveyed found laws pertaining to the social sector easy to understand. A majority (61%) believe that the government rarely enforces laws and regulations, and 72% believe SDOs may try to bypass government regulations. Improving the ease of understanding of laws can increase compliance, eventually generating better development outcomes.

## Mixed signals in tax and fiscal policy

**The government offers tax and fiscal incentives to encourage philanthropy, but these are limited in**

**scope and size.** Charitable donations by individuals are eligible for tax deduction only if they are used for specific purposes: natural disaster mitigation, research and development activities, educational facilities, sports enhancement and social infrastructure.<sup>21</sup> Notably, charitable giving to common causes such as social services, healthcare and environmental conservation is excluded. Donations are further subject to a deduction limit: 2.5% of the previous year's net income for individuals and 5% of the previous year's revenue for corporates. These limits are among the lowest in Asia.

**SDOs are subject to the same income tax as regular corporations.** Only income from certain types of giving is exempt from income tax, such as that from religious donations (*zakat*—discussed later, *awfaq* or endowments, and so on) or donations for scholarships.<sup>22,23</sup>

While Indonesia was an early mover in institutionalizing CSR, efforts have stalled. Under a 2007 law, companies operating in the natural resources sector (oil, gas and mining) are obliged to engage in environmental social responsibility and invest 2% of their profits in CSR programs.<sup>24,25</sup> While this should have resulted in billions of dollars invested in social development projects, the law is effectively voluntary as there is no enforcement mechanism in place.<sup>26</sup>

## A sector in transition: trends to watch

**Religious donations make up the lion's share of local giving and has even greater potential for growth.** The Islamic tradition of *zakat* (an annual charitable donation calculated as a percentage of wealth) is the single largest type of giving in Indonesia, which is home to the largest Muslim population in the world.<sup>27</sup> The Ministry of Religious Affairs has estimated *zakat* has the potential

<sup>16</sup> Human Rights Watch. (2013, July 17). Indonesia: Amend Laws on Mass Organizations. *Human Rights Watch*. Retrieved from <https://www.hrw.org/news/2013/07/17/indonesia-amend-law-mass-organizations>

<sup>17</sup> Specifically, the requirement for both incorporated and unincorporated NPOs to seek permission to operate from the Ministry of Home Affairs and an obligation to support "national unity and integrity."

<sup>18</sup> Anand, P. U., & Hayling, C. (2014). *Levers for Change—Philanthropy in Select South East Asian Countries*. Social Insight Research Series. Lien Centre for Social Innovation: Research. Retrieved from [https://ink.library.smu.edu.sg/lien\\_reports/6/](https://ink.library.smu.edu.sg/lien_reports/6/)

<sup>19</sup> *Public Information Disclosure Act*. (2008). Act No. 14 (Indonesia). Retrieved from <http://ccrnepal.org/files/documents/legislations/12.pdf>

<sup>20</sup> The Public Information Disclosure Act was adopted in 2008 and came into force in 2010.

<sup>21</sup> *Law No. 36/2008 Concerning Income Tax*. (2008). Article 6, Section 1. (Indonesia).

<sup>22</sup> Council on Foundations. *Nonprofit Law in Indonesia*. Retrieved January 8, 2020, from <https://www.cof.org/country-notes/nonprofit-law-indonesia#exemptions>

<sup>23</sup> As long as there is no business or ownership relationship between the parties.

<sup>24</sup> *Law No. 40/2007 on Limited Liability Companies*. (2007). (Indonesia). Retrieved from [http://www.flevin.com/id/lgso/translations/Laws/Law%20No.%2040%20of%202007%20on%20Limited%20Liability%20Companies%20\(BKPM\).pdf](http://www.flevin.com/id/lgso/translations/Laws/Law%20No.%2040%20of%202007%20on%20Limited%20Liability%20Companies%20(BKPM).pdf)

<sup>25</sup> Chhina, S., Petersik, W., Loh, J., & Evans, D. (2014). *From Charity to Change: Social investment in selected Southeast Asian countries* (pp. 26–45). Social Insight Research Series. Lien Centre for Social Innovation: Research. Retrieved from [https://ink.library.smu.edu.sg/cgi/viewcontent.cgi?article=1010&context=lien\\_reports](https://ink.library.smu.edu.sg/cgi/viewcontent.cgi?article=1010&context=lien_reports)

<sup>26</sup> *Ibid.*

<sup>27</sup> *Ibid.*

to reach Rp217 trillion (US\$13.8 billion). In 2018, *zakat* collected by registered SDOs amounted to Rp8 trillion (US\$507.7 million), which is only 3.6% of estimated potential.<sup>28</sup>

Lack of information regarding regulations, a burdensome manual claiming process and a common belief that religious giving is a personal matter are some factors holding back the potential of *zakat*. In 2011, the government started to institutionalize *zakat* by enacting a law to allow an income tax deduction of 2.5% for Muslims who channel their *zakat* through registered SDOs.<sup>29</sup>

**There is evidence of strategic philanthropy emerging for religious giving.** Institutions such as LAZ Bank, BNI and Dompot Dhuafa manage *zakat* donations from wealthy citizens for causes such as the advancement of education (including religious education), health and welfare. These organizations aspire to international governance standards and venture philanthropy and are among the largest collectors of *zakat* in Indonesia.<sup>30</sup>

The next generation's interest in the social sector is growing, with a majority of young people more or as interested in the sector as their parents (59%). Encouragingly, positive media attention has also

increased over the past year. Around 75% of surveyed SDOs rate the media's coverage positive compared to a 52% Asian average.

**The sector remains challenged by common misperceptions.** A majority of SDOs believe that nonprofit employees should earn less than their private-sector counterparts (52%). SDOs are also seen to have a lower capacity to deliver goods and services than the private sector.

However, donor support for capacity building is high. Almost 90% of SDOs report that donors regularly support capacity building compared with the Asian average of 72%. According to the *2017 Civil Society Organization Sustainability Index for Asia*, which reports on the strengths and progress of the civil society sector across nine Asian economies, Indonesia was the only country recording an overall improvement due to higher scores for advocacy, service provision and public image.<sup>31,32</sup>

**Crowdfunding for social causes is on the rise.** On average, 32% of Indonesian SDOs currently use crowdfunding (compared to a 25% Asian average) and 82% expect to use crowdfunding in the future (compared to a 57% Asian average). One of the biggest crowdfunding platforms in Indonesia, Kitabisa, claims to have supported 20,026 campaigns, engaged 1.5 million people and distributed Rp568 billion (US\$36 million) since 2013. Common causes for crowdfunding are natural disasters, health, education and entrepreneurship.

**The government is paving the way for increased procurement from the social sector.** In 2018, the government implemented an amendment to the Government Procurement Regulation to facilitate the procurement of SDO services in research, capacity building, social mobilization and community-based construction.<sup>33</sup> Although this is a positive development, its full effect remains to be seen.<sup>34</sup> Currently, 23% of

---

**“There is a perception that SDOs do not have sufficient capacity to deliver goods and services, that SDO staff should get lower payment because we are less capable and because we work in the social sector.”**

SDO representative,  
*Doing Good Index 2020* expert meeting

---

<sup>28</sup> Laoli, Noverius. (2019, May 7). “CEO Rumah Zakat: Potensi zakat Indonesia capai Rp217 triliun” [CEO of Rumah Zakat: The potential for zakat in Indonesia reaches 217 trillion rupiah]. *Kontan*. Retrieved from <https://nasional.kontan.co.id/news/ceo-rumah-zakat-potensi-zakat-di-indonesia-capai-rp-217-triliun>

<sup>29</sup> Law No. 23/2011 on Zakat Management. According to Director General of Tax Regulation No. 33/2012, there are 21 registered SDOs providing tax deduction to individuals for managing their religious donations.

<sup>30</sup> Chhina, S., Petersik, W., Loh, J., & Evans, D. (2014). *From Charity to Change: Social investment in selected Southeast Asian countries* (pp. 26–45). Social Insight Research Series. Lien Centre for Social Innovation: Research. Retrieved from [https://ink.library.smu.edu.sg/cgi/viewcontent.cgi?article=1010&context=lien\\_reports](https://ink.library.smu.edu.sg/cgi/viewcontent.cgi?article=1010&context=lien_reports)

<sup>31</sup> USAID. (2018). *2017 Civil Society Organization Sustainability Index for Asia*. USAID. Retrieved from <https://www.fhi360.org/sites/default/files/media/documents/resource-civil-society-organization-2017-asia-regional-report.pdf>

<sup>32</sup> Of the nine economies, five reported overall deterioration in civil sector organizational sustainability—Bangladesh, Cambodia, Pakistan, the Philippines and Sri Lanka. The changes in score can largely be attributed to heightened government harassment and declines in foreign funding.

<sup>33</sup> The amendment sets out four types of self-managed procurement. Type 3 is for registered SDOs with at least three years of experience. Government agencies can invite preferred SDOs to submit a proposal of a maximum of Rp100 million (US\$6,335) for consultancy works or Rp200 million (US\$12,670) for construction works. At the subnational level, Jakarta province and Yogyakarta city have started to implement this mechanism since March 2019.

<sup>34</sup> There have been some concerns about fairness of the selection process and capacity of SDOs to deliver.

**“There is one entity in our nation that has very good competence and are highly needed by this country, SDOs. Previously they were engaged as sub-contractors, now we invite them as our supplier.”**

Fadli Arif, Director of General Procurement Policy and Strategy Development, The Government Procurement Agency<sup>35</sup>

SDOs surveyed have procurement contracts with the government, which is in line with the Asian average.

Indonesia’s GDP growth averaged 5.27% from 2000 until 2018.<sup>36</sup> While there is still poverty and a host of social challenges, there is also an increasing pool of disposable income which could be deployed to help. By putting in place new tax subsidies and procurement opportunities, the government is signaling its intention to support philanthropy and the social sector. The trick will be to find the balance between oversight and encouragement.

## A BRIEF HISTORY OF INDONESIAN NONPROFITS

Indonesia has a deep-rooted tradition of volunteerism and mutual assistance in communities. *Gotong royong* or “communal work” is still prevalent in Javanese villages to combat natural disasters or when dealing with community assets, plantations and weddings.

In the late 1960s, President Soeharto launched his “New Order,” opening Indonesia up to foreign investment and deregulation, and sanctioned the country’s first formal developmental nongovernmental organizations in the early 1970s. These organizations were focused on implementing government-approved development programs, primarily in health services, water and sanitation, poverty alleviation and education, but were given little autonomy to mobilize on other issues. They were tightly regulated and political opposition was repressed. Corruption also ran rampant

in the nonprofit sector; there was little regulation of the business and personal benefits that individuals affiliated with nonprofits could receive.<sup>37,38</sup>

The Asian financial crisis, drought and civil unrest precipitated the overthrow of Soeharto in 1997, after which new laws were enacted to promote transparency and accountability in the nonprofit sector. The adoption of decentralization in 2001 called for local innovation and moved decision-making closer to citizens. This has transformed the government-SDO relationship and encouraged the establishment of a new generation of SDOs focusing on local governance and public services.

By 2019, there were over 406,600 registered nonprofits in Indonesia.<sup>39</sup> While the number of nonprofits has proliferated, issues relating to trust and transparency within the social sector remain.<sup>40</sup>

*We wish to thank our partner, Company-Community Partnerships for Health in Indonesia (CCPHI), for primary authorship of this profile.*

<sup>35</sup> National Public Procurement Agency. (April 5, 2018). “Socialization of Presidential Regulation 16 of 2018 concerning Government Procurement of Goods/Services” [Soso 1618 – Sosialisasi Perpres 16 tahun 2018 tentang Pengadaan Barang/Jasa Pemerintah]. *Youtube*. Retrieved from <https://www.youtube.com/watch?v=fBmreRug8no&t=1503s>

<sup>36</sup> World Bank, World Development Indicators. (2018). *GDP growth (annual %)—Indonesia* [Data file]. Retrieved from <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?en d=2018&locations=ID&start=2000>

<sup>37</sup> Chhina, S., Petersik, W., Loh, J., & Evans, D. (2014). *From Charity to Change: Social investment in selected Southeast Asian countries* (pp. 26–45). Social Insight Research Series. Lien Centre for Social Innovation: Research. Retrieved from [https://ink.library.smu.edu.sg/cgi/viewcontent.cgi?article=1010&context=lien\\_reports](https://ink.library.smu.edu.sg/cgi/viewcontent.cgi?article=1010&context=lien_reports)

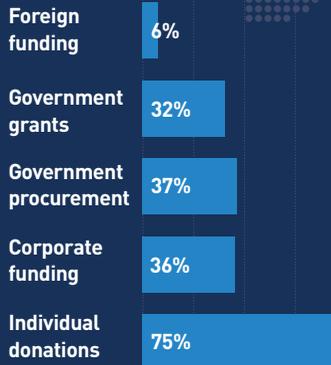
<sup>38</sup> Johnson, P. D. (2010). *Global Institutional Philanthropy: A preliminary status report—Part Two: Country profiles*. The Philanthropic Initiative (TPI) and Worldwide Initiatives for Grantmaker Support (WINGS). Retrieved from [https://www.tpi.org/sites/default/files/pdf/global\\_institutional\\_philanthropy\\_a\\_preliminary\\_status\\_report\\_-\\_part\\_two.pdf](https://www.tpi.org/sites/default/files/pdf/global_institutional_philanthropy_a_preliminary_status_report_-_part_two.pdf)

<sup>39</sup> CNN Indonesia. (2019, March 20). “Mendagri Tjahjo Sebut Indonesia sebagai Negara Ormas” [Minister of Home Affairs Tjahjo calls Indonesia a community organization]. *CNN Indonesia*. Retrieved from <https://www.cnnindonesia.com/nasional/20190320192758-20-379234/mendagri-tjahjo-sebut-indonesia-sebagai-negara-ormas>

<sup>40</sup> Chhina, S., Petersik, W., Loh, J., & Evans, D. (2014). *From Charity to Change: Social investment in selected Southeast Asian countries* (pp. 26–45). Social Insight Research Series. Lien Centre for Social Innovation: Research. Retrieved from [https://ink.library.smu.edu.sg/cgi/viewcontent.cgi?article=1010&context=lien\\_reports](https://ink.library.smu.edu.sg/cgi/viewcontent.cgi?article=1010&context=lien_reports)

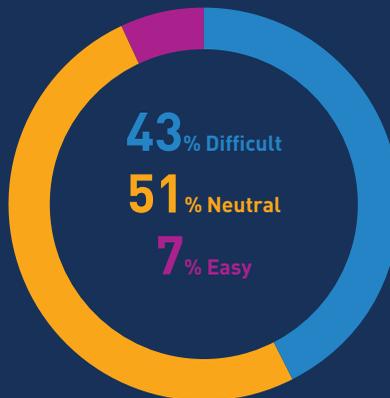
# JAPAN

## Prevalence of funding sources\*

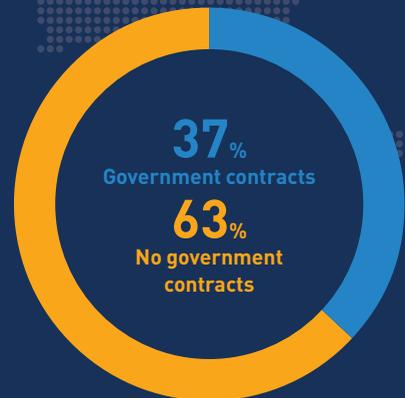


\* % of SDOs receiving each type of funding

## Ease of understanding laws



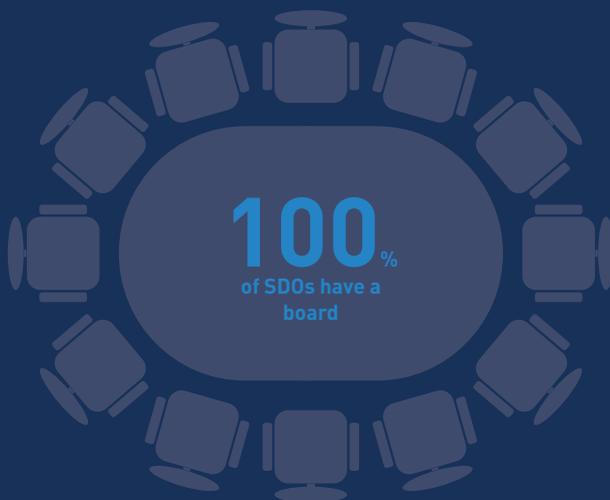
## Proportion of SDOs with government procurement contracts



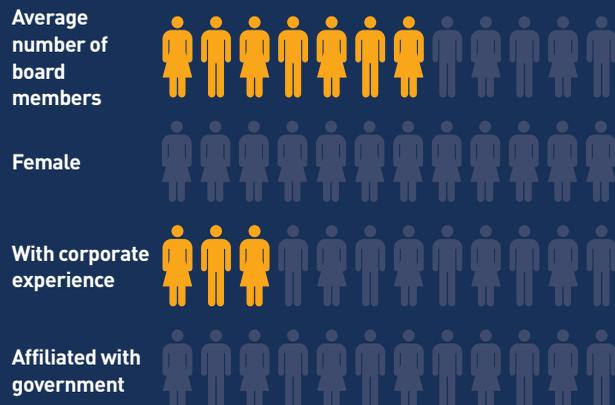
## Trust in SDOs



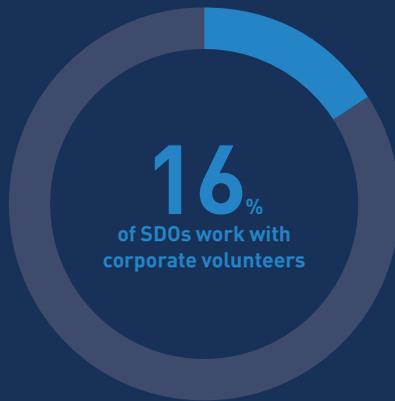
**16%**  
of respondents believe SDOs are trusted by society



## SDO board composition



### Percentage of SDOs working with corporate volunteers



### Difficulty in recruiting skilled staff



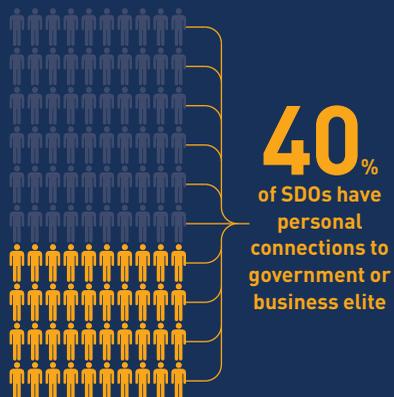
### Individual charitable giving



### Top 2 reasons for low levels of individual giving



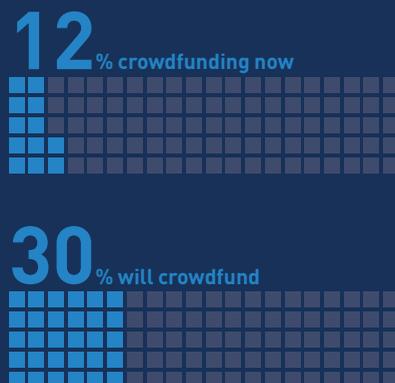
### SDOs with connections to elite



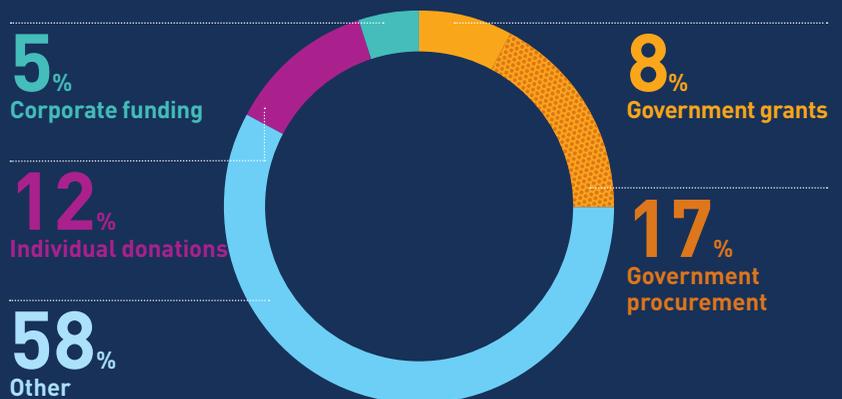
### SDOs involved in policy consultations



### Crowdfunding trends



### Average SDO budget by funding source\*



\* Based on data from 2017-2018, the last complete financial cycle at the time of data collection.

# JAPAN

**Summary:** A quarter century after the seminal 1995 Kobe (Great Hanshin-Awaji) Earthquake, reforms have made it easier for social delivery organizations (SDOs) to start up and operate in Japan. However, tax incentives and regulations remain complicated to grasp. While people, especially the younger generation, are engaging in greater numbers, there is room for the corporate sector to play a bigger role. As the government pushes for greater cross-sector collaboration and social enterprises enter the mix, Japan's social sector is set to evolve in new directions.

**Doing Good Index 2018: Doing Well**

**Doing Good Index 2020: Doing Better ▼**

## Demographics<sup>1</sup>

**Population (2018):** 126,529,100

**GDP per capita, PPP (2018):** \$42,797.50

**Number of nonprofits (rounded to the nearest 100):** 500,200<sup>2,3</sup>

**Estimated nonprofit-to-population ratio:** 1 for every 253 people

**% of GDP spent on health (2017):** 10.94%

**% of GDP spent on education (2016):** 3.2%

**Income status (World Bank classification):** High income

**Annual GDP growth (2018):** 0.8%

**Human Development Index rank (2019):** 19

## Growing needs, changing mindsets

While Japan has not witnessed any major shifts in legislation, funding or the political landscape in the past decade, two gradual yet significant transformations are taking place, which directly relate to the social sector.

**First is the aging of Japanese society.** As of 2019, Japan's "aging rate" is at 28%, compared to an Asian average of 8.6% and the global average of 9.1%.<sup>4,5</sup> Not only does Japan have the highest percentage of seniors in the world, but its population of super-elderly (those aged 75 or above) is also growing rapidly.<sup>6,7,8</sup> These demographic changes are having a big impact on policies, including immigration reforms to bring in care workers from other countries and the structures of pension funds. Japan's industrial composition is evolving as evidenced by a growing care industry. And finally, there is increasing devolution of the public care system to nonprofit and for-profit contractors.

## The other transformation is the growing disparity among the haves and have-nots.

Japan's middle class grew consistently from the end of World War II until the end of the Cold War, but the trend reversed thereafter.<sup>9</sup> Today, Japan's relative poverty rate is 15.7%, which is higher than the OECD average.<sup>10,11,12</sup> The last several years have seen rising child poverty and youth unemployment in Japan, and there is increasing urgency for policy measures and programs to address these problems.

These challenges are helping to bring about a transformation of mindset in Japanese society: more and more people are recognizing that the government alone cannot solve local, regional, national or global problems.

## The state of the social sector in Japan

Various kinds of nonprofits operate in Japan, of which four main types are notable. Public interest corporations (PICs)—foundations or associations—

are the original nonprofits under tight scrutiny by the government. Social welfare corporations (SWCs), formed after World War II, specialize in care for the elderly, children and people with disabilities, among others. Specified nonprofit corporations (SNPCs), commonly known as nonprofit organizations (NPOs), came into existence under legislation lobbied by citizen-led groups and enacted in 1998, and are made up of service delivery and advocacy organizations. General nonprofit corporations (GNCs) were established after legal reforms in 2008 and these types of foundations or associations are the easiest to form.

In Japan, registration for SNPCs is free and takes around two months, which is cheaper and faster than the Asian average.<sup>13</sup> Foreign and domestic funds can flow to nonprofits without hindrance. Accountability mechanisms and reporting requirements are in place. And Japan offers a 100% rate of tax deduction to individuals and companies on donations (albeit with a limit on income eligible for deduction). However, the proliferation of different nonprofit corporate forms contributes to the lack of a common identity for the social sector, making it appear fragmented.

Further complicating the sector is the rise of social enterprises, “hybrid” organizations that use business principles to meet social needs. Although most tend to

be registered as nonprofits, the line between nonprofits and companies is blurring with their rise.<sup>14</sup>

**There is room for improvement in offering tax incentives for giving.**

Like most Asian economies in the *Doing Good Index 2020*, Japan places limits on individual and corporate income eligible for tax deductions. Removing these limits could incentivize more giving.<sup>15</sup>

More importantly, it is difficult for all types of nonprofits to attain a “certification” status, which is necessary for tax deductions for donations to kick in. Of the approximately 51,000 SNPCs currently in existence, only around 1,000 are certified.<sup>16</sup> On the donor side, it is not straightforward to claim a tax deduction, either. Individuals who have a single-source salary income (which applies to most full-time employees) do not usually complete their annual tax filing themselves as their employer does it for them.

**Japanese regulations pertaining to the charitable sector are not easy to navigate.**

According to the *Doing Good Index 2020* survey, most SDOs do not find regulations easy to understand and three-quarters believe that laws are not regularly enforced. With half of SDOs reporting no participation in policymaking (the highest proportion in Asia), there is room for a more consultative approach to setting new policies and making existing ones more accessible.

<sup>1</sup> Most of these statistics are from the World Bank or United Nations Development Programme (unless otherwise cited). For complete references please refer to the Bangladesh demographics box on page 52.

<sup>2</sup> Estimate from The Japan Association of Charitable Organizations (JACO) based on the following figures plus an estimate for unincorporated organizations (128,000): general nonprofit corporations (associations/foundations)—47,591; public interest corporations—9,470 (2016); specified nonprofit corporations—51,014 (2017); social welfare corporations—20,733 (2017); private school corporations—8,020 (2017); medical corporations—53,408 (2017); religious corporations—181,810 (2014).

<sup>3</sup> Japan Association of Charitable Organizations (JACO). *Statistics of Japanese CSOs*. Retrieved April 16, 2020, from [http://www.kohokyo.or.jp/english/eng\\_statistics.html](http://www.kohokyo.or.jp/english/eng_statistics.html)

<sup>4</sup> The “aging rate” is defined as the number of persons aged 65 or older divided by the total population.

<sup>5</sup> United Nations, Department of Economic and Social Affairs, Population Division. (2017). *World Population Ageing 2019 – Highlights*. Retrieved from <https://www.un.org/en/development/desa/population/publications/pdf/ageing/WorldPopulationAgeing2019-Report.pdf>

<sup>6</sup> In a table of 10 countries or areas with the most aged population, Japan has the highest old-age dependency ratio in the world, with 51% of its population aged 65 years or over, while the remaining countries/areas were 36-39% (See Table II.2. on page 15 of United Nations report.)

<sup>7</sup> United Nations, Department of Economic and Social Affairs, Population Division. (2017). *World Population Ageing 2019 – Highlights*. (ST/ESA/SER.A/397) Retrieved from <https://www.un.org/en/development/desa/population/publications/pdf/ageing/WorldPopulationAgeing2019-Report.pdf>

<sup>8</sup> Fujuyama, E. (2018, March 25). From elderly to “superelderly”: Japan wrestles with demography. *Nikkei Asian Review*. Retrieved from <https://asia.nikkei.com/Economy/From-elderly-to-superelderly-Japan-wrestles-with-demography>

<sup>9</sup> Tetsuji, O. (2015, February 9). Lessons from the Japanese Miracle: Building the Foundations for a New Growth Paradigm. *Nippon.com*. Retrieved from <https://www.nippon.com/en/in-depth/a04003/lessons-from-the-japanese-miracle-building-the-foundations-for-a-new-growth-paradigm.html>

<sup>10</sup> As defined by the Organisation for Economic Cooperation and Development (OECD), the poverty rate is the ratio of the number of people whose income falls below the poverty line, taken as half the median household income of the total population.

<sup>11</sup> Organisation for Economic Cooperation and Development (OECD). Poverty rate (indicator). Retrieved February 26, 2020, from <https://data.oecd.org/inequality/poverty-rate.htm>

<sup>12</sup> The other OECD country in Asia with a higher relative poverty rate is South Korea at 17.4%.

<sup>13</sup> Unless otherwise indicated, SDO survey data mentioned in this brief are from the *Doing Good Index 2020*.

<sup>14</sup> Centre for Asian Philanthropy and Society (CAPS). (2019). *Business for Good: Maximizing the Value of Social Enterprises in Asia*. Of the 107 Japanese social enterprises surveyed, 69% were nonprofit organizations.

<sup>15</sup> Singapore and Vietnam are the only *Doing Good Index 2020* economies that do not place a limit on tax deductions.

<sup>16</sup> Presentation shared with CAPS by Japan NPO Center (JNPOC).

### **A progressive new law was passed in 2018 that allows for dormant deposits in bank accounts to be spent on social purposes.**<sup>17</sup>

Under the law, funds released from dormant accounts can be given as loans or grants to provide support for children and youths, disadvantaged people and those with disabilities, and for community development. Japanese lawmakers estimate that more than ¥70 billion (US\$650 million) in bank accounts become dormant each year.<sup>18</sup> Of this, ¥50–60 billion (US\$460–550 million) could be distributed to the social sector annually if and when the law is fully operational after a five-year trial.<sup>19</sup> In 2019, the annual disbursement of dormant funds to the social sector was about ¥3 billion (US\$28 million).<sup>20</sup>

### **Nonprofits are increasingly being called upon to provide more social services on behalf of government.**

37% of surveyed SDOs in Japan—compared to an Asia average of 26%—have received government contracts to provide social services at the direction of government agencies. Services for the elderly especially are in high demand.<sup>21</sup> The government’s reforms to long-term insurance care in 2013 mean that community-based care has been devolved to the municipal level, pushing procurement opportunities to the local level.<sup>22</sup>

## **The role of the corporate sector**

Japanese society expects the private sector to contribute to meeting social needs, alongside nonprofits and government. However, corporate engagement in Japan lags behind the rest of Asia. On average, only 5% of a surveyed SDO’s budget comes from corporates, compared to the Asia average of 15%. Of those SDOs who work with volunteers, only

16% receive volunteers from corporates—the lowest in Asia. Japanese corporations are moving towards more direct involvement in meeting social needs, but not necessarily through nonprofits. Thus, financial support and volunteering for nonprofits alone may not be appropriate indicators for the corporate sector’s contribution to solving social issues.

**The nature of corporate engagement with the social sector is changing.** The corporate-nonprofit relationship is shifting from traditional philanthropy to a “new economy” approach, which is focused less on working with nonprofits to do good and more on using corporate resources to achieve tangible Sustainable Development Goals (SDGs)-related outcomes. An example of traditional engagement is the Japan Business Federation’s (Keidanren’s) One-Percent Club, set up in 1989 to encourage members to donate 1% of their recurring profits or disposable income to social causes each year.<sup>23</sup> The new approach is exemplified by the Japan Association of New Economy (Shinkeiren), an association of corporations and private businesses that is endeavouring to promote venture philanthropy and impact investing in Japan.<sup>24</sup>

**There is pressure on the corporate sector to do more.** The advent of the SDGs in 2015 precipitated a broad call to action for the corporate sector to join others in creating a more sustainable society. Corporations in Japan are beginning to talk about ESG (environment, social and governance) investment, the triple bottom line, and a move from CSR (corporate social responsibility) to CSV (creating shared value). There is mounting pressure for the corporate sector to produce social and environmental value as well as economic value for society.

The world is not sustainable unless we act with

<sup>17</sup> *The Act on Utilizations of Funds Related to Dormant Deposits to Promote Public Interest Activities by the Private Sector.* [2016]. Act No. 101 (Japan). Retrieved from [http://www.japaneselawtranslation.go.jp/law/detail\\_main?re=&vm=02&id=2992](http://www.japaneselawtranslation.go.jp/law/detail_main?re=&vm=02&id=2992)

<sup>18</sup> Nippon.com. [2019, January 8]. Use of Dormant Deposit for Public Interest Starts in Japan. *Nippon.com*. Retrieved from <https://www.nippon.com/en/news/yji2019010700680/use-of-dormant-deposits-for-public-interest-starts-in-japan.html>

<sup>19</sup> The Japan Times. [2017, January 28]. Making use of dormant accounts. *The Japan Times*. Retrieved from <https://www.japantimes.co.jp/opinion/2017/01/28/editorials/making-use-dormant-accounts/#.XkKkQTEzY2w>

<sup>20</sup> British Columbia Unclaimed Property Society. *An International Perspective on Using Dormant Assets to Fund Social Programs*. Retrieved March 3, 2020, from <https://unclaimedpropertybc.ca/an-international-perspective-on-using-dormant-assets-to-fund-social-programs/>

<sup>21</sup> Japan NPO Center [JNPOC]. *Overview of Civic Activities and “NPOs” in Japan*. Retrieved March 11, 2020, from <https://www.jnpoc.ne.jp/en/nonprofits-in-japan/overview/>

<sup>22</sup> Centre for Asian Philanthropy and Society [CAPS]. [2015]. *The Silver Lining—Sawayaka Well-being Foundation: Volunteers for Elderly Care in Japan*. Produced for the Japan Association for Charitable Organizations (JACO). Retrieved from <http://caps.org/our-research/the-silver-lining/>

<sup>23</sup> Indiana University Lilly Family School of Philanthropy. [2018]. *Global Philanthropy Environment Index—Country Report 2018: Japan*. Retrieved from <https://globalindices.iupui.edu/environment/regions/eastern-asia/japan.html>

<sup>24</sup> Ibid.

scale and impact. Size and speed matter, as we can see with climate change. The corporate sector, especially big multinational corporations, can play a huge role by bringing sizeable financial and human resources to the table. In addition, their capacity to innovate is seen by many as an advantage over the government which is often slow to move.

## Trends to watch

**Individual giving in Japan has room to grow.** 88% of SDOs believe the level of individual giving is low, mainly because citizens' practice of donating to nonprofits is not yet entrenched. It is notable, though, that high-profile national events drive greater giving. Devastating natural disasters, including the 2011 Great East Japan Earthquake off Tōhoku, prompted increased individual and institutional giving. While approximately 30% of Japanese people reported that they made a monetary donation in 2009 and 2010, the percentage dramatically increased after the earthquake; 77% of people reported making a donation related to the Great East Japan Earthquake.<sup>25</sup>

**The government is signaling a greater need for cross-sector collaboration in its embrace of select SDGs.** These are goals that revolve around the domestic (mostly non-metropolitan) issues of aging, depopulation of rural areas and regional economic revitalization.

A “chiho sosei” (local/regional renewal) paper issued by the Cabinet Secretariat in March 2019 illustrates how.<sup>26</sup> It lays out how the government considers using SDGs as a lever for revitalizing the Japanese economy and society. Key words include “public-private partnership,” “local SDG models,” and “creating best practices for a sustainable community.” The key actors mentioned to execute initiatives are local governments, the private sector with a focus on small and medium enterprises, educational and research institutions, and NPOs. Other government documents also support the perspective that NPOs

are not the only central agents in driving change.<sup>27</sup> What this portends for nonprofits on the whole remains to be seen.

**Major events have been organized to promote philanthropy in Japan.** “Giving December” was launched in 2015 as an annual campaign promoting a culture of giving. Activities have included a symposium, distribution of resources to educate the public about philanthropy and student-led charity events. Under the direction of Japan Fundraising Association, the number of partner organizations has increased from 122 at its launch to 563 in its fourth year.<sup>28</sup>

2018 saw celebrations to mark the 20<sup>th</sup> anniversary of the NPO Law. In two decades, NPOs have become part of the everyday lexicon of Japanese people. Many social services cannot be delivered without the support of NPOs and other types of nonprofits.

At the same time, the anniversary also brought an opportunity for reflection. At a time when the boundary between nonprofit and for-profit is blurring and the responsibility to solve social issues is shared, nonprofits in Japan need to clearly communicate their unique strengths and areas of expertise. NPOs are not simply service providers, they also play a “political” role through advocacy, influencing policy, research and analysis, education and mobilization. The Japanese public is aware of what NPOs are. Now it is time for the public to explore the broad spectrum of contributions that nonprofits make to society and ask how each and every individual can participate.

<sup>25</sup> Indiana University Lilly Family School of Philanthropy. (2018). *Global Philanthropy Environment Index— Country Report 2018: Japan*. Retrieved from <https://globalindices.iupui.edu/environment/regions/eastern-asia/japan.html>

<sup>26</sup> Cabinet Secretariat. (2019). 地方創生に向けたSDGsの推進について [Promotion of SDGs for regional revitalization]. Official Website of the Prime Minister of Japan and His Cabinet. Retrieved from [https://www.kantei.go.jp/jp/singi/tiiki/kankyo/pdf/sdgs\\_suishin.pdf](https://www.kantei.go.jp/jp/singi/tiiki/kankyo/pdf/sdgs_suishin.pdf)

<sup>27</sup> Cabinet Secretariat. (2017). 地方創生をめぐる現状と課題 [Current situation and issues concerning regional revitalization]. Retrieved from [http://www.soumu.go.jp/main\\_content/000573278.pdf](http://www.soumu.go.jp/main_content/000573278.pdf)

<sup>28</sup> Giving December. *About*. Retrieved March 11, 2020, from <http://giving12.jp>

## A BRIEF HISTORY OF JAPANESE NONPROFITS

Organized Japanese philanthropy dates back to the seventh and eighth centuries when members of the affluent noble class and high-ranking monks established charitable projects and institutions under major Buddhist temples such as Tōdai-ji and Shitennō-ji. Subsequently, the provision of public goods and services was dominated by the authorities, leaving little room for civil society players to grow. As a result, the delivery of social services remained highly centralized through the Meiji Restoration of the late 19<sup>th</sup> century.<sup>29</sup>

The 1896 Civil Code recognized the existence of private nonprofit activities by establishing a system for PICs. Still, applications for licenses for these corporations needed to be approved by a government agency, continuing the trend of the state being the driver for the delivery of social services.<sup>30</sup>

After World War II, Japan experienced a proliferation of different “corporate” types of nonprofits, including private school corporations, social welfare corporations, religious corporations, and medical corporations, among others. Coupled with separate legislation and regulations related to cooperatives, the lack of common identity of the private/nonprofit sector is a by-product of the corporate structure of various nonprofit organizations.

The government’s and society’s attitudes toward the charitable sector changed after two devastating

earthquakes, in 1995 (Kobe) and 2011 (Tōhoku). The tragic event of the Kobe earthquake, in particular, served as a trigger to instill in people’s minds that the government alone cannot solve the multitude of social challenges and that citizens need to act, too. As civic groups provided aid and found solutions to problems that public officers were unable to deal with themselves, it became clear that such groups can play a complementary role to the government in service provision. This was especially important at a time when gaps in social services were surfacing in areas such as elderly care, education and homelessness. It also came at a time when, faced with the growing social service gaps, citizens and citizen groups had started to provide services themselves and had begun lobbying for a citizen-friendly regulatory framework for community-based, grassroots groups.

Because of these efforts and a change in the political landscape, the Law to Promote Specified Nonprofit Activities (NPO Law) was enacted in 1998 to facilitate new types of NPOs (formally called “specified nonprofit corporations” under the law). Tax exemption regulations, including procedures for claiming tax incentives, also started to develop. Further reforms implemented in 2008 made it easier to establish nonprofit corporations in Japan.<sup>31,32</sup> A new class of nonprofits, general nonprofit corporations, was also established to make it easier for nonprofit groups to incorporate.<sup>33</sup>

*We wish to thank our partner, Japan NPO Center (JNPOC), for primary authorship of this profile.*

<sup>29</sup> Shapiro, R. A., Mirchandani, M., & Jang, H. (2018). *Pragmatic Philanthropy: Asian Charity Explained*. Singapore: Palgrave.

<sup>30</sup> Ibid.

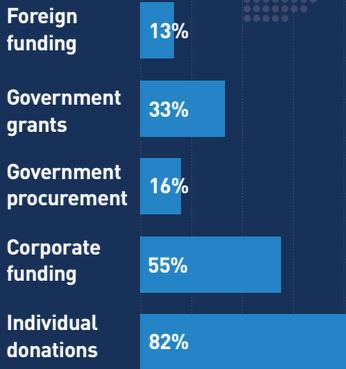
<sup>31</sup> The 1896 Civil Code Article 34 was revised in 2008, and the Act on General Nonprofit Incorporated Associations and General Incorporated Foundations as well as the Act on Authorization of Public Interest Incorporated Associations and Public Interest Incorporated Foundations also went into effect in 2008.

<sup>32</sup> Indiana University Lilly Family School of Philanthropy. (2018). *Global Philanthropy Environment Index - Country Report 2018: Japan*. Retrieved from <https://globalindices.iupui.edu/environment/regions/eastern-asia/japan.html>

<sup>33</sup> Japan NPO Center (JNPOC). *Overview of Civic Activities and “NPOs” in Japan*. Retrieved March 11, 2020, from <https://www.jnpoc.ne.jp/en/nonprofits-in-japan/overview/>

# KOREA

## Prevalence of funding sources\*

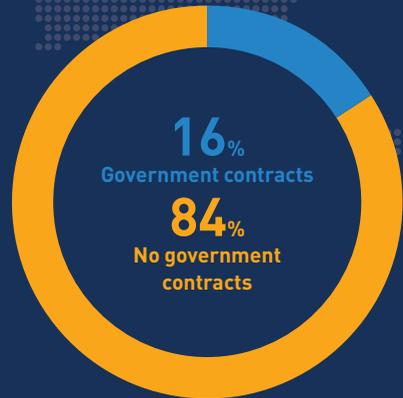


\* % of SDOs receiving each type of funding

## Ease of understanding laws



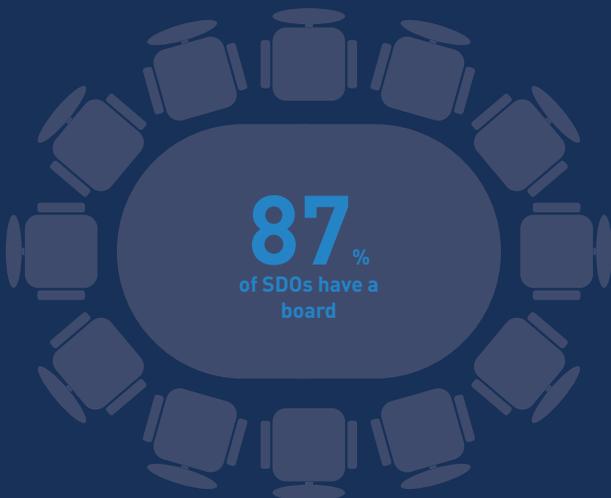
## Proportion of SDOs with government procurement contracts



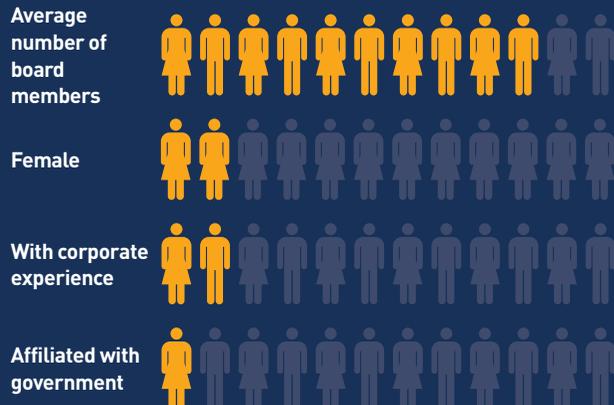
## Trust in SDOs



**13%**  
of respondents believe SDOs are trusted by society



## SDO board composition



### Percentage of SDOs working with corporate volunteers



### Difficulty in recruiting skilled staff



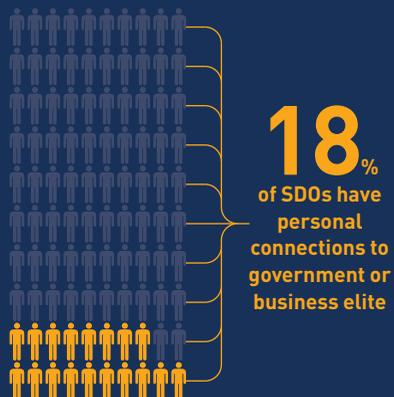
### Individual charitable giving



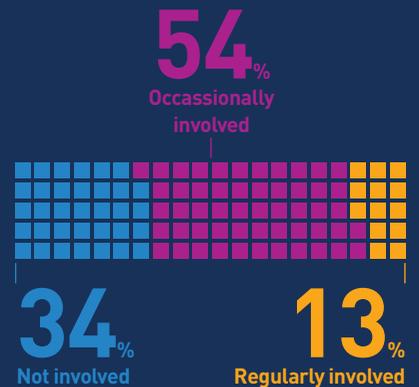
### Top 2 reasons for low levels of individual giving



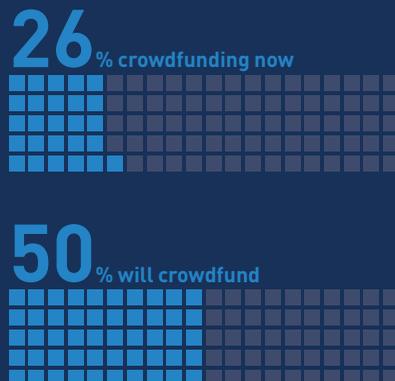
### SDOs with connections to elite



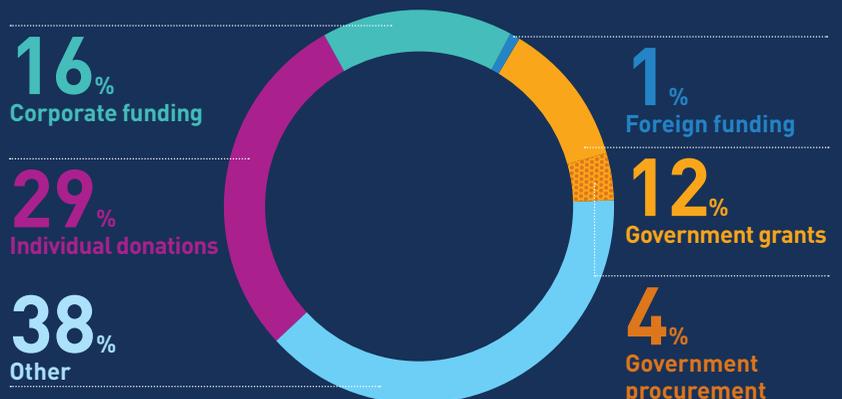
### SDOs involved in policy consultations



### Crowdfunding trends



### Average SDO budget by funding source\*



\* Based on data from 2017-2018, the last complete financial cycle at the time of data collection.



# KOREA

**Summary:** The culmination of huge scandals in the nonprofit arena, increased interest in new forms of giving (online) and new types of social organizations (social enterprises) is making it difficult for traditional donors and nongovernmental organizations (NGOs) to thrive in Korea. The government is compounding this change by increasing regulations for the traditional social sector while shifting attention to social enterprises and job creation.

**Doing Good Index 2018: Doing Better**

**Doing Good Index 2020: Doing Better**

## Demographics<sup>1</sup>

**Population (2018):** 51,606,630

**GDP per capita, PPP (2018):** \$40,111.80

**Number of nonprofits (2018, rounded to the nearest 100):** 33,600<sup>2</sup>

**Estimated nonprofit-to-population ratio:** 1 for every 1,535 people

**% of GDP spent on health (2017):** 4.66%

**% of GDP spent on education (2016):** 4.6%

**Income status (World Bank classification):** High income

**Annual GDP growth (2018):** 2.7%

**Human Development Index rank (2019):** 22

Decades of remarkable economic growth, with gross domestic product (GDP) per capita increasing from US\$8,276 in 1990 to US\$38,335 in 2017, has allowed Korea to become a major industrial power.<sup>3</sup> However, in recent years, economic growth has slowed while inequality has risen. In addition to growing unemployment and persistent gender disparity, Korea has the fastest-aging population in the world. About half of the elderly live in relative poverty, which is significantly higher than the global national average of 13%.<sup>4,5</sup> The gender wage gap is nearly double the OECD average.<sup>6</sup> The social sector is an integral partner in meeting these challenges. The past 15 years have seen a dramatic increase in the number of nonprofits, with almost 33,600 currently operating in Korea.<sup>7</sup>

## Rebuilding trust: Strengthened regulatory oversight

**Scandals involving the social sector have dented public trust.** According to the *Doing Good Index 2020*, social delivery organizations (SDOs) in Korea are among the least

trusted in Asia. This trust deficit has sparked legislative and institutional reform to increase transparency and accountability, with the government making multifaceted efforts to strengthen relevant regulations.

Over the last couple of years, changes have been made under the Inheritance Tax and Gift Tax Act that have ramifications for the social sector.<sup>8</sup> These include the implementation of the Accounting Standards for Public Service Corporations, and expansion of disclosure requirements. As of 2020, nonprofits with an annual income of at least ₩5 billion (US\$4 million) or contributions of at least ₩2 billion (US\$1.6 million) will be required to undergo external audits. Previously, an external audit was mandatory only for nonprofits with assets of ₩10 billion (US\$8.1 million) or more. Expansion of mandatory disclosure means that all nonprofits (except religious organizations) will be subject to these requirements. Previously, only nonprofits with assets exceeding ₩500 million (US\$405,000) or whose annual income was ₩300 million (US\$243,000) or more

were required to submit settlement documents, among others.

**Laws pertaining to the social sector can be further optimized.**

These laws are difficult to understand, according to 77% of surveyed Korean SDOs.<sup>10</sup> Furthermore, SDOs have to deal with up to 43 government ministries and registration of an SDO can take up to 180 days, the second-longest time in Asia. Although there has been some success in simplifying procedural and administrative processes for managing the nonprofit sector, it is not enough.

**Efforts to establish a single-window agency such as a charity commission have not been successful.** This is largely due to a lack of sufficient discussion and consensus-building among government agencies.

**Tax deductions for charitable giving are available but inadequate.** The rate of tax deduction for individual charitable donations, and limits on income eligible for them, are among the lowest in Asia.<sup>11</sup> Almost all Korean SDOs believe deductions are important. Offering greater tax incentives can spur greater giving.

**Korea is one of the few economies in Asia that encourages giving upon death.** Although it has one of the highest inheritance tax rates in the world, donations to public interest corporations or public interest trusts are exempt, thereby encouraging charitable bequests.

## TYPES OF SDOS IN KOREA

Korea has two primary types of nongovernmental organizations (NGOs): advocacy-orientated organizations and those focused on social welfare delivery. While there is no legal distinction between the two, many people think of advocacy-oriented organizations as NGOs and social welfare organizations as nonprofit organizations (NPOs). Still, there is widespread confusion about types of organizations, and terms are used interchangeably, including NPOs (*beyoungri danche*), NGOs (*mingan danche*), civil society organizations (*simin danche*), civic movement organizations (*simin woondong danche*) and public interest corporations (*gongick bubin*).<sup>9</sup> SDOs can also exist as registered social enterprises.

SDOs can exist as unregistered organizations or as incorporated registered nonprofit corporations. Tax and other financial benefits are only available to those who register.

### Corporate giving: From corporate philanthropy to creating shared value

Corporate funding and support have traditionally played an important role in the social sector in Korea. Of surveyed SDOs, 55% receive corporate funding, higher than the Asian average. However, compared to previous governments, the current administration puts less emphasis on philanthropy and more emphasis on job creation. As such, government pressure on corporations to donate is decreasing. Instead, the government is focused on encouraging sustainable management practices.

The table below shows the declining amounts of charitable giving in the corporate sector (in millions of won).<sup>12</sup>

### Corporations are moving beyond charitable giving to corporate social responsibility and creating shared

<sup>1</sup> Most of these statistics are from the World Bank or United Nations Development Programme (unless otherwise cited). For complete references please refer to the Bangladesh demographics box on page 52.

<sup>2</sup> National Tax Statistics (2019). *Non-profit corporate tax reporting status* [Data file]. Retrieved on April 28, 2020, from [https://stats.nts.go.kr/national/major\\_detail.asp?year=2019&catecode=A08039](https://stats.nts.go.kr/national/major_detail.asp?year=2019&catecode=A08039)

<sup>3</sup> World Bank (2018). *GDP per capita, PPP (current international \$)* [Data file]. Retrieved from <https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD?locations=KR>

<sup>4</sup> Steger, I. (2017, August 31). South Korea is aging faster than any other developed country. *Quartz*. Retrieved from <https://qz.com/1066613/south-korea-demographic-time-bomb-its-aging-faster-than-any-other-developed-country-with-lowest-birth-rate-of-oecd-countries/>

<sup>5</sup> Organisation for Economic Co-operation and Development (OECD). (2018, June). *OECD Economic Surveys: Korea*. Retrieved from <http://www.oecd.org/economy/korea-economic-snapshot/>

<sup>6</sup> Ibid.

<sup>7</sup> National Tax Statistics (2019). *Non-profit corporate tax reporting status* [Data file]. Retrieved on April 28, 2020, from [https://stats.nts.go.kr/national/major\\_detail.asp?year=2019&catecode=A08039](https://stats.nts.go.kr/national/major_detail.asp?year=2019&catecode=A08039)

<sup>8</sup> Seoul NPO Centre. (March 25, 2020). 2020 달라진 개정 세법 : 공익법인 외부회계감사 대상 확대 외 무엇이 있나? [2020 Revised Tax Law: what other than expanding public accounting targets]. Retrieved from <http://blog.naver.com/snpo2013/221872148244>

<sup>9</sup> Private report by the Centre for Asian Philanthropy and Society (CAPS), 2016.

<sup>10</sup> Unless otherwise indicated, SDO survey data mentioned in this brief are from the *Doing Good Index 2020*.

<sup>11</sup> The tax credit rate for charitable contributions is 15% for the donation amount up to ₩10 million (US\$8,100) and 30% for the excess.

## Charitable giving in Korea (in millions of won)

Year	Individual giving	Corporate giving	Total giving
2014	7,717,848	4,906,292	12,624,140
2015	7,932,828	4,778,202	12,711,030
2016	8,221,315	4,647,156	12,868,471
2017	8,321,393	4,632,262	12,953,655

**value.** Over the past 5 years, corporations have changed their “top-down” method of social contribution to new approaches including the “double bottom line.” Corporate volunteer work in the traditional sense is also disappearing, and new forms of voluntary participation such as online national petitions to support the advocacy of beneficiary organizations are increasing instead.

**Changing mindsets have spurred a slow transfer of interest towards investing in social enterprises** and ventures instead of traditional nonprofits (illustrated by the launch of the government-backed Korea Social Value and Solidarity Foundation to invest in social enterprises).<sup>13</sup> The boundary between for-profit and nonprofit is blurring. Another example of the changing environment is the Social Value Connect (SOVAC) 2019 conference hosted by SK Group, which shared the message that there are many different ways to create social value and anyone can be a part of it.<sup>14</sup>

Different levels of government are also supporting the growth of social enterprises.<sup>15</sup> Korea was the first Asian country to introduce a legal framework for the certification of social enterprises, which grants them access to various kinds of benefits such as preferential procurement, subsidies and loans.<sup>16</sup>

The rise of social enterprises is crowding out traditional and smaller SDOs and fundraising for them is

becoming more and more difficult. Of the total number of SDOs registered with the Ministry of Employment and Labor, traditional nonprofits decreased from 47.1% in 2007 to 23.7% in 2017, while social enterprises increased from 43.1% to 62.2%.<sup>17</sup>

## New ways of giving and other trends

**With the economy slowing, growth of the donation market is also stagnating.** This is further affected

by the “giving phobia” as a result of recent scandals involving the social sector. In the *Doing Good Index 2020* survey, 76% of SDOs that were aware of these scandals reported a decline in funding.

**Traditional forms of donating are giving way to online giving and mobile fundraising platforms.** A quarter of *Doing Good Index 2020* respondents say they are currently using crowdfunding, while half say they plan to use this in the future. Changing attitudes towards online and mobile platforms along with generational changes in the population are resulting in traditional methods and targets of donations (cash, welfare-focused) giving way to new forms of fundraising (crowdfunding, social media-based direct donations to beneficiaries, and purchasing of sustainable or charitable products). These trends are making fundraising more difficult for traditional organizations that are not adapting. At the same time, the regulatory infrastructure is not keeping pace with these new forms of giving, which increases the risk of systems being misused and the continuance of scandals in the sector.

**Traditional SDOs face an uncertain, but not necessarily bleak, future.** Government procurement from the social sector is on the rise, which will help SDOs scale and grow. These SDOs may, however, gradually function as agencies of the government. Moreover, more SDOs may transition from a traditional organization to a hybrid social enterprise form to survive. The next few years will be important to watch to see how the social sector’s position in Korean society shifts.

<sup>12</sup> National Tax Statistics. (2019). *Report on Entertainment Expenses and Donations* [Data file]. Retrieved from [https://stats.nts.go.kr/national/major\\_detail.asp?year=2019&catecode=A08047](https://stats.nts.go.kr/national/major_detail.asp?year=2019&catecode=A08047)

<sup>13</sup> Korea Social Value and Solidarity Foundation (SVS Foundation) is the first wholesale fund in Korea based on a public-private partnership and aims to “enhance the financial accessibility of social economy enterprises by providing tailored finance.” For more details, visit [www.svsfund.org](http://www.svsfund.org)

<sup>14</sup> Held in Seoul on May 28, 2019, the conference brought together representatives from social enterprises, government organizations, academia and nonprofits for experience-sharing and networking. For more details, visit <https://www.socialvalueconnect.com>

<sup>15</sup> Centre for Asian Philanthropy and Society (CAPS). (2019). *Business for Good: Maximizing the Value of Social Enterprises in Asia*. Retrieved from <http://caps.org/our-research/business-for-good/>

<sup>16</sup> *Social Enterprises Promotion Act*. (2007). Act No. 8217 (Korea).

<sup>17</sup> Han, S. H. (2019, May 29). 소셜 비즈니스 생태계서 밀려난 ‘비영리 조직’... “우리 ‘영리’해도 될까?” [‘Nonprofit organizations’ pushed out of social business ecosystem ... Can we be “smart”?], *더 나은 미래 [Better Future]*. Retrieved from: <http://futurechosun.com/archives/41524>

## A BRIEF HISTORY OF THE SOCIAL SECTOR IN KOREA

Independence from Japanese colonialism in 1945, and lack of an official government in the subsequent period, created space for the growth of social movements in Korea. Farmers and other marginalized groups of society congregated under an umbrella organization named *Chonnong*, whose membership reached 3 million people in 1946, while service-oriented religious groups and charities were introduced for the first time.

Under Rhee Syngman's presidency (1948-1960), service organizations backed by foreign aid were relatively free to pursue their welfare activities. After a coup that installed President Park Chung-hee (1963-1979), Korea's standard of living grew through Park's development-oriented agenda. The resulting growth of the middle class enabled the development of community-driven organizations such as the *Saemaul Undong* (New Village) Movement, which played a role in the urbanization and development of local agricultural communities, implementing the central government's policies and plans at the

grassroots level. Under Chun Doo-hwan's military rule (1980-1988), rapid industrialization, urbanization and socioeconomic diversification took place, spurring popular support for various civil society groups. Such organizations played an active role in rallying against Chun's regime until he stepped down in the face of ongoing public demonstrations and protests.

Forty years of authoritarianism has helped shaped the advocacy-oriented nature of Korean civil society. This has also presented Korea with some challenges. Many philanthropists and companies, including traditional family-dominated conglomerates, are wary of advocacy groups. This makes them relatively reluctant to donate to charities and partner with local SDOs, and instead seek to set up private foundations or work in cooperation with the government. The mistrust is not one-sided. In the eyes of the general public, Korea's wealthy elite are seen to be closely linked to military and political regimes, and scandals involving Korean conglomerates' donations to former President Park Geun-hye have exacerbated the two-way trust deficit.<sup>18</sup>

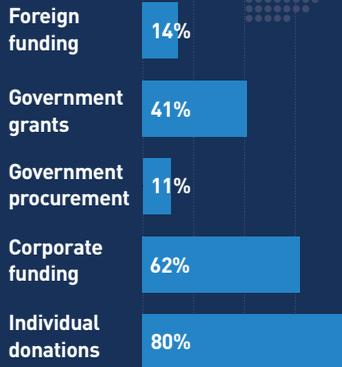
*We wish to thank our partner, The Beautiful Foundation, for primary authorship of this profile, and The Asan Nanum Foundation for their input.*

<sup>18</sup> Edited excerpt from Jang, H. (2018). Old Money—The History of Giving in Asia. In *Pragmatic Philanthropy* (pp. 17–68). Singapore: Palgrave Macmillan.



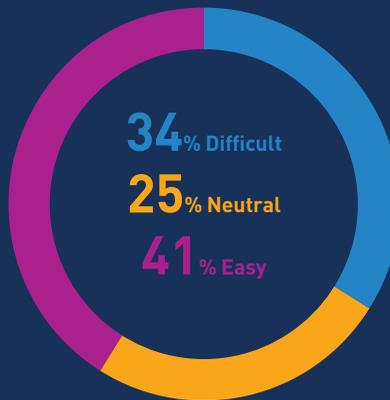
# MALAYSIA

## Prevalence of funding sources\*

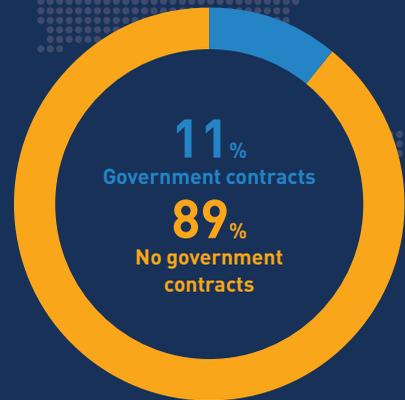


\* % of SDOs receiving each type of funding

## Ease of understanding laws



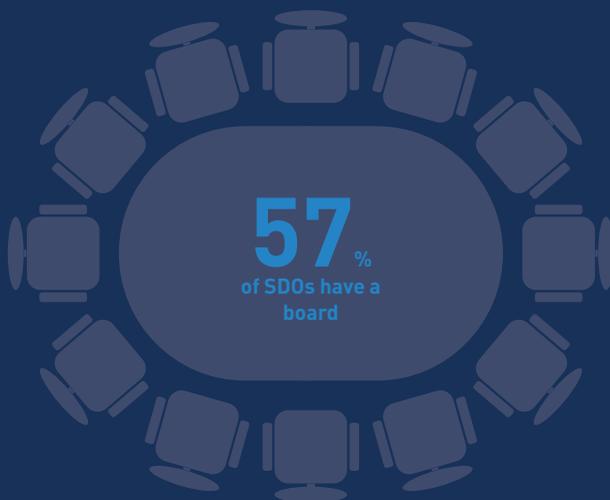
## Proportion of SDOs with government procurement contracts



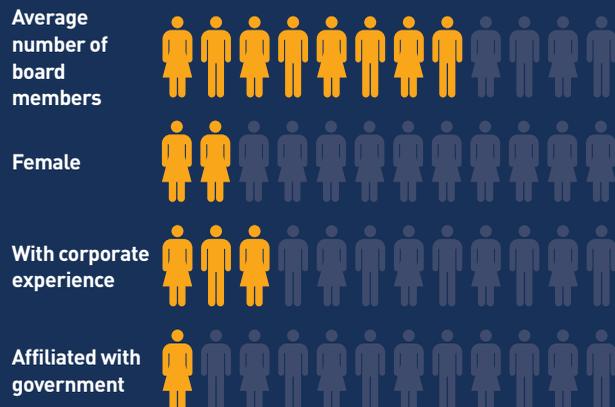
## Trust in SDOs



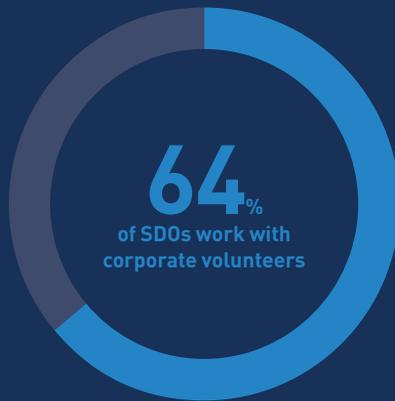
**48%**  
of respondents believe SDOs are trusted by society



## SDO board composition



### Percentage of SDOs working with corporate volunteers



### Difficulty in recruiting skilled staff



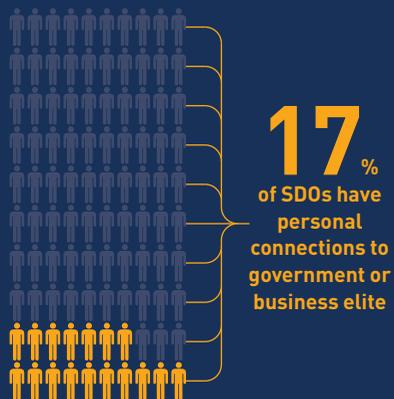
### Individual charitable giving



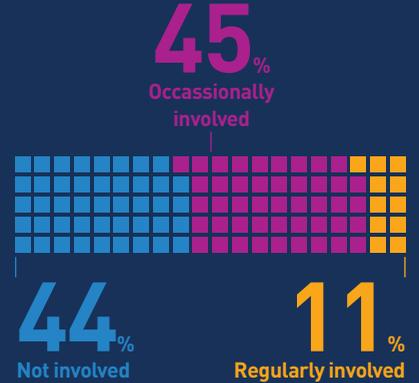
### Top 2 reasons for low levels of individual giving



### SDOs with connections to elite



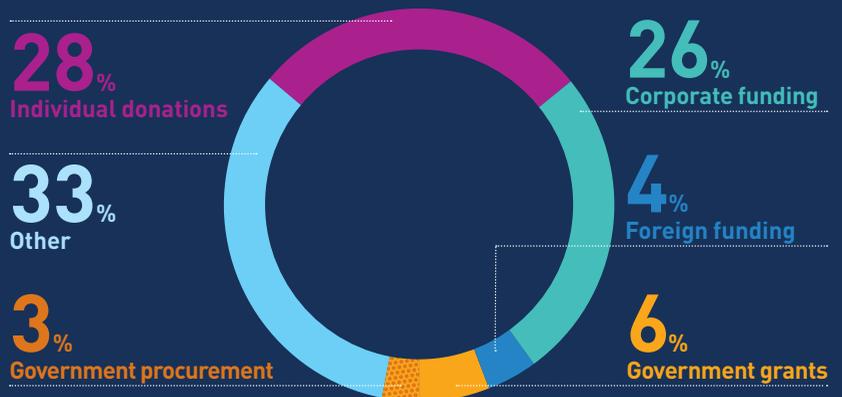
### SDOs involved in policy consultations



### Crowdfunding trends



### Average SDO budget by funding source\*



\* Based on data from 2017-2018, the last complete financial cycle at the time of data collection.



# MALAYSIA

**Summary:** Political uncertainty continues in Malaysia, with multiple governments within a few short years coupled with the economic fallout from slowing growth and Covid-19. Against this backdrop, the social sector is struggling with challenges, old and new. While there is some interest by the new government in firing up the charitable sector, limited incentives for giving continue to constrain growth.

**Doing Good Index 2018: Doing Better**

**Doing Good Index 2020: Doing Okay ▼**

## Demographics<sup>1</sup>

**Population (2018):** 31,528,580

**GDP per capita, PPP (2018):** \$28,207.70

**Number of nonprofits (2018, rounded to the nearest 100):** 67,400<sup>2</sup>

**Estimated nonprofit-to-population ratio:** 1 for every 468 people

**% of GDP spent on health (2017):** 3.86%

**% of GDP spent on education (2018):** 4.5%

**Income status (World Bank classification):** Upper-middle income

**Annual GDP growth (2018):** 4.7%

**Human Development Index rank (2019):** 61

## The state of the social sector

Malaysia has made great advances over the past few decades. If it is able to reduce income inequality and make further advances in education, health, and social protection, it can become the next high-income economy in Southeast Asia. There are positive trends. Income inequality is high but gradually declining.<sup>3</sup> Following the removal of broad-based subsidies, the government is slowly moving toward more targeted measures to support the poor and vulnerable, mainly in the form of cash transfers to low-income households. And, in a break from the past, there are signs that the government is beginning to recognize that the social sector can be a partner in this endeavor to build a prosperous Malaysia for all.

**Recent changes in the political landscape appear favorable for Malaysia's social sector.** Themed "A Resurgent Malaysia, A Dynamic Economy, A Prosperous Society," the 2019 national budget had three focus areas: institutional reforms, socioeconomic well-being and

fostering entrepreneurship.<sup>4</sup> This budget was widely interpreted as being supportive of the social sector due to policies aimed at collaborating with nonprofits and social enterprises to alleviate poverty and support marginalized communities.<sup>5</sup>

With the aim of achieving equitable and sustainable economic growth, resources were allocated toward helping ethnic minority youth and strengthening the development of Orang Asli (indigenous people) communities.<sup>6</sup> A commitment to procuring more services from organizations employing the disabled was made. These budgetary commitments are potentially a big boon for the many nongovernmental organizations (NGOs) in Malaysia which are aligned with these objectives.

**Yet, the government can do more.** One of the most powerful policy tools available for incentivizing giving—tax deductions for donations—is underutilized. Malaysia offers a 100% rate of tax deduction but severely limits income eligible for these deductions. Deductions are

capped at 7% of individual income and 10% of corporate income—among the lowest limits in Asia. Nearly two-thirds of surveyed social delivery organizations (SDOs) believe that the level of individual giving in Malaysia is low and cite a lack of tax incentives for donations as one of the top two reasons for this.<sup>7</sup>

**Malaysian nonprofits have the lightest administrative load in the region but obtaining tax exemption can take time.** According to experts interviewed for the *Doing Good Index 2020*, aspiring nonprofits require just one clearance to set up. The time it takes for registration to be completed is the shortest in Asia: only days on average compared to the Asia-wide average of three months.

Attaining exemption from income tax, on the other hand, is not as easy and nonprofits need to be in operation for two years to be eligible for it. The Ministry of Finance awards tax-exempt status after receiving proof of registration, financial statements for the two preceding years, a list of past and future planned activities, as well as a supporting letter from a relevant government department or ministry.

**Governance infrastructure for nonprofits lags behind the rest of Asia.** Only 57% of surveyed SDOs in Malaysia have a board compared to 87% across Asia. Nearly two-thirds of surveyed SDOs also believe that regulations related to the charitable sector are rarely or never enforced. Perceptions of weak enforcement and inconsistency in governance do not help build donors' trust in the sector.

## Funding: A changing landscape

**Economic stagnation and declining foreign funding are pressuring SDOs to find new sources of revenue.** Despite positive developments, the sustainability of nonprofits and social enterprises remains a major concern. Malaysia's gross domestic product (GDP) has been decelerating since

the third quarter of 2017.<sup>8</sup> Budget cuts implemented by cash-strapped government bodies and agencies caused steep drops in contributions to the social sector, forcing NGOs and social enterprises to reconsider their revenue-generating strategies. To stay afloat, many of them opt for collaborations or partnerships with other SDOs or private companies. According to the SDO survey for the *Doing Good Index 2020*, Malaysia had the highest number of for-profit SDOs (one in four) in Asia. Even among the Malaysian SDOs that were nonprofits, half have a revenue-generating arm.

Malaysia also has the highest proportion of SDOs (41%) using crowdfunding across Asia, a reflection of both the need for alternative sources of funding and a technology-savvy population.

**Government procurement is a missed opportunity.** Only 11% of surveyed SDOs in Malaysia had received procurement contracts from the government, well below the Asian average of 26%. Although government grants appear more widely available—41% of SDOs received them—they made up only a small portion of the average SDO budget (6%).

The government has established agencies to support and nurture the social economy in Malaysia and facilitate procurement opportunities. These include Agensi Inovasi Malaysia (AIM), which works primarily with nonprofits, and the Malaysian Global Innovation and Creativity Centre (MaGIC), which focuses on social enterprises and startups. In addition to helping with financing and providing other forms of support, they also encourage government procurement from SDOs.<sup>9</sup>

**Funding from the private sector tends to flow to well-established SDOs.** Two-thirds of Malaysian SDOs receive corporate funding, greater than the Asian average of 48%. Corporate funding also makes up a bigger proportion of the average Malaysian SDO budget (26%) than the

<sup>1</sup> Most of these statistics are from the World Bank or United Nations Development Programme (unless otherwise cited). For complete references please refer to the Bangladesh demographics box on page 52

<sup>2</sup> Shared by myHarapan from the Ministry of Women, Family and Community Development and the Ministry of Finance, Malaysia, based on datasets at [http://www.data.gov.my/data/ms\\_MY/dataset/statistik-pertubuhan-berdaftar-mengikut-tahun](http://www.data.gov.my/data/ms_MY/dataset/statistik-pertubuhan-berdaftar-mengikut-tahun)

<sup>3</sup> World Bank. (2020). *Malaysia Overview*. Retrieved on March 1, 2020, from <https://www.worldbank.org/en/country/malaysia/overview>

<sup>4</sup> Crowe Malaysia PLT. *Highlights of Malaysia Budget 2019*. Retrieved May 12, 2020 from <https://www.crowe.com/my/news/highlights-of-malaysia-budget-2019>

<sup>5</sup> A social enterprise is defined as an organization that follows business principles to meet a social or environmental need through a product, service, process or distribution of profit. Centre for Asian Philanthropy and Society (CAPS). (2019). *Business for Good: Maximizing the Value of Social Enterprises in Asia*. Retrieved from [www.caps.org/our-research/business-for-good](http://www.caps.org/our-research/business-for-good)

<sup>6</sup> A budget allocation to residents' associations registered with the Registrar of Societies to carry out community, security, and cleaning activities was also made.

<sup>7</sup> Unless otherwise indicated, SDO survey data mentioned in this brief are from the *Doing Good Index 2020*.

<sup>8</sup> World Bank, World Development Indicators. (2018). *GDP per capita, PPP (current international \$)* [Data file]. Retrieved from <https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD>

<sup>9</sup> Ace, T. (2017, April 5). *Building the Social Economy in Asia: The Role of Government*. AVPN. Retrieved May 23, 2018, from <https://avpn.asia/blog/building-social-economy-asia-role-government/>

average Asian SDO budget (15%). And yet, access to this funding remains a challenge for smaller SDOs and social enterprise startups.

Most corporate funding from private and government-linked companies tends to go to bigger, well-known “superstar” SDOs that will generate greater press coverage. Lack of equal access to funding relegates small SDOs to a secondary position. This is particularly concerning for social enterprise startups that rely even more heavily on investment from the corporate sector.

## The rise of social enterprises

The reestablishment of the Ministry of Entrepreneur Development (MED) in July 2018 after its disbandment in 2009 paved the way for the new government under Prime Minister Muhyiddin Yassin to develop social enterprises through the National Entrepreneurship Framework. MED aims to work closely with other stakeholders and industry players to create and develop an integrated ecosystem for social enterprises. It is expected to pick up where the previous government left off and address the lack of a regulatory framework for social enterprises, low institutional and public support, as well as limited access to funding.

**The new government has put a number of supportive fiscal measures in place.** In addition to direct funding, it has promised income-tax deductions for donations or contributions to any social enterprise, subject to a maximum of 10% of aggregate income of a company or 7% of aggregate income for anyone else. Although the actual implementation of this policy is yet to be rolled out, such support for social enterprises in Malaysia is unprecedented.

In addition, MaGIC has introduced the Impact Driven Enterprise Accreditation (IDEA) system to validate and legally recognize the work of impact-driven companies, giving them a competitive advantage by connecting them to potential business partners.<sup>10</sup>

**The rising focus on social enterprises also presents a challenge.** More than two-thirds of surveyed SDOs

reported that there is greater interest in social enterprises in Malaysia over the last two years. While 41% believed that this means more societal needs can be met, a fifth felt that this translated to more pressure on traditional nonprofits to generate their own revenue. The same proportion felt that the rise of social enterprises meant more competition for limited funding. It remains to be seen what this means for traditional nonprofits and social enterprises in the long run, and whether the two will coexist and complement one another, or compete and evolve into hybrid forms.

## Emerging trends

In the last two years, several trends have emerged to meet Malaysia’s social needs.

**The government is promoting more private sector and social sector engagement with the “bottom 40%” of Malaysian households.** With less than 1% of Malaysian households living in extreme poverty, the government’s focus has shifted towards addressing the well-being of the poorest 40% of the population, as outlined in the “B40” agenda of the 2019 budget.

**The government continues to issue a clarion call for corporate social responsibility (CSR).**<sup>11</sup> The government calls for companies to develop and implement CSR programs in Malaysia’s national development plans, often specifying which needs are the most urgent.<sup>12,13</sup> Government-linked companies, unsurprisingly, are particularly responsive to these signals. But private companies are also stepping up. As mentioned earlier, corporate giving constitutes 26% of the average SDO budget in Malaysia, the second-highest proportion in Asia.

Corporates are also getting involved in other ways. Nearly half (48%) of SDO boards in Malaysia featured members with corporate experience.

**CSR is being extended to cover social enterprises as well.** Many corporate foundations are looking into innovative ways to implement social initiatives. Alliance Bank has piloted an initiative to grow social enterprises through its own CSR programs. Similarly,

<sup>10</sup> Three criteria for accreditation are that the company has a clear social mission, contributes significant resources to a beneficiary group, and is financially sustainable.

<sup>11</sup> Sciortino, R. (2017). Philanthropy in Southeast Asia: Between Charitable Values, Corporate Interests, and Development Aspirations. *Austrian Journal of South-East Asian Studies*, 10(2), 139–164.

<sup>12</sup> United Nations Children’s Fund (UNICEF). (2013). *Corporate Social Responsibility Policies in Malaysia: Enhancing the child focus*. Retrieved from [https://www.unicef.org/evaldatabase/files/2013-003\\_-\\_CSR\\_Policies\\_In\\_Malaysia\\_-\\_Review.pdf](https://www.unicef.org/evaldatabase/files/2013-003_-_CSR_Policies_In_Malaysia_-_Review.pdf)

<sup>13</sup> Economic Planning Unit, Malaysia. (2015). *Eleventh Malaysia Plan 2016–2020: Anchoring growth on people*. Government of Malaysia. Retrieved from <http://www.epu.gov.my/sites/default/files/RMKe-11 Book.pdf>

Maybank is exploring talent development through social entrepreneurship. Some large corporations are also building social enterprises into their value chain.

## Looking ahead

Under the previous administration, Malaysia was treated like a two-sector economy: growth was attributed mainly to the private and public sectors. However, a two-sector model is flawed. Not only is it incapable of sustaining a nation's overall development, but it can also lead to many being left behind at the altar of poverty or inequality.<sup>14</sup> The contributions of the social sector—the third sector—in addressing these issues and spurring sustainable growth

were not formally recognized.

Today, as “New Malaysia” ventures into an uncertain future, it is time to recognize the role of the third sector. The new government has taken a step in this direction with its focus on institutional reforms, socioeconomic well-being and entrepreneurship. But true recognition must begin with defining the legal structures and process of registering social enterprises, followed by the establishment of a single-window facility to spearhead the development of the third sector, and increasing public awareness and support. After all, a more organized and systematic third sector is instrumental towards creating “A Resurgent Malaysia, A Dynamic Economy, A Prosperous Society.”

## HISTORY OF MALAYSIAN NONPROFITS AND SOCIAL ENTERPRISES

Malaysian society is ethnically diverse, with Malay, Chinese and Indian being the most common ethnicities, which has resulted in a melting pot of philanthropic traditions.<sup>15</sup> The legal space for nonprofit organizations has existed since the inception of the modern nation of Malaysia. The oldest legislation governing modern nonprofits in Malaysia—and the only one inherited from the British colonial period—is the Trustees (Incorporation) Act of 1952, which created the legal basis for establishing a trust.<sup>16</sup> The Societies Act of 1966 still governs the creation of societies, whereas the Companies Act of 1965 (redrafted in 2016) is the legislative basis for a company limited by guarantee, which is the most popular legal form used by Malaysian nonprofits today.<sup>17</sup> Registration requirements for a

company limited by guarantee are less demanding than those for a society.<sup>18</sup>

Social enterprises, on the other hand, are relatively new. MaGIC was established in 2014 to increase the number of social enterprises by building a sustainable startup ecosystem. In 2018, MaGIC survived potential disbandment during the transition of power before finally being placed under the newly established MED. This realignment is expected to bode well for social enterprises. MaGIC will now have a larger voice to push for policies, implement them and ultimately carry out system change backed by MED. To help raise awareness, the Chamber of Social Entrepreneur Development has also been set up to play an advocacy role targeted at high-level stakeholders.<sup>19</sup>

*We wish to thank our partner, myHarapan - Youth Trust Foundation, for primary authorship of this profile.*

<sup>14</sup> Arshad, M. N. M., & Haneef, M. A. M. (2017). Third Sector Socio-Economic Models: How Waqf Fits In? *Institutions and Economies*, 8(2), 75–93.

<sup>15</sup> Mazlan, N., Lugiman, F. A., & Jaafar, F. (2015). Promoting the Culture of Philanthropy in Malaysia. In *International Colloquium of Art and Design Education Research (i-CADER 2014)* (pp. 289–295). Singapore: Springer.

<sup>16</sup> *Trustees (Incorporation) Act*. (1952). Act 258 (Malaysia). Retrieved from [http://www.agc.gov.my/agcportal/uploads/files/Publications/LOM/EN/Act%20258%20-%20Trustees%20\(Incorporation\)%20Act%201952.pdf](http://www.agc.gov.my/agcportal/uploads/files/Publications/LOM/EN/Act%20258%20-%20Trustees%20(Incorporation)%20Act%201952.pdf)

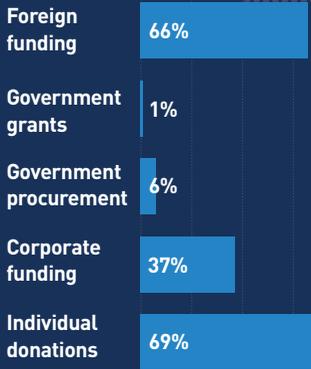
<sup>17</sup> Mohan, A., Harsh, S., & Modi, A. (2017). *Social Investment Landscape in Asia: Insights from Southeast Asia*. Retrieved from <https://avpn.asia/insights/social-investment-landscape-asia/>

<sup>18</sup> International Center for Not-For-Profit Law. (2019). *Civic Freedom Monitor—Malaysia*. Retrieved March 1, 2020, from <http://www.icnl.org/research/monitor/malaysia.html>

<sup>19</sup> Chamber for Social Entrepreneur Development (CSED). *About Us*. Retrieved from <https://www.malaysiacsed.com/about>

# MYANMAR

## Prevalence of funding sources\*

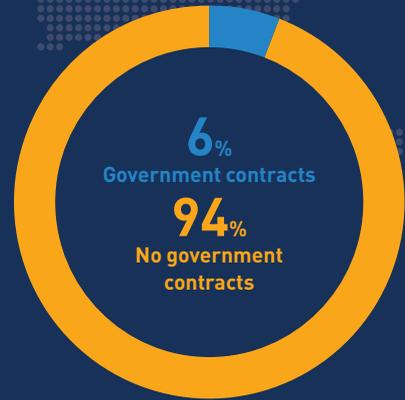


\* % of SDOs receiving each type of funding

## Ease of understanding laws



## Proportion of SDOs with government procurement contracts



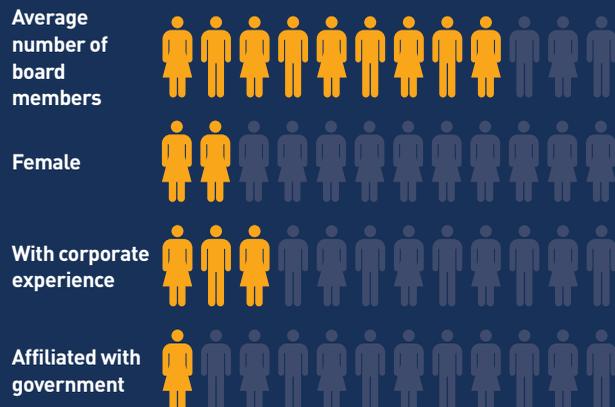
## Trust in SDOs



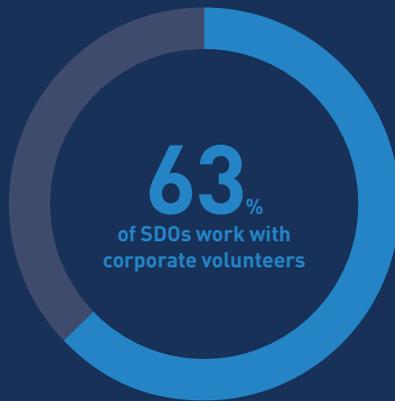
**70%**  
of respondents believe SDOs are trusted by society



## SDO board composition



### Percentage of SDOs working with corporate volunteers



### Difficulty in recruiting skilled staff



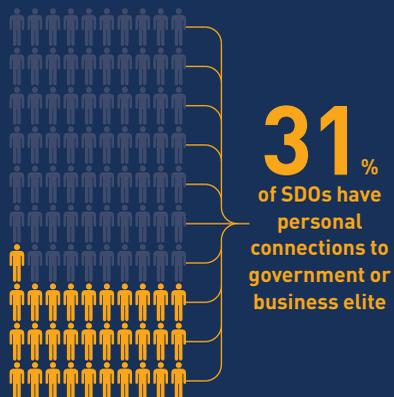
### Individual charitable giving



### Top 2 reasons for low levels of individual giving



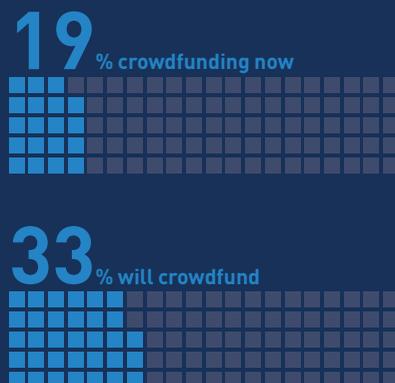
### SDOs with connections to elite



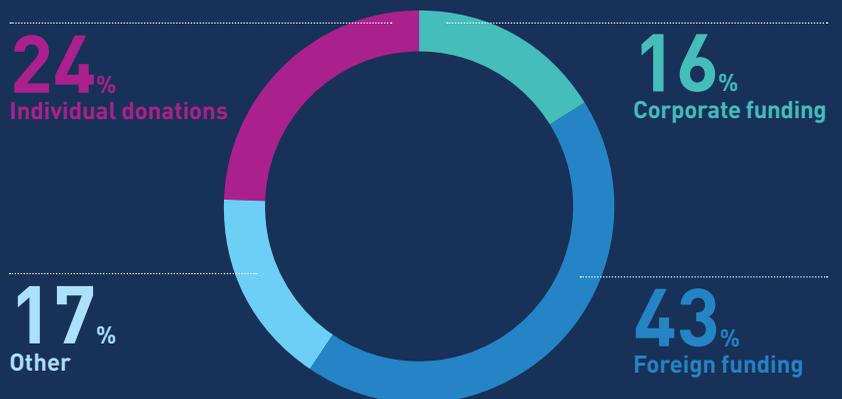
### SDOs involved in policy consultations



### Crowdfunding trends



### Average SDO budget by funding source\*



\* Based on data from 2017-2018, the last complete financial cycle at the time of data collection.



# MYANMAR

**Summary:** Myanmar, previously known as Burma, only recently emerged from decades of military rule. From 2012, a series of legislative changes were initiated to attract foreign investment and improve the country's legal framework. Foreign investors and donor agencies eagerly entered the "last Asian frontier." However, underlying structural conditions, including conflict, weak government capacity, low levels of education, economic vulnerability, pervasive corruption, red tape, unclear economic policies and political uncertainty have made it difficult for both the private and social sectors to thrive.

**Doing Good Index 2018: Not Doing Enough**

**Doing Good Index 2020: Doing Okay ▲**

## Demographics<sup>1</sup>

**Population (2018):** 53,708,390

**GDP per capita, PPP (2018):** \$6,674.00

**Number of nonprofits (rounded to the nearest 100):** 10,000<sup>2</sup> to 224,000<sup>3,4</sup>

**Estimated nonprofit-to-population ratio:** 1 for every 5,370 people to 1 for every 240 people

**% of GDP spent on health (2017):** 4.66%

**% of GDP spent on education (2018):** 2%

**Income status (World Bank classification):** Lower-middle income

**Annual GDP growth (2018):** 6.2%

**Human Development Index rank (2019):** 145

## Social delivery organizations in Myanmar: Recent developments

Myanmar's social sector has always been active. The majority of the population identifies as Buddhist, and monasteries and religious organizations play a key role in offering education and social support to people in need. Christian and Muslim organizations play a similar role, the former particularly in ethnic minority and border areas. Myanmar has consistently featured as a top performer on the annual *World Giving Index* by the Charities Aid Foundation, reflecting the high priority placed on individual giving and volunteering in society.<sup>5,6</sup>

Despite more than 50 years of military rule and internal conflict, civil society structures have long existed in Myanmar at a local level, often filling the gaps in the state's delivery of social services.<sup>7</sup> Between 2012 and 2016, social delivery organization (SDO) activity in Myanmar rapidly expanded and international assistance

flooded in, with numerous international nongovernmental organizations (INGOs) opening offices in Yangon. There was better access to expertise, training and scholarships.

However, the situation changed when the crisis in Rakhine State escalated in 2017, forcing hundreds of thousands of Rohingya to flee into neighboring Bangladesh. Parts of Rakhine and other states and regions with ongoing ethnic conflict were closed off to SDOs that offered humanitarian assistance. International donors reassessed their development assistance to Myanmar. This has resulted in a more cautious approach, with carefully selected projects in specific geographic locations.

The government has also increased control over SDOs through the registration process and more oversight. According to the *Doing Good Index 2020* expert meeting participants, it now takes longer to register an organization if the government is unsure about the nature of the organization's activities.

## Regulatory environment: From registration to operational difficulties

**Reforms have created room for SDOs to operate, but communication channels are weak and laws are difficult to understand.** In 2014, the government adopted the Law Relating to the Registration of Associations (Associations Law), lifted the ban on unregistered organizations and simplified the registration process for domestic nonprofit associations. Nevertheless, the lack of communication and cooperation among civil servants in different ministries as well as between national and subnational levels means that government regulations are inconsistently applied.

**Registration can be a complicated and arduous process.** Registration is overseen by the Registration Committee housed in the General Administration Department.<sup>10</sup>

According to the Associations Law, registration should not take more than 90 days at the national level, 60 days at the regional level, and 30 at the township level. However, depending on location, scope of SDO activities and their relationship with local authorities, the registration process can take much longer—sometimes even years.

In order to obtain a registration certificate, SDOs also have to secure up to 15 different permits from their

## A TYPOLOGY OF NONPROFIT ORGANIZATIONS IN MYANMAR

There are three types of civil society organizations in Myanmar, which can take on various legal forms, including association, foundation and company.

**Community-based organizations (CBOs)** are informal or voluntary associations formed at the local village level. Most village CBOs provide for the community's social and religious needs, assisting with basic services such as health, education and even funerals.

**Local civil society organizations (CSOs) and local nongovernmental organizations (NGOs)** have been operating in Myanmar for decades despite government restrictions. They emerged mostly from cities or townships, and tend to be formally registered.<sup>8</sup> Before the country gradually opened up in 2011, most registered CSOs and NGOs focused on education, religion, social support and disaster relief, especially in the aftermath of Cyclone Nargis in 2008.

**International nongovernmental organizations (INGOs)** entered Myanmar in the 1990s to offer technical and financial support to local nonprofits. Restrictions on their operations were only eased after Cyclone Nargis and then further relaxed after the change in government in 2011.

township offices, which creates opportunities for corruption and prolongs the registration process. Once approved, the registration certificate must be renewed every five years.<sup>11</sup> Therefore, not all SDOs register (registration is voluntary). However, unregistered SDOs are unlikely to be granted permission to conduct public activities, cannot officially receive funds into their bank accounts and might be excluded from consultations with the government.

<sup>1</sup> Unless otherwise cited, these statistics are from the World Bank or United Nations Development Programme. For complete references please refer to the Bangladesh demographics box on page 52.

<sup>2</sup> Estimated number of local social delivery organizations by Local Resource Centre (LRC) in 2018. Retrieved from <https://www.lrcmyanmar.org/>

<sup>3</sup> There are no official government statistics on SDOs in Myanmar, most data are gathered from different sources and numbers vary considerably. This figure includes commonly quoted figures of 214,000 community-based organizations (CBOs) and 10,000 local NGOs.

<sup>4</sup> Asian Development Bank (ADB). (2015). *Civil Society Briefs: Myanmar*. Retrieved from <https://www.adb.org/sites/default/files/publication/154554/csb-myanmar.pdf>

<sup>5</sup> Myanmar fell to 9<sup>th</sup> position in 2018. All three of Myanmar's scores have decreased since 2017 (donating money is down from 91% to 88%, helping a stranger is down from 53% to 40% and volunteering time is down by the largest amount, from 51% to 34%).

<sup>6</sup> Charities Aid Foundation (CAF). (2018). *CAF World Giving Index 2018: A global view of giving trends*. CAF. Retrieved from [https://www.cafonline.org/docs/default-source/about-us-publications/caf\\_wgi2018\\_report\\_webnopw\\_2379a\\_261018.pdf](https://www.cafonline.org/docs/default-source/about-us-publications/caf_wgi2018_report_webnopw_2379a_261018.pdf)

<sup>7</sup> Asian Development Bank (ADB) (2015). *Civil Society Briefs: Myanmar*. ADB. Retrieved from <https://www.adb.org/sites/default/files/publication/154554/csb-myanmar.pdf>

<sup>8</sup> Ibid.

<sup>9</sup> Tan, P. & Lam, S. S. (2017). *Philanthropic Foundations in Asia: Insights from Singapore, Myanmar and China*. AFD Research Papers Series, No. 2017-58, October.

<sup>10</sup> The General Administration Department falls under the newly created Ministry of Office of the Union Government. It was formerly under the Ministry of Home Affairs.

<sup>11</sup> In theory, all registered SDOs (except some small-sized local CBOs and CSOs) are required to operate under a memorandum of understanding (MOU) with a counterpart ministry, which is selected based on the activities that the SDO outlines in its registration application. SDO registration and MOU negotiations can take place simultaneously, but the registration committee will only issue a certificate if there is a recommendation letter from the future line ministry. Only once an SDO is registered, can the MOU with the line ministry be finalized.

The regulations are confusing. 46% of SDOs surveyed for the *Doing Good Index 2020* had difficulty understanding relevant laws thus creating a key barrier to operational activities. Moreover, laws are not consistently enforced according to 83% of SDOs, most of whom say social sector organizations are thus likely to bypass government regulations when they operate.

**SDOs are subject to complicated oversight procedures.**

Oversight of registered SDOs falls upon line ministries, which review SDOs' quarterly reports and monthly activity summaries.<sup>12</sup> Line ministries have the power to approve or reject any of their proposed activities.<sup>13</sup> The level of oversight depends on the line ministry and how thorough it chooses to be in scrutinizing individual SDOs. Many SDOs seek to establish good relationships with local authorities as these relationships can be the deciding factor in determining how easy or difficult it is to operate.

**Dependence on foreign funds is more significant than in other Asian countries.** 66% of surveyed SDOs report receiving foreign funding, compared to the Asian average of 45%. Foreign funding makes up almost half of their budget on average, compared to the Asian average of 25%. International nonprofit organizations tend to have easier access to foreign funding, while local ones struggle to compete. One reason for this has been the difficulty donors have in completing due diligence on local SDOs; there are no government records and many local SDOs are still learning how to properly manage their organizations.

**Government support for SDOs in Myanmar is the lowest in Asia.** Only 1% of surveyed SDOs reported receiving government grants, and only 6% had government procurement contracts.

Other forms of fundraising are not yet common. While the Associations Law permits crowdfunding, the final decision lies with state and regional governments which may refuse for different reasons. Only 19% of surveyed SDOs are currently crowdfunding—the lowest in Asia.

**Registered nonprofits can apply to the Ministry of Planning and Finance for tax exemption.** In practice, many SDOs simply negotiate their tax payments with their township tax offices which do not always have a clear understanding of the law. Therefore, taxes are applied

on a case-by-case basis, depending on the case officer's interpretation of the law.

More clarity is being provided by the Internal Revenue Department on whether businesses and individuals can claim tax deductions on all donations. Under the Income Tax Law, businesses can claim income tax deductions (up to 25% of taxable income) for donations to approved organizations working in certain sectors only (religion, health, poverty reduction, education, and relief from natural disasters).<sup>14</sup>

## Myanmar's private sector and its responsibility towards meeting social needs

**Corporate giving in Myanmar is in line with the Asian average.** Funding from corporates makes up 16% of the average Myanmar SDO's budget. Almost 40% of SDOs report receiving corporate funding. Corporates engage in other ways, too: two-thirds of SDOs that work with volunteers host corporate volunteers, higher than the Asian average of 51%.

**But still the concept of corporate social responsibility (CSR) is not fully understood.** There is little understanding by government officials and the private sector on what CSR and creating shared value actually means. CSR is widely interpreted as limited to corporate philanthropy. Most corporate giving is to religious organizations or schools, and motivated by companies seeking acceptance from the communities they operate in. Donations are also offered to village heads and other influential community leaders to further this objective. Such donations can present corruption risks and create conflict of interest.

In Myanmar, it is not mandatory for companies to give donations or engage in CSR activities, with the exception on paper of the extractives sector, whereby mining companies are required to contribute 2% of their net profit to a government-managed CSR fund. The fund is supposed to be managed by a committee comprising of relevant government departments as well as company, community and civil society representatives, but in reality, there is little evidence that such committees have actually been set up.

**Many large Myanmar companies have established "foundations," although few take formal legal form.** This is partly due to an unclear regulatory framework for

<sup>12</sup> Nevertheless, SDOs are required to submit their annual reports and financial statements to the General Administration Department before December 31 annually for five consecutive years (the duration of the registration certificate).

<sup>13</sup> Line ministries are also responsible for providing recommendation letters to secure visas for international SDO staff and travel authorizations to restricted areas, which, in some cases, may take months to obtain.

<sup>14</sup> The Inland Revenue Department's Practice Statement No. 2/2018, dated October 11, 2018, provides further examples.

such bodies; there currently does not appear to be any mechanism for registering and approving them. If not well governed, corporate donations may constitute a business integrity risk or they may inadvertently do more harm than good. This issue has received increased prominence following the 2019 report of the United Nations' independent fact-finding mission, which raised questions about the governance of donations by companies in Myanmar to the crisis in Rakhine State.<sup>15</sup>

**Poor governance and lack of transparency impede SDO access to greater corporate funding.** Most local foundations offer funding directly to communities or coordinate their relief efforts through the government, with only a few putting out calls for proposals. In addition, the majority of local SDOs still see local businesses as “cronies” and do not want to tarnish their reputation by associating with them.

International companies find it slightly easier to engage with SDOs as they have global experience with such collaborations which they bring to Myanmar. Their international SDO partners then subgrant to local SDOs. However, their objectives do not always align with the needs of local SDOs.

## Social enterprises and the enabling environment for social investment

**Interest in social enterprises has grown considerably in recent years.** Before 2016, very few organizations identified as social enterprises.<sup>16</sup> Since then, with the rise of startups and growing interest in impact investment, the number has been growing. By some estimates there are currently 500 social enterprises in Myanmar, but only 30% are financially stable and have the potential to grow.<sup>17,18</sup> Recently, private impact funds, private equity and venture capital funds, and foreign foundations have shown more interest in impact investing in the country, with most capital currently channelled towards microfinance,

followed by education, tourism and information technology.<sup>19,20</sup> There are also a number of incubators and accelerators supporting general and social startups. According to those in our study, 91% report donors are interested in social enterprises up from 53% in 2018.

As there is no legal definition of a “social enterprise” in Myanmar law, many choose to register as both “service companies” and as associations under the Associations Law. In 2018, the Myanmar Young Entrepreneurs Association proposed a Social Enterprise Law and formed the Social Enterprise and Inclusive Business Committee to coordinate efforts to promote business solutions to development challenges. However, there has been no further development on this front.<sup>21</sup>

While social enterprises can benefit from policies that make collateral-free loans available, they still have to pay commercial income tax on revenue. Overall, many challenges remain for social investment growth in Myanmar.

## Social perception of SDOs

For the majority of the Myanmar population, access to education, healthcare and support for religious services are seen as the biggest social needs. Therefore, it is unsurprising that most SDOs working in these fields receive community-wide support and are further encouraged by the government. Religious organizations, especially Buddhist ones, are highly respected and receive considerable support from the government and the military as well.

Some SDOs fail to communicate their work and intentions properly to local communities while others lack transparency in their operations. Some international SDOs communicate exclusively in English (websites, reports, etc.), leading to confusion among their local partners and grantees. In addition, especially in the light of the crisis in Rakhine State, international SDOs are perceived as pushing international interests and disrespecting the sovereignty of the country by expressing concerns about human rights.

<sup>15</sup> Human Rights Council. (2019). *The economic interests of the Myanmar military: The independent international fact-finding mission report on Myanmar*. Human Rights Council. Retrieved from [https://www.ohchr.org/Documents/HRBodies/HRCouncil/FFM-Myanmar/EconomicInterestsMyanmarMilitary/A\\_HRC\\_42\\_CRP\\_3.pdf](https://www.ohchr.org/Documents/HRBodies/HRCouncil/FFM-Myanmar/EconomicInterestsMyanmarMilitary/A_HRC_42_CRP_3.pdf)

<sup>16</sup> A social enterprise is defined as an organization that follows business principles to meet a social or environmental need through a product, service, process or distribution of profit. Centre for Asian Philanthropy and Society (CAPS). (2019). *Business for Good: Maximizing the Value of Social Enterprises in Asia*. Retrieved from [www.caps.org/our-research/business-for-good](http://www.caps.org/our-research/business-for-good)

<sup>17</sup> DaNa Facility. (2018). *Inclusive Business in Myanmar: An Agenda to Catalyse Social Impact*. Retrieved from [https://www.dica.gov.mm/sites/dica.gov.mm/files/news-files/inclusive\\_business\\_in\\_myanmar.pdf](https://www.dica.gov.mm/sites/dica.gov.mm/files/news-files/inclusive_business_in_myanmar.pdf)

<sup>18</sup> Ibid.

<sup>19</sup> Global Impact Investing Network (GIIN) & Intellectap. (2018). *The Landscape for Impact Investing in Southeast Asia*. Retrieved from <https://thegiin.org/research/publication/landscape-southeast-asia>

<sup>20</sup> Asian Venture Philanthropy Network (AVPN). (2019). *Myanmar: Social Investment Landscape in Asia*. Retrieved from <https://avpn.asia/si-landscape/country/myanmar/>

<sup>21</sup> DaNa Facility. (2018). *Inclusive Business in Myanmar: An Agenda to Catalyse Social Impact*. Retrieved from [https://www.dica.gov.mm/sites/dica.gov.mm/files/news-files/inclusive\\_business\\_in\\_myanmar.pdf](https://www.dica.gov.mm/sites/dica.gov.mm/files/news-files/inclusive_business_in_myanmar.pdf)

This view is widely discussed on social media.

The fact that bigger and international SDOs are overseen closely by line ministries sometimes results in them being mistrusted by local organizations, especially those in ethnic minority areas where overall trust in the Bamar-dominated central government is low. These international SDOs are perceived as doing the government's bidding instead of working for the benefit of the local people.

**Meanwhile, smaller local SDOs feel they are at a disadvantage.** Many lack expertise in applying for and managing grants, and their employees tend to move to bigger international organizations once they have gained enough experience. Talent retention is a big problem for 85% of Myanmar SDOs surveyed for this study.

As mentioned, the government regards many SDOs with increasing suspicion. It is applying extra oversight and restricting certain activities in ethnic areas, including contact with legal EAOs (Ethnic Armed Organizations)

that have signed the National Ceasefire Agreement.<sup>22,23</sup>

On the other hand, there are also good examples of SDO-government collaboration, such as joint work on environmental protection, improving educational standards and disaster risk reduction.

## The road ahead

New government regulations, implementation guidelines and structural changes are affecting all aspects of SDOs' work. Nevertheless, Myanmar SDOs are evolving and gaining more operational experience, making their organizational structure stronger and growing their capacity. Equally, growing interest from foreign impact investors is encouraging. Myanmar SDOs continue to take on roles and offer support in areas where the government lacks the capacity to implement changes. SDOs are essential to the provision of social and other needs in Myanmar; indeed, some communities rely on them entirely.

## A BRIEF HISTORY OF NONPROFITS IN MYANMAR

Community-based and religious organizations have been active in Myanmar for decades. However, during military rule between 1962 and 1988 under General Ne Win and the Burma Socialist Programme Party, only government-initiated organizations to help farmers, workers, youth, and war veterans could be formally established.

In the mid-1990s, the government started to welcome international NGOs. With their support, local NGOs focusing on healthcare and health education services, HIV/AIDS prevention, child protection and microfinance flourished. The economic and social challenges of the late 1990s saw NGO numbers increase to meet the unmet demand for basic social service delivery. For instance, funeral support community groups mushroomed in response to the need to relocate cemeteries from cities and towns to more remote locations.<sup>24</sup>

Following the devastating Cyclone Nargis that hit

Myanmar in 2008, killing and displacing hundreds of thousands of people, the government became more supportive of the vital role of local nonprofits. International humanitarian actors were barred from entering affected areas, creating an opportunity for local nonprofits to prove to the government that they could raise funds and provide much-needed relief services. There was some criticism from those who considered themselves true volunteers of those pursuing doing good as a "profession," but it did not stop local nonprofits from proliferating.

The "opening up" of the country from 2011 with a set of transformative economic and political changes included legal reforms to help formalize civil society. The most notable improvement to the legal operating space came with the enactment of the new Association Registration Law in July 2014.<sup>25</sup>

*We wish to thank our partner, Myanmar Centre for Responsible Business (MCRB), for primary authorship of this profile.*

<sup>22</sup> Myanmar's Peace Commission has said ethnic armed groups that signed the 2015 Nationwide Ceasefire Agreement may not contact the international community directly for aid donations without first getting permission.

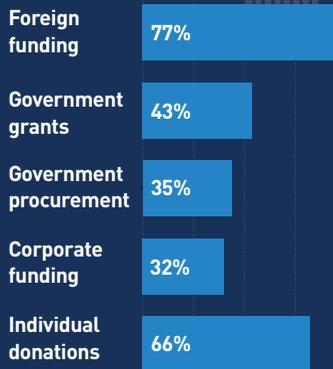
<sup>23</sup> Weng, L. (2019). Armed Groups Must Ask Before Contacting Intl Community: Peace Commission. *The Irrawaddy*. Retrieved from <https://www.irrawaddy.com/news/burma/armed-groups-must-ask-contacting-intl-community-peace-commission.html>

<sup>24</sup> International Center for Not-for-profit Law (ICNL). *Civil Freedom Monitor—Myanmar [Burma]*. Retrieved June 24, 2018, from <http://www.icnl.org/research/monitor/Myanmar.html>

<sup>25</sup> Ibid.

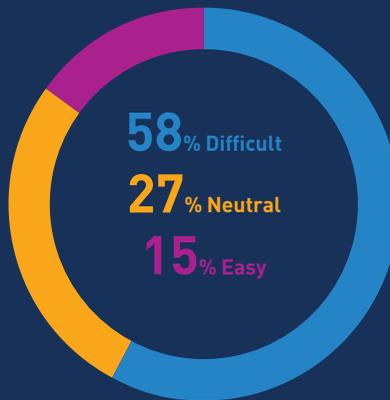
# NEPAL

## Prevalence of funding sources\*

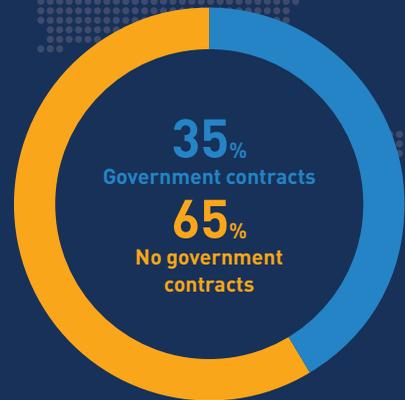


\* % of SDOs receiving each type of funding

## Ease of understanding laws



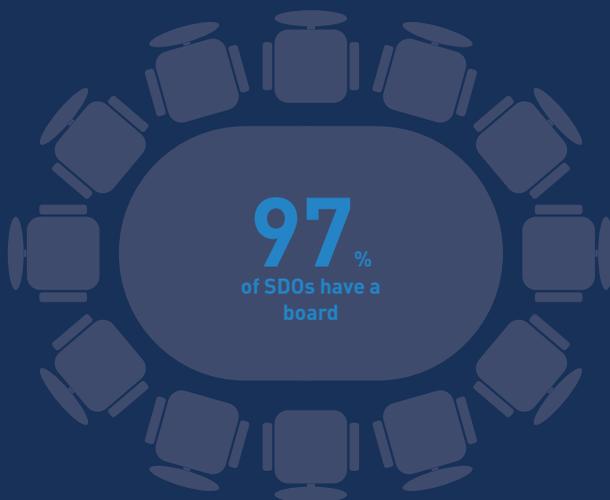
## Proportion of SDOs with government procurement contracts



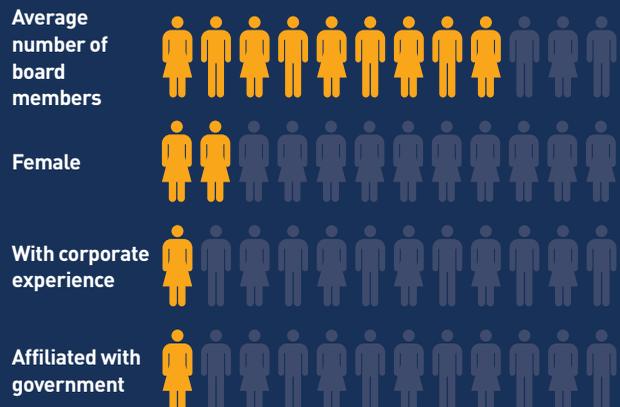
## Trust in SDOs



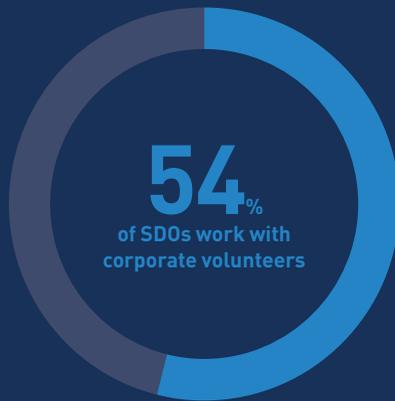
**48%**  
of respondents believe SDOs are trusted by society



## SDO board composition



### Percentage of SDOs working with corporate volunteers



### Difficulty in recruiting skilled staff



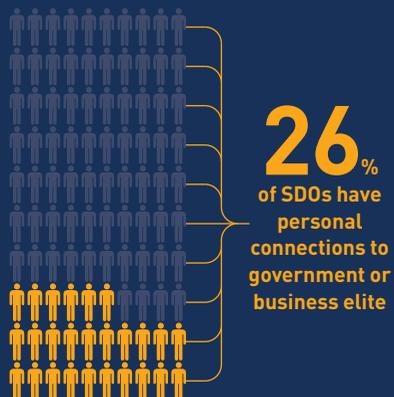
### Individual charitable giving



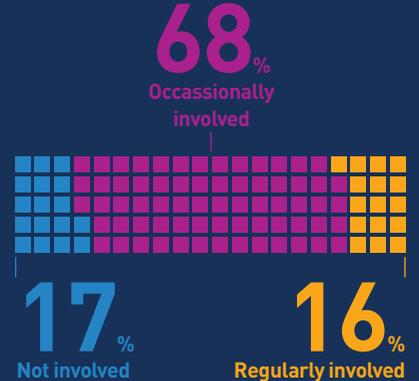
### Top 2 reasons for low levels of individual giving



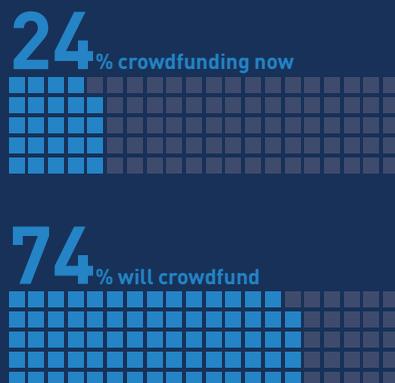
### SDOs with connections to elite



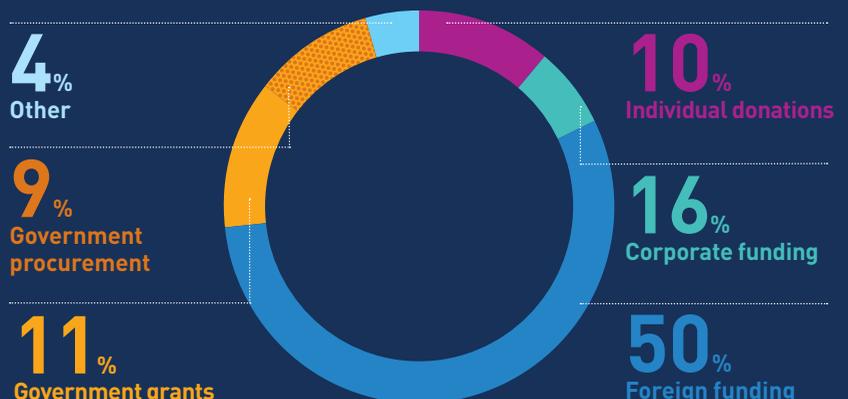
### SDOs involved in policy consultations



### Crowdfunding trends



### Average SDO budget by funding source\*



\* Based on data from 2017-2018, the last complete financial cycle at the time of data collection.



# NEPAL

**Summary:** Nepal has a strong culture of giving. The concepts of *daan* (donation), *paropkar* (serving others), and *punya* (good karma) are deeply rooted in society. This has remained despite political and regulatory obstacles, which have become more pronounced in recent years. Taxation issues, poor procurement procedures, and social, economic and institutional constraints—as well as mutual distrust and suspicion between the government and nongovernmental organizations (NGOs)—have been the hallmarks of philanthropy in Nepal and threaten to hinder the ability of the nonprofit sector to meet society’s needs.

## Doing Good Index 2020: Not Doing Enough

### Demographics<sup>1</sup>

**Population (2018):** 28,087,870

**GDP per capita, PPP (2018):** \$3,330.60

**Number of nonprofits (2019, rounded to the nearest 100):** 50,400<sup>2</sup>

**Estimated nonprofit-to-population ratio:** 1 for every 557 people

**% of GDP spent on health (2017):** 5.6%

**% of GDP spent on education (2018):** 5.2%

**Income status (World Bank classification):** Low income

**Annual GDP growth (2018):** 6.7%

**Human Development Index rank (2019):** 147

Nepal is located in South Asia and is nestled between two giant neighbors: China to the north and India on the other three sides. It covers a total area of 147,181 square kilometers and has a population of 28 million.<sup>3</sup> The vast difference in its landscape has given rise to tremendous geographical, environmental and socio-cultural diversity. Over one hundred different languages are spoken in the country. It has recently transitioned to a federal republic system after the promulgation of a new constitution in 2015. It is now divided into seven provinces and 77 districts, with three tiers of governance: local, provincial and federal.

The economy has grown at an average rate of 4.4% over the past decade, putting Nepal on course to graduate from a least developed country to a developing country.<sup>4</sup> However, an estimated 15% of the population lives below the poverty line.<sup>5</sup> Additionally, Nepal has had to deal with political instability, border disputes and dependence on India for

most imports, which has hindered economic growth.

Against this backdrop, the approach to socio-economic development has also shifted. In the past, the government and international development agencies were focused on social indicators in education, health, poverty, water and agriculture. However, there has been a realization at national and international levels that economic growth, both in rural and urban areas, has to keep pace with social development. Today, economic growth, infrastructure development and social development are viewed as pieces of the same puzzle: they have to progress in tandem to reduce poverty and create prosperity for all.

### Nepal’s social sector organizations

The concept of NGOs in Nepal has only existed for around 90 years, beginning in 1927 with the establishment of the

first local NGO.<sup>6</sup> Present-day local NGOs can be broadly classified into national-level NGOs, district- and village-based NGOs and community-based organizations (CBOs).

**At the national level,** “welfare” NGOs are traditionally supported and funded by international development agencies, while “professional” NGOs are focused on research and are able to bid for contracts with international NGOs (INGOs). The latter are often government-ministry-affiliated organizations.<sup>7</sup>

**District- and village-based organizations** operate in rural areas to tackle challenges at the community level.<sup>8</sup> Nepal has a long history of traditional voluntary organization, such as Mirchang for the Marpahali Thakali people (mountain region), Khyal for the Tharu people (plains region) and Guthi for the Newar people (hills region). These have historically served as major social development organizations and helped to build water supply systems, temples, libraries, schools, community clinics, etc.<sup>9</sup>

**Consolidated oversight of the nonprofit sector is relatively new.** It was only in 1992 that the Social Welfare Council Act established the Social Welfare Council (SWC) to oversee the coordination, cooperation, mobilization and promotion of social sector organizations.<sup>10</sup> Under this act, organizations working for social development, especially those receiving foreign funding, are required to register with the SWC. As of July 2019 there were 50,358 organizations registered with the SWC.

**INGOs are an integral part of the disbursement of development assistance in Nepal.** According to a SWC report, there were 245 INGOs operating in Nepal as of July 2019.<sup>11</sup> INGOs make significant contributions across

sectors in service delivery, advocacy, awareness raising, humanitarian assistance, strengthening accountability mechanisms and more, in coordination with the government. INGOs also need to register with the SWC in order to work in Nepal and report periodically to the government.

## The government and the social sector: A relationship in flux

NGOs and INGOs play a pivotal role in meeting society’s needs, but some of these organizations have at times been proponents of alternate agendas to that of the government. This situation has resulted in the implementation of political reforms resulting in the social sector coming under greater scrutiny from the government.

**There is tightening oversight of INGOs.** As reported by the SWC, 32 INGOs ceased operations in Nepal as of August 2019. Most had been set up in the aftermath of the 2015 earthquake to help with rehabilitation and reconstruction and cited the completion of programs or decline in funds as the main reasons for shutting down.<sup>12</sup>

A few months prior, in May 2019, the Ministry of Finance enacted the International Development Cooperation Policy, with the objective of mobilizing international development assistance to fulfill the national aspiration of “Prosperous Nepal, Happy Nepali.”<sup>13</sup> However, observers suggest that this policy places very stringent oversight on international development funds received by the country. It also prohibits INGOs from directing their resources

<sup>1</sup> Most of these statistics are from the World Bank or United Nations Development Programme (unless otherwise cited). For complete references please refer to the Bangladesh demographics box on page 52.

<sup>2</sup> Social Welfare Council. (2019). *NGOs Affiliated with Social Welfare Council (2034-2076 Asadh)*. Retrieved from <http://swc.org.np/wp-content/uploads/2019/07/NGOs-affiliated-to-SWC.pdf>

<sup>3</sup> World Bank, World Development Indicators. (2019). *Country Profile* [Data file]. Retrieved from <https://data.worldbank.org/country/nepal>

<sup>4</sup> World Bank Group. (2018). *Country Partnership Framework for Nepal for the Period FY 2019–FY 2023*. Retrieved from <http://documents.worldbank.org/curated/en/998361534181363354/pdf/Nepal-CPF-v08-07-18-Master-Copy-08092018.pdf>

<sup>5</sup> World Bank, World Development Indicators. (2010). *Poverty headcount ratio at \$1.90 a day (2011 PPP) [% of population]* [Data file]. Retrieved from <https://data.worldbank.org/indicator/SI.POV.DDAY>

<sup>6</sup> Rijal Y. R. (2004). *Nongovernmental Organizations in Nepal: Roles and Policy Issues*. Retrieved from [https://www.academia.edu/4580074/Nongovernmental\\_Organizations\\_in\\_Nepal\\_Roles\\_and\\_Policy\\_Issues](https://www.academia.edu/4580074/Nongovernmental_Organizations_in_Nepal_Roles_and_Policy_Issues)

<sup>7</sup> Asian Development Bank (ADB). (2005). *Overview of Civil Society: Nepal*. Retrieved from <https://www.adb.org/sites/default/files/publication/28970/csb-nep.pdf>

<sup>8</sup> Ibid.

<sup>9</sup> Bhattachan, K. B. (2004). NGOs in Nepal. In Gautam, T. (ed.) *Non-Government Organizations: Challenges and Opportunities*. (pp. 65–96). Lalitpur: Sahakarya.

<sup>10</sup> Social Welfare Council. (2019). *About Us*. Retrieved June 6, 2020, from <http://www.swc.org.np>

<sup>11</sup> Social Welfare Council. (2019). *Brief Information on INGOs Working Under Agreement With SWC*. Retrieved from <http://swc.org.np/wp-content/uploads/2019/07/Total-INGOs-3.pdf>

<sup>12</sup> Shrestha, P. M. (2019, August 20). 32 INGOs wind up Nepal operations: Social Welfare Council. *The Kathmandu Post*. Retrieved from <https://kathmandupost.com/national/2019/08/20/32-ingos-wind-up-nepal-operations-social-welfare-council>

<sup>13</sup> Ministry of Finance, Nepal. (2019). *International Development Cooperation Policy, 2019*. Government of Nepal. Retrieved from [https://mof.gov.np/uploads/document/file/print\\_copy\\_IDCMP-2019\\_Eng-fullpage\\_20191107071739.pdf](https://mof.gov.np/uploads/document/file/print_copy_IDCMP-2019_Eng-fullpage_20191107071739.pdf)

toward any religious or political institutions, or areas considered sensitive.

**The government has recently introduced new legislation to regulate the nonprofit sector.** In 2019, a cabinet decision authorized the Ministry of Home Affairs (MoHA) to draft a new law to regulate and supervise social organizations. This has created concern in the social sector, with many wondering if the new regulations will be a mechanism for control or for facilitating and supporting NGOs and INGOs. After MoHA was assigned with this task, they made it mandatory for all SDOs to be registered with a District Administration Office as well as with the respective local authority—municipality, rural municipality, etc.

In November 2019, the SWC put forward a draft policy outlining the monitoring of NGOs across the government’s three-tier structure. As part of the proposal, the SWC will review projects with budgets of Rs10 million (US\$82,400) and above; the provincial government will review projects with budgets of Rs4–10 million (US\$32,990–82,400); and the local government, those with budgets under Rs4 million (US\$32,990).<sup>14</sup>

**The government does not perceive NGOs and INGOs to be transparent.** Some of the concern stems from allegations around abuse of funds.<sup>15</sup> Although 97% of Nepalese SDOs surveyed for *Doing Good Index 2020* believe that they are largely trusted by society, this does not extend to how the government perceives them.<sup>16</sup>

**The mistrust flows both ways.** NGOs and INGOs are concerned that the government is burdening them through a cap on overheads. Under government guidelines, nonprofits have to keep administrative and overhead costs of any project under 20% of the total budget. In reality, most SDOs fail to meet this threshold and have critiqued the need for it.<sup>17</sup> In the *Doing Good Index 2020* survey, those SDOs opposed to a cap on overheads believe it hinders an organization’s ability to allocate funds according to its needs.

**Public procurement is a mixed bag.** And not because there is too little of it—35% of surveyed Nepalese SDOs have government procurement contracts, higher than the Asian average. However, SDOs find procurement challenging due to inconsistencies in legal provisions and the lack of coordination among government officials and agencies. These issues persist at all stages: from procurement planning and preparation, to tendering and bid submission, to bid evaluation, to awarding the contract, and finally contract implementation. Even among those SDOs with government contracts, most (70%) found it difficult to access information about procurement, and 90% found the approval process difficult.

**Tax incentives for giving and receiving leave much room for improvement.** Of the 18 surveyed, Nepal is the only economy that does not offer a tax deduction for corporate charitable donations. Donations given by individuals are tax-deductible, but with the deduction not allowed to exceed US\$1,000 or 5% of taxable income, the incentivizing effect of the deduction is severely dampened. On the recipient side, it is not easy for nonprofits to get an exemption from income tax. Very few organizations under the recommendation of the Ministry of Finance are eligible to receive a tax-exemption certificate.

## Current and future trends

**Foreign funding is the biggest source of support for Nepalese SDOs.** Foreign aid was introduced in Nepal before the country’s administration considered economic development an objective.<sup>18</sup> It was part of the Interim Government of Nepal Act of March 1951, promulgated after the end of the Rana regime. Since then, foreign aid has played a significant role in the development of Nepal.<sup>19</sup> Around a quarter of the national budget depends on foreign aid.<sup>20</sup> Most (77%) of the surveyed SDOs in Nepal receive foreign funding, the third-highest

<sup>14</sup> Shrestha, P. M. (2019, November 8). Provinces set to finally get a role in regulating national and foreign non-government organisations. *The Kathmandu Post*. Retrieved from <https://kathmandupost.com/national/2019/11/08/provinces-set-to-finally-get-a-role-in-regulating-national-and-foreign-non-government-organisations>

<sup>15</sup> The Himalayan Times. (2019, May 6). *Govt to regulate NGOs, says Baskota*. Retrieved from <https://thehimalayantimes.com/nepal/govt-to-regulate-ngos-says-baskota/>

<sup>16</sup> Unless otherwise indicated, SDO survey data mentioned in this brief are from the *Doing Good Index 2020*.

<sup>17</sup> Shrestha, P. M. (2019, August 20). 32 INGOs wind up Nepal operations: Social Welfare Council. *The Kathmandu Post*. Retrieved from <https://kathmandupost.com/national/2019/08/20/32-ingos-wind-up-nepal-operations-social-welfare-council>

<sup>18</sup> Panday, D. R. (2011). *Looking at Development and Donors: Essays from Nepal*. Kathmandu: Martin Chautari.

<sup>19</sup> Foreign aid includes grants, technical assistance and foreign loans through multilateral or bilateral cooperation.

<sup>20</sup> International Economic Cooperation Coordination Division, Ministry of Finance. (2018). *Development Cooperation Report*. Government of Nepal. Retrieved from [https://mof.gov.np/uploads/document/file/full\\_dcr\\_1718\\_20190116085612\\_20190724054335.pdf](https://mof.gov.np/uploads/document/file/full_dcr_1718_20190116085612_20190724054335.pdf)

proportion across Asia. More importantly, foreign funding makes up half of an average SDO's budget.

The government is cognizant of the potential for homegrown philanthropy. In the International Development Cooperation Policy 2019, the government acknowledges the contribution of foreign support in the overall socioeconomic development of the country but also emphasizes the importance of reducing dependency on it by encouraging domestic resource mobilization.<sup>21</sup>

**The potential of corporate philanthropy is being tapped.** Nepal is one of only two economies in the *Doing Good Index 2020* to mandate a minimum level of corporate social responsibility (CSR) spending. As per the Industrial Enterprise Act (IEA) 2016, Chapter 9, Section 48 (1), corporations engaged in transactions of more than US\$1.26 million are required to spend at least 1% of their annual profit on CSR initiatives.<sup>22</sup> Companies can conduct social development activities directly or through SDOs. Noncompliance will incur a penalty equivalent to 0.75% of the company's annual revenue. However, a major loophole in the law is that it gives ample room for companies to define which activities classify as CSR, creating a potential gap between intended and actual spending.

Similarly, the Nepal Rastra Bank Act 2002 requires banks and financial institutions to set aside at least 1% of their net profit for CSR funding. This funding must be spent in prescribed areas, including "social projects, direct grant expenses, Sustainable Development Goals or/and setting up a child day care center for employees."<sup>23</sup> Noncompliance carries both a fine and imprisonment—more stringent penalties than the IEA. There is no readily available data on how much CSR funding was generated in the last fiscal year.

**Retail fundraising is growing rapidly.** A quarter (24%) of the surveyed SDOs currently crowdfund, with 74% (the third-highest across Asia) intending to use crowdfunding in the future. Nevertheless, 82% of SDOs believe that individual giving in Nepal is low, citing people's preference for donating to religious organizations as a key reason. In fact, religious

crowdfunding called *saptahas* and *yagya* are a big part of Nepali society and have successfully raised funds for religious and social projects, including elderly care and orphanages.

However, religious crowdfunding is fragmented and not subject to auditing like other social delivery work. Religious organizations, community groups or even individuals can design their own project, and spend the money raised without much oversight. The huge amounts raised, however, deserve to be subjected to scrutiny and channeled towards systematic social service delivery.

## The road ahead

Nepal is at an inflection point. With economic growth has come the realization that domestic philanthropy can also grow, although incentives for unleashing it are not yet in place. With increasing oversight of foreign funding and fluctuating regulations on the social sector, it is clear that Nepal is still finding its way to how government, companies and SDOs can cooperate to build a bright future.

<sup>21</sup> Ministry of Finance. (2019). *International Development Cooperation Policy, 2019*. Government of Nepal. Retrieved from [https://mof.gov.np/uploads/document/file/print\\_copy\\_IDCMP-2019\\_Eng-fullpage\\_20191107071739.pdf](https://mof.gov.np/uploads/document/file/print_copy_IDCMP-2019_Eng-fullpage_20191107071739.pdf)

<sup>22</sup> Maharjan, D. (2018, July 9). Corporate Social Responsibility (CSR): Scenario & Implications in Nepal. *Biruwa Advisors*. Retrieved from <http://biruwa.net/2018/07/corporate-social-responsibility-csr-scenario-implications-nepal/>

<sup>23</sup> Ibid.

## A BRIEF HISTORY OF NONPROFITS IN NEPAL<sup>24</sup>

NGOs in Nepal have a relatively short history. Until 1990, the country's Panchayat regime (1961–90) exercised control over society and the social sector. The Social Services National Coordination Council and the Social Welfare National Coordination Council (SWNCC) were established during this period, but it was illegal to engage in development activities without the permission of the government.

The end of the Panchayat regime and the establishment of parliamentary democracy in 1990 resulted in two significant changes to the regulation of NGOs and INGOs. The first was the reorganization of the SWNCC into the SWC, which became responsible for the promotion, coordination and monitoring of NGO activities. The second was the change to funding regulations. Before 1991, foreign funding had to flow through the government's consolidated fund. This was amended to allow foreign funding to flow directly to NGOs and resulted in a dramatic increase in the number of nonprofit organizations operating in Nepal. These NGOs, however, needed local approval to conduct activities, and had to register and annually

renew registration with the District Administration Office. In addition, NGOs receiving direct funds from abroad were required to register with the SWC and submit an annual audit.

The relationship between the government and the social sector has remained contentious over the years due in large part to the lack of trust between them. A contributing factor has been the division of development funds between the government and NGOs, resulting in some government programs and services becoming redundant.<sup>25</sup> In 2003, the government began to place strict regulations and control measures on INGOs in response to concerns that insurgents were seeking to establish a communist government and were receiving support from foreign organizations.<sup>26</sup>

As of July 2019, there are an estimated 50,358 nonprofits operating in Nepal.<sup>27</sup> The country has some way to go to graduate from a least developed country to a developing country. This will require cooperation and trust between the nonprofit sector and the government as well as efficient deployment of funds.

<sup>24</sup> Asian Development Bank (ADB). (2005). *Overview of Civil Society: Nepal*. Retrieved from <https://www.adb.org/sites/default/files/publication/28970/csb-nep.pdf>

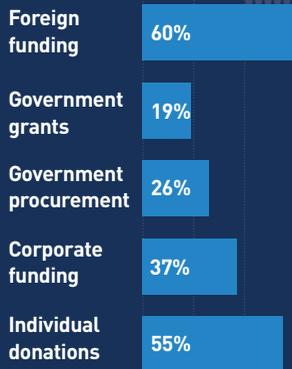
<sup>25</sup> Ibid.

<sup>26</sup> Ibid.

<sup>27</sup> Social Welfare Council. (2019). *NGOs Affiliated with Social Welfare Council (2034-2076 Asadh)*. Retrieved from <http://swc.org.np/wp-content/uploads/2019/07/NGOs-affiliated-to-SWC.pdf>

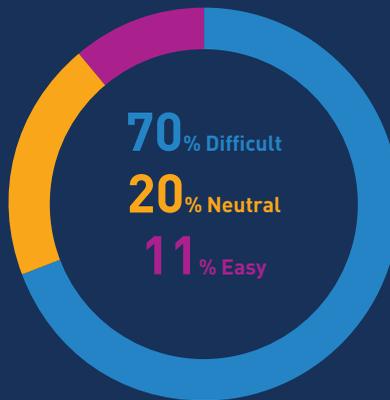
# PAKISTAN

## Prevalence of funding sources\*

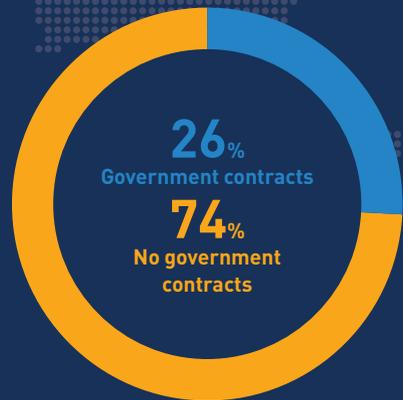


\* % of SDOs receiving each type of funding

## Ease of understanding laws



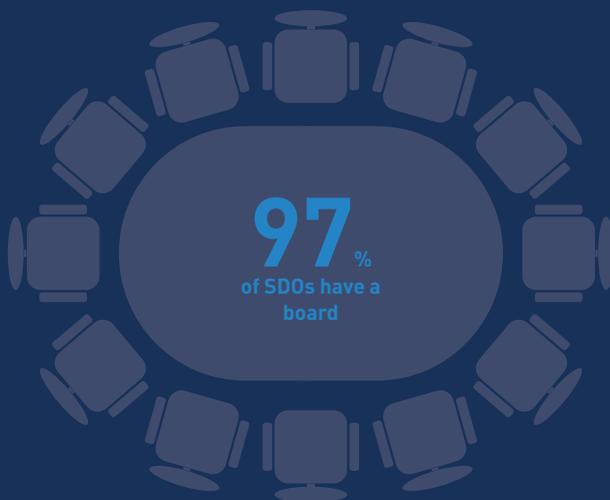
## Proportion of SDOs with government procurement contracts



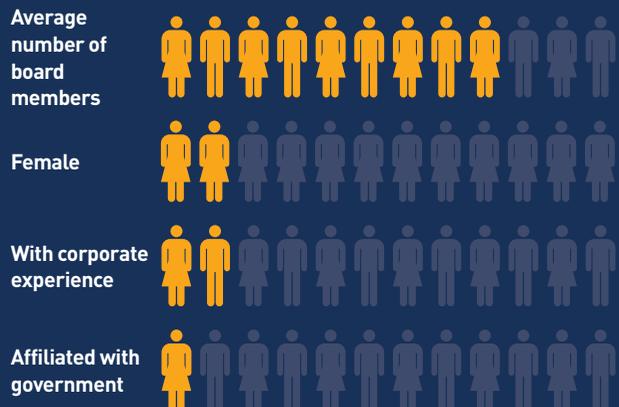
## Trust in SDOs



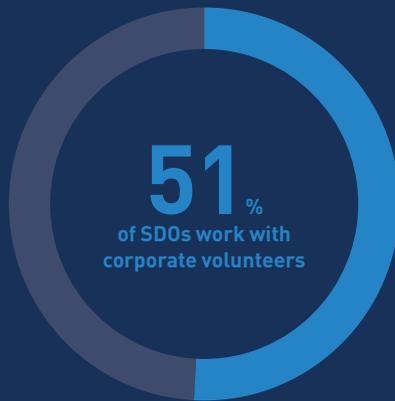
**55%**  
of respondents believe SDOs are trusted by society



## SDO board composition



### Percentage of SDOs working with corporate volunteers



### Difficulty in recruiting skilled staff



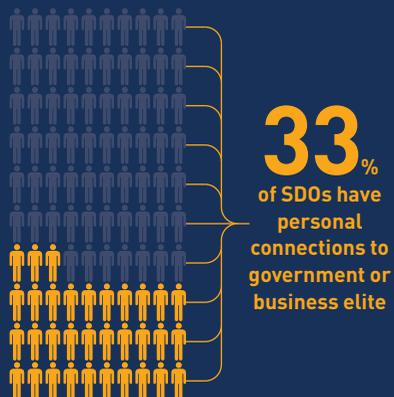
### Individual charitable giving



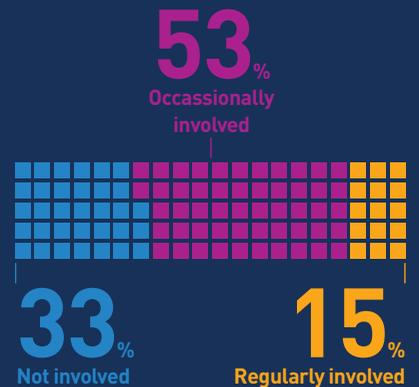
### Top 2 reasons for low levels of individual giving



### SDOs with connections to elite



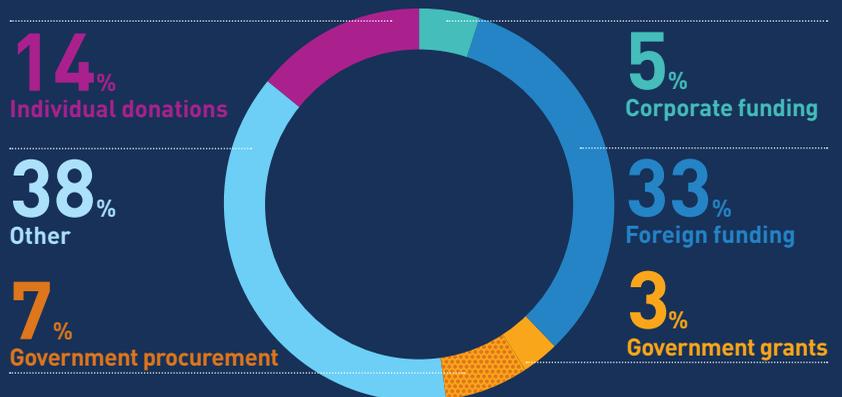
### SDOs involved in policy consultations



### Crowdfunding trends



### Average SDO budget by funding source\*



\* Based on data from 2017-2018, the last complete financial cycle at the time of data collection.

# PAKISTAN

**Summary:** The social sector in Pakistan has experienced a boom in the past few decades. However, fragmented regulations and tax requirements emanating from a variety of government bodies are making it difficult for nongovernmental organizations (NGOs) to register and operate smoothly. This, coupled with increased scrutiny of foreign funding, is shrinking the pool of resources for nonprofits and threatening the vibrancy of the social sector and its ability to meet societal challenges.

**Doing Good Index 2018: Doing Okay**

**Doing Good Index 2020: Doing Better ▲**

## Demographics<sup>1</sup>

**Population (2018):** 212,215,030

**GDP per capita, PPP (2018):** \$4,854.90

**Number of nonprofits (2010, rounded to the nearest 100):** 100,000<sup>2</sup>

**Estimated nonprofit-to-population ratio:** 1 for every 2,122 people

**% of GDP spent on health (2017):** 2.9%

**% of GDP spent on education (2017):** 2.9%

**Income status (World Bank classification):** Lower-middle income

**Annual GDP growth (2018):** 5.8%

**Human Development Index rank (2019):** 152

## The state of Pakistan's social sector

As a developing country, Pakistan is facing many social challenges such as high poverty, high mortality and a low literacy rate, concurrent with a high population growth rate (2.04% in 2019).<sup>3</sup> The increasing population puts extra pressure on the country's scarce resources. Though 64% of its population is below the age of 30, economic progress has not been fast enough to provide them with decent employment and other opportunities.<sup>4</sup> As a result, large segments of the population are being left without access to basic amenities. Hence, civil society organizations (CSOs), also referred to as NGOs, nonprofit organizations (NPOs) or social delivery organizations (SDOs), have been bridging the gap between the demand and supply of much-needed public goods and services.

**Since Pakistan's independence, nonprofits have been bridging the gap between demand and supply of much-needed public services.** Immediately following the end of

British rule, nonprofits provided support in accommodating and serving the huge influx of refugees into the newly-formed Pakistan. They established dispensaries, maternity homes, infirmaries and general hospitals, and provided doctors and paramedical staff to deliver free medical care. Later, their focus shifted from emergency relief to permanent settlement of refugees and then fanned out to cater to the unmet needs of the wider population.

Today, nonprofits are engaged in broadly two types of activities: social service delivery and advocacy. SDOs are engaged in the delivery of services in areas ranging from health and education to poverty alleviation, employment generation and economic empowerment. Pakistani SDOs surveyed for the *Doing Good Index 2020* cite "rural development and poverty alleviation" and "education and literacy" as their top two areas of work.<sup>5</sup> Advocacy organizations, meanwhile, tend to work on issues such as women's empowerment, minority rights and child labor.

**Nonprofits have flourished in Pakistan, but there is no reliable data on their numbers.** The most widely quoted number is based on a 2010 statement by the Minister of Social Welfare and Special Education, which said there were approximately 100,000 CSOs and community-based organizations (CBOs) operating in the country, of which 60,000 to 70,000 were registered.<sup>6,7</sup>

**The government's approach to and perception of the social sector has depended on who is at the helm of affairs in the country.** Contrary to the general belief that civil society flourishes in a democratic system, nonprofits in Pakistan believe the environment was more enabling during the rule of General Pervez Musharraf (1999–2008) than in the ensuing years of democratic governments. Today, there is a general feeling, especially among civil society activists, that the space for nonprofits is shrinking.

The government, on the other hand, argues that the social sector has functioned unchecked for a long time, and the need to monitor and regulate it was long due. The April 2011 incident, when the platform of an international nongovernmental organization (INGO) was allegedly used to run a fake vaccination campaign as a cover to search for Osama bin Laden, spurred the realization that the social sector needs to be more closely monitored. Then, a 2014 terrorist attack on a school in the Khyber Pakhtunkhwa province killed more than 140 students and led to the formulation of the National Action Plan.<sup>8</sup> One of the plan's 20 agenda points was to freeze funding sources of terrorist organizations and their affiliated outfits, including nonprofits. As a result, the government has

tightened scrutiny considerably, especially of the inflow of foreign funding to both local NGOs and INGOs operating in Pakistan.

## Regulations: Complex and fragmented

### The legal framework governing nonprofits is complex.

Most nonprofits choose a legal form prescribed by one of four federal laws, but there are up to 13 different provincial and federal laws under which they can register.<sup>9,10</sup> Historically, other than the Companies Ordinance, the registration and oversight of nonprofits is implemented by the provinces, which have agency to alter the rules.<sup>11</sup>

The prevalence of multiple registration laws is confusing. The existence of multiple government interfaces that deal with nonprofits at the district, provincial and federal levels (Social Welfare Department, Industries & Commerce Department, Federal Board of Revenue, etc.) make registration more costly and time consuming. It is not surprising, then, that 70% of surveyed SDOs find laws related to the social sector difficult to understand—the second-highest proportion in Asia.

**Some provinces are making efforts to streamline registration processes and plug regulatory loopholes but to mixed effect.** In January 2018, the Punjab government promulgated the Punjab Charities Ordinance to regulate nonprofits, covering organizations registered under the four main federal laws.<sup>12</sup> In February 2019, the Khyber Pakhtunkhwa cabinet also approved a new law governing nonprofits, creating a charity commission and requiring all organizations, associations and institutions currently

<sup>1</sup> Most of these statistics are from the World Bank or United Nations Development Programme (unless otherwise cited). For complete references please refer to the Bangladesh demographics box on page 52.

<sup>2</sup> 2010 figure shared by Sustainable Development Policy Institute, from USAID: USAID. (2014). *2014 Civil Organization Sustainability Index for Pakistan*. Retrieved from <https://www.usaid.gov/pakistan/civil-society-sustainability/2014>

<sup>3</sup> World Population Review. (2020). *Pakistan Population by Year (Historical)* [Data File]. Retrieved from <http://worldpopulationreview.com/countries/pakistan-population/>

<sup>4</sup> United Nations Development Programme. (2018, July 24). *Human Development Reports: Unleashing the potential of a young Pakistan*. Retrieved from <http://hdr.undp.org/en/content/unleashing-potential-young-pakistan>

<sup>5</sup> Unless otherwise indicated, SDO survey data mentioned in this brief are from the *Doing Good Index 2020*.

<sup>6</sup> Because the majority are registered with different departments at the provincial level, data on formally registered SDOs is also scattered. For example, the websites of the Social Welfare Department and Industries & Commerce Department, Government of Sindh, respectively report 6,904 and 1,059 registered CSOs. The Security and Exchange Commission of Pakistan is the only authority that registers and regulates nonprofit companies across the country under Section 42 of the Companies Act 2017 (erstwhile Companies Ordinance 1984), and as of June 30, 2018, there were 906 nonprofit companies. Source: Securities and Exchange Commission of Pakistan [SECP]. (2018). Annual Report 2018. Retrieved from <https://www.secp.gov.pk/document/annual-report-2018/?wpdmdl=32385>

<sup>7</sup> USAID. (2014). *2014 Civil Organization Sustainability Index for Pakistan*. Retrieved from <https://www.usaid.gov/pakistan/civil-society-sustainability/2014>

<sup>8</sup> National Counter Terrorism Authority NACTA Pakistan. *National Action Plan, 2014*. Retrieved from <https://nacta.gov.pk/nap-2014/>

<sup>9</sup> Most NPOs are registered under one of four laws: Societies Registration Act 1860; Trust Act 1882; Voluntary Social Welfare (Agencies and Control) Ordinance 1961; and Section 42 of the Companies Act 2017. Some laws have very few reporting requirements, whereas others require stringent conditions to be met. Section 42 of the Companies Ordinance 2017 is considered the most stringent law in terms of reporting requirements for local NGOs.

<sup>10</sup> Imtiaz, R. (2016, August 16). NGOs' regulatory framework. Dawn. Retrieved from <https://www.dawn.com/news/1277800>

<sup>11</sup> Ismail, I. H. (2003). The Legal Framework of the Nonprofit Sector in Pakistan. Retrieved from <https://www.pide.org.pk/pdf/psde%2018AGM/The%20Legal%20Framework%20of%20The%20Nonprofit%20Sector.pdf>

<sup>12</sup> Hanif, I. (2018, January 28). Punjab promulgates charities ordinance. Dawn. Retrieved from <https://www.dawn.com/news/1385653>

registered under existing laws to register anew.<sup>13</sup> The impact of these new laws is not yet clear; both appear likely to cause additional reporting requirements for SDOs.

**INGOs face additional hurdles to operate.** All INGOs need to be registered with the Ministry of Interior (MOI) to be eligible to operate. So far, 144 INGOs have applied for registration, of which 75 have received approval and signed memoranda of understanding with the MOI, and 22 applications are still pending.<sup>14</sup> Meanwhile, 18 INGOs were asked by the government in December 2018 to leave the country after their final appeals for registration were denied.

## Tax incentives: A mixed bag

**Tax incentives are available for nonprofits and donors.**

Nonprofits that are granted registration with the Federal Board of Revenue are eligible for tax exemption and to receive tax-deductible donations.

The rate of tax deduction is 100% for both individuals and corporations, but there is a limit on eligible income, which mitigates the effectiveness. Individual donors can deduct donations in full up to 30% of their taxable income, while corporations can deduct donations up to 20% of their profit.

**The Finance Act 2017 introduced two changes affecting the social sector.** Nonprofits now have to limit administrative expenses and overheads to 15% of total expenditure, which many feel will restrict their ability to deliver social services effectively. The other change is more positive. Previously, nonprofits with an operating surplus of 25% or more would lose their tax-exempt status. Now, any surplus greater than 25% of unrestricted funds is taxed at a rate of 10%, but the nonprofit is able to retain its tax-exempt status.<sup>15</sup>

## Funding sources: Diverse and shifting

**Funding to the social sector has declined in recent years.**

Though the exact reasons are yet to be ascertained, there

are multiple factors at play.

First, Pakistan's economic growth and social development in recent years have resulted in foreign donors diverting their focus to other regions where humanitarian assistance is needed more. According to the World Bank, poverty in Pakistan has more than halved between 2001 and 2015.<sup>16</sup> Other important social indicators, such as life expectancy, infant mortality rate, school enrolment and literacy rate, have improved significantly. However, foreign funding remains crucial for Pakistani nonprofits and its decline leaves many of them worried. Almost two-thirds (60%) of surveyed SDOs receive foreign funding, and one-third of the average SDO's budget is comprised of foreign funding. By both counts, Pakistani SDOs are more reliant on foreign funding than the Asian average.

Second, policy measures taken by the government to regulate foreign-funded organizations have impacted the funding environment. Starting from November 2013, all local nonprofits receiving funds from foreign sources have been required to sign a memorandum of understanding (MOU) with the Economic Affairs Division (EAD) under the Ministry of Finance.<sup>17</sup> Though registration with EAD is free, it is time-consuming and cumbersome, requiring disclosure of the purpose, nature and geographical areas of the project, among other details. According to EAD's website, 115 nonprofits have successfully registered as of May 2020, while 297 applications are still in process.<sup>18,19</sup> The great majority (85%) of surveyed SDOs believe that the receipt of foreign funds has been made harder as a result of changes in government regulations.

**Individual giving is widespread but has room to grow.**

An estimated Rs240 billion (US\$1.56 billion) was donated by individuals in Pakistan in a year.<sup>20</sup> Though the giving ratio (0.9% of GDP) is on par with developed countries, only one-

<sup>13</sup> Ali, M. (2019, February 4). Cabinet approves proposed law to regulate charities. *Dawn*. Retrieved from <https://www.dawn.com/news/1461640>

<sup>14</sup> Ministry of Interior and Narcotics Control. *List of Under Process INGOs*. Government of Pakistan. Retrieved from [https://ingo.interior.gov.pk/List\\_of\\_Underprocess\\_INGO\\_Cases.pdf](https://ingo.interior.gov.pk/List_of_Underprocess_INGO_Cases.pdf)

<sup>15</sup> The News International. (2017, June 3). FBR conditions tax credit for trusts with restricted expenses. Retrieved from <https://www.thenews.com.pk/print/208223-FBR-conditions-tax-credit-for-trusts-with-restricted-expenses>

<sup>16</sup> Redaelli, S. (March 2019). *Pakistan@100 From Poverty to Equity*. World Bank Group. Retrieved from <http://documents.worldbank.org/curated/en/868741552632296526/pdf/135319-WP-P163618-14-3-2019-20-44-35-PakPNFromPovertytoEquityFinal.pdf>

<sup>17</sup> International Center for Not-for-Profit Law (ICNL). (2020, March 23). *Pakistan—Legal Analysis*. Retrieved March 27, 2020, from <https://www.icnl.org/resources/civic-freedom-monitor/pakistan>

<sup>18</sup> Economic Affairs Division, Ministry of Economic Affairs. (2020). *List of NGOs who have signed MOU with Economic Affairs Division*. Government of Pakistan. Retrieved from <http://www.ead.gov.pk/wingssection.aspx>

<sup>19</sup> Ibid.

<sup>20</sup> The data covers giving in 2013-14. Pakistan Centre for Philanthropy (PCP). (2017). *The State of Individual Philanthropy in Pakistan—2016*. Retrieved from <http://www.pcp.org.pk/uploads/nationalstudy.pdf>

third of this amount goes to organizations. The rest is given directly to needy individuals.

Donations from individuals comprise only 14% of an average SDO's budget in Pakistan, compared to the 20% Asian average. Although 55% of surveyed SDOs receive individual donations—the third-highest in Asia—this is a sharp decrease from the 70% that reported receiving individual donations in the *Doing Good Index 2018*. Overall, two-thirds of surveyed Pakistani SDOs believe individual giving is still too low and is held back by people preferring to donate to religious organizations or not having enough resources to donate.

**Corporate giving has been increasing.** According to the *Corporate Philanthropy Survey (CPS)*, corporate philanthropy rose by around 33 times from Rs0.23 billion (US\$1.5 million) in 2000 to Rs9.07 billion (US\$49 million) in 2018.<sup>21</sup> There is room for growth as corporate giving only makes up 5% of an average SDO's budget in Pakistan. This is one of the lowest percentages in Asia—the average Asian SDO receives three times as much corporate funding.

**SDOs also receive funding through government procurement.** In line with the Asian average, 26% of surveyed SDOs have government procurement contracts. What makes Pakistan stand out is the ease with which SDOs can participate in the procurement process. Pakistan is among the top performers on the Procurement sub-index in the *Doing Good Index 2020*, and one of only three countries with a dedicated public procurement agency, the Public Procurement Regulatory Authority, which oversees all government procurement and helps with transparency and coordination. Almost all (91%) of surveyed SDOs with procurement contracts found the approval process transparent. Government procurement from the social sector covers a range of social services, including family planning services, non-formal basic education at home-based schools and immunization.<sup>22</sup>

**Public perceptions of nonprofits vary depending on the kinds of services they provide.** Both the government and general public view organizations involved in the

provision of social services positively. This is illustrated by the fact that almost all survey respondents (96%) believe that SDOs are generally trusted by society.

However, advocacy and rights-based organizations are generally not perceived favorably. The government is wary of them. Some in the general public consider them to be foreign agents or believe they are promoting Western culture at the expense of local values. Among other factors, negative propaganda by conservative segments of society plays an important role in building this negative perception of rights-based organizations.

## The road ahead

**The current government seems to be continuing the policies set forth by the previous administration** related to the regulation and streamlining of activities of civil society. The full impact of these policies—seen on one hand to benefit legitimate SDOs, but on the other, to bring the entire social sector under greater control and scrutiny—is yet to become clear.

**Led by prominent social leaders, Pakistan's homegrown nonprofits continue to make a significant impact.** Established by the Aga Khan Foundation in 1982, the Aga Khan Rural Support Programme works to improve the quality of life for people in rural areas. The Orangi Pilot Project, started by Akhtar Hameed Khan in 1980, continues to use innovative methods to provide adequate low-cost sanitation, health, housing and microfinance. The Edhi Foundation, founded in 1951, covers a wide range of services, including hospital and childcare, and has the largest ambulance fleet in the world.<sup>23</sup>

**There is a growing interest in social enterprises in Pakistan.** Two-thirds of surveyed SDOs report that the number of social enterprises is growing. *Business for Good*, a CAPS study on social enterprises in Asia, found that Pakistan has a dynamic, growing ecosystem for social enterprises, with innovative businesses like Ansaar Management Company providing affordable housing, and Sehat Kahani popularizing telemedicine.<sup>24</sup> A

<sup>21</sup> Pakistan Centre for Philanthropy (PCP). [2019]. *Corporate Philanthropy in Pakistan: 2018—Mapping Corporate Sector Contribution Towards Government Ehsaas Program*. Retrieved from <http://pcp.org.pk/uploads/CPS-2018C.pdf>

<sup>22</sup> Pasha, A. G. & Iqbal, M. A. [2002]. Non-profit Sector in Pakistan: Government Policy and Future Issues. *The Pakistan Development Review*, 41(4) 879–908. Retrieved from [https://www.researchgate.net/publication/24046346\\_Non-Profit\\_Sector\\_in\\_Pakistan\\_Government\\_Policy\\_and\\_Future\\_Issues](https://www.researchgate.net/publication/24046346_Non-Profit_Sector_in_Pakistan_Government_Policy_and_Future_Issues)

<sup>23</sup> The News International [2018, August 1]. Edhi Foundation gets 50 ambulances from Pakistanis living in Australia. Retrieved from <https://www.thenews.com.pk/print/348875-edhi-foundation-gets-50-ambulances-from-pakistanis-living-in-australia>

<sup>24</sup> Centre for Asian Philanthropy and Society (CAPS). [2019]. *Business for Good: Maximizing the Value of Social Enterprises in Asia*. Retrieved from [www.caps.org/our-research/business-for-good](http://www.caps.org/our-research/business-for-good)

2015 report by the Global Impact Investing Network (GIIN) and Dalberg Global Development Advisors concluded that “Pakistan’s large population, growing middle class, and increasingly favorable regulatory investment environment remain strong foundations for attracting investors” and noted that the regulatory environment for business has been improving since 2000.<sup>25</sup>

**SDOs are turning to alternative sources of funding.** Although 19% of surveyed SDOs currently

use crowdfunding, 50% intend to do so in the future, highlighting a desire to diversify sources of funding.

Pakistan’s social sector has long been an active contributor to meeting society’s needs and continues to be at the frontlines in the current Covid-19 crisis. Tightening regulations and a changing funding landscape present challenges, but the rise of crowdfunding and continued innovation in social service delivery also present opportunities.

## A BRIEF HISTORY OF NONPROFITS IN PAKISTAN<sup>26</sup>

Before British colonial rule, SDOs that proliferated in what is now modern-day Pakistan were motivated primarily by religious beliefs and political strategy. Once British rule was firmly established in the early 19<sup>th</sup> century, there was an influx of foreign missionaries who founded convents in addition to schools, hospitals, orphanages and dispensaries. During the same period, there was also growth in the domestic religious movement contributing to social welfare.

In the second half of the 19<sup>th</sup> century, the colonial government created a legal framework for the development of SDOs. This, combined with mass mobilization of organizations under the nationalist movement, saw a growth in the number of SDOs.

Following independence from British rule in 1947, local SDOs helped accommodate and serve the massive migration of refugees into the newly formed Pakistan. In later years, their focus broadened to addressing the unmet needs of the population. During this period, the government was, in general, supportive of CSOs. In 1958, the National Council of Social Welfare was established to fund organizations, coordinate responsibilities across different government departments and promote NGOs that were working in remote and underprivileged

parts of the country. Support was also extended through grant programs. In 1961, registration of social welfare organizations was made mandatory, with the Voluntary Social Welfare Agencies Registration and Control Ordinance (1961) creating a system of local governments holding close control.

During the late 1970s, over 200 SDOs were established in the Northwest Frontier Province and Baluchistan to help settle the 3.5 million refugees fleeing civil war in Afghanistan. Some of the most prominent SDOs were founded during the 1980s, including the Aga Khan Rural Support Programme (AKRSP) and the Orangi Pilot Project. This decade also witnessed an increase in funding from the government and international development partners and the emergence of coalitions.

Pakistan’s civil society has been constantly evolving—struggling to find a balance “between the practices and values of pre-capitalist society and new modes of social life, between authoritarian legacies, and democratic aspirations.”<sup>27</sup> Today, there are an estimated 100,000 SDOs and CBOs engaging in a vast array of activities as varied as religious education, lobbying for civic amenities, running neighborhood vocational centers, and national advocacy.

*We wish to thank our partner, Pakistan Centre for Philanthropy (PCP), for primary authorship of this profile.*

<sup>25</sup> The Global Impact Investing Network (GIIN). [2015]. *The Landscape for Impact Investing in South Asia*. Retrieved from <https://dalberg.com/wp-content/uploads/2015/04/The-landscape-for-impact-investing-in-South-East-Asia.pdf>

<sup>26</sup> Asian Development Bank (ADB). [2009]. *Overview of Civil Society Organizations: Pakistan. Civil Society Briefs*. Retrieved from <https://www.adb.org/sites/default/files/publication/28971/csb-pak.pdf>

<sup>27</sup> Ibid.

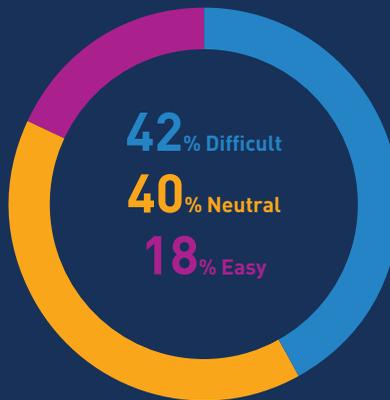
# PHILIPPINES

## Prevalence of funding sources\*

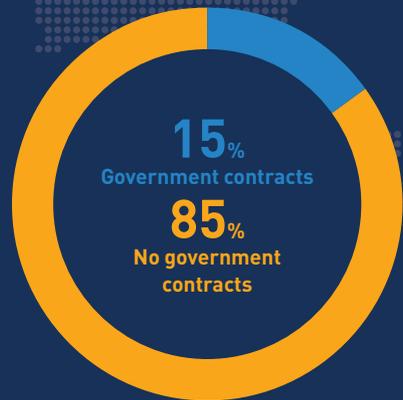


\* % of SDOs receiving each type of funding

## Ease of understanding laws



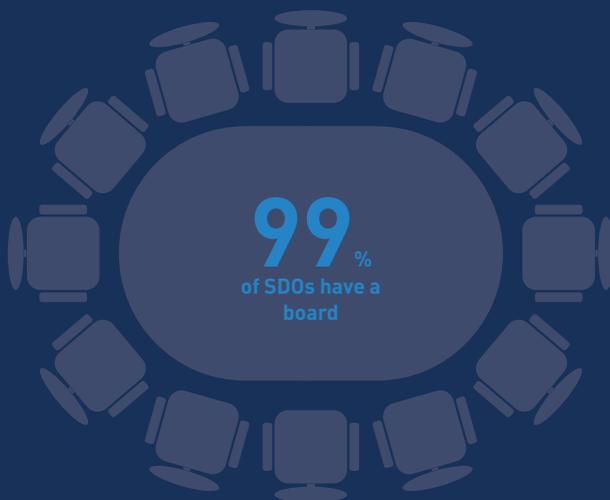
## Proportion of SDOs with government procurement contracts



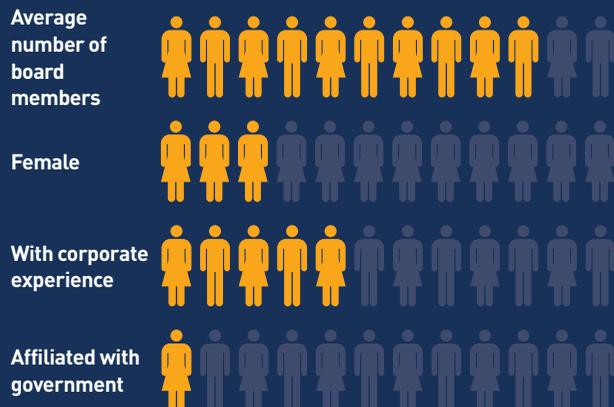
## Trust in SDOs



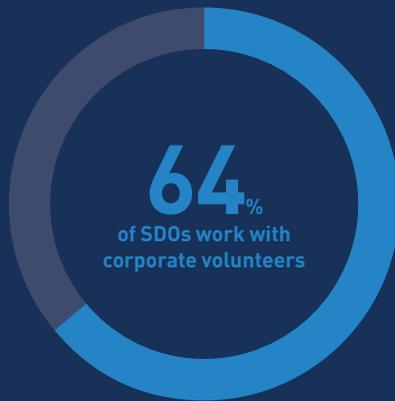
**80%**  
of respondents believe SDOs are trusted by society



## SDO board composition



### Percentage of SDOs working with corporate volunteers



### Difficulty in recruiting skilled staff



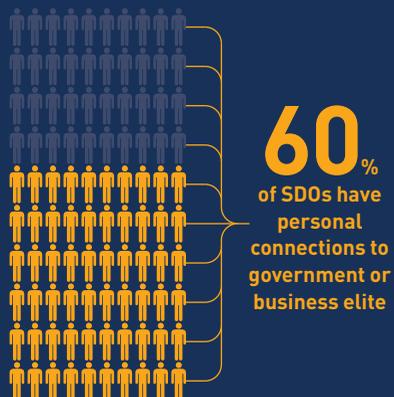
### Individual charitable giving



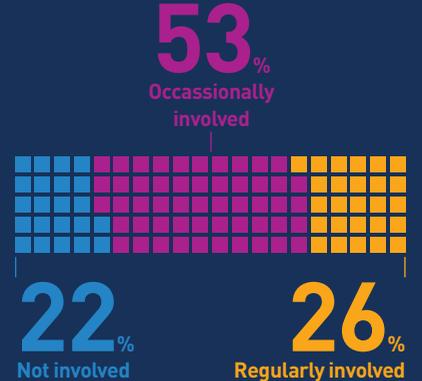
### Top 2 reasons for low levels of individual giving



### SDOs with connections to elite



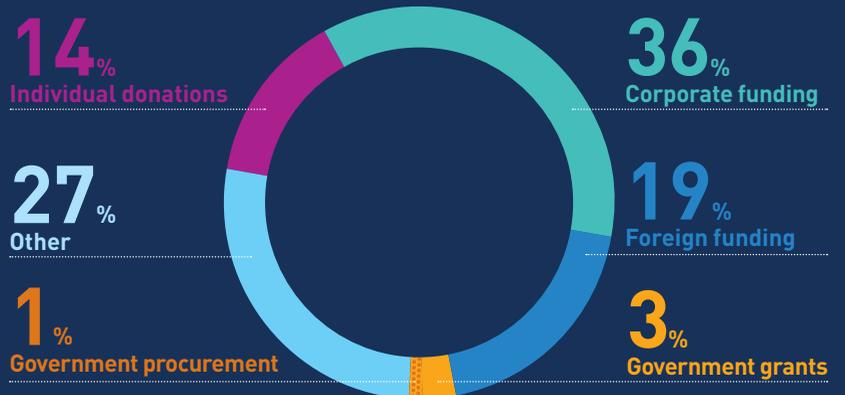
### SDOs involved in policy consultations



### Crowdfunding trends



### Average SDO budget by funding source\*



\* Based on data from 2017-2018, the last complete financial cycle at the time of data collection.



# PHILIPPINES

**Summary:** The Philippines' charitable sector has emerged as an alternative provider of social services to the underserved, enabled by progressive legislation and well-established philanthropic institutions. But the whole is not greater than the sum of its parts, and the potential for Filipino philanthropy to scale has yet to be realized. Despite a robust philanthropy infrastructure and world-class "networks of networks," philanthropists have tended to default to personal networks and relationships to get things done.

**Doing Good Index 2018: Doing Better**  
**Doing Good Index 2020: Doing Better**

## Demographics<sup>1</sup>

**Population (2018):** 106,651,920

**GDP per capita, PPP:** \$8,951.10

**Number of nonprofits (2014, rounded to the nearest 100):** 300,000<sup>2</sup>

**Estimated nonprofit-to-population ratio:** 1 for every 355 people

**% of GDP spent on health (2017):** 4.39%

**% of GDP spent on education (2009):** 2.7%

**Income status (World Bank classification):** Lower-middle income

**Annual GDP growth (2018):** 6.2%

**Human Development Index rank (2019):** 106

## The state of the social sector

The social sector in the Philippines is responding to internal and exogenous factors resulting in an amalgamation of policies and initiatives that hinder a cohesive trend.

**There have been three developments on the positive side.** One, the government has instituted a one-window registration policy, so that social delivery organizations (SDOs) only need to register and hand over documents in one window, then await the results. Two, the Annual Income Tax Return has been simplified and cut down from 11 pages to four.<sup>3,4</sup> Three, the donor's tax has been lowered from a graduated scale of up to 20% to a flat 6%, thus incentivizing charitable giving.<sup>5</sup>

**The Philippines is one of a handful of Asian economies to provide exemption from estate tax for charitable bequests.** Estate tax in the Philippines is 6%, but bequests to social welfare, cultural and charitable institutions are exempt from this tax.<sup>6,7</sup>

**However, increased oversight is making the sector uneasy.** The Securities and Exchange Commission (SEC) now requires all registered SDOs to file a one-time mandatory disclosure, which will be used as the basis for assessing the risk of money laundering and terrorist financing. These mandatory disclosure guidelines were issued to comply with the recommendations of the Financial Action Task Force. Based on the filed disclosure, an SDO's level of risk will be classified as high, medium or low. Commensurate reporting requirements will apply, including background checks of board members of high-risk SDOs.

The majority of SDOs will likely fall in the medium-risk category because they receive funding from external donors. Some in the social sector fear that this mandatory disclosure may be used to put organizations on the "watchlist" of the police and state security forces. This is especially true of human rights or advocacy

groups, whose work is not totally understood by regulatory agencies. The current administration of President Duterte does not take kindly to organizations critical of extrajudicial killings happening in the name of the “war on drugs.”

The social sector is also concerned about the lack of clarity around risk classification. While the guidelines have been released, the basis for the classification has not been publicly divulged. How securely SDOs’ data will be handled and how the data contained in mandatory disclosures will be used by the SEC or other government agencies are also a concern given the current political climate.

**Tax incentives for donations are in place but not widely known.** The tax-deduction rate for charitable donations is 100% for individuals and corporations, although the income eligible for them it is capped at 10% for individuals and 5% for corporations. Tax incentives are underutilized for two reasons. One, only donations to SDOs certified by the Philippine Council for NGO Certification (PCNC) are eligible for tax deductions.<sup>10</sup> Currently there are only about 400 PCNC-certified “donee” organizations in the Philippines.<sup>11</sup> Two, individual donors are not able to easily take advantage of tax deductions. A large section of the populace does not

## OVERSIGHT BODIES IN THE PHILIPPINES

The Securities and Exchange Commission (SEC) is the primary government registration authority for nonprofits and donor organizations, which are typically organized as “non-stock corporations” registered under the Corporation Code.<sup>8,9</sup> Cooperatives register with the Cooperative Development Authority, the Department of Labor and Employment registers unions, and the Housing and Land Use Regulatory Board oversees homeowners’ associations.

itemize taxes and consequently would not benefit from tax deductions. Moreover, salaried employees whose income taxes are withheld cannot avail tax deductibility from donations easily. As a result, observers say that some nonprofits do not pursue PCNC certification because the tax incentive obtained through the certification is only valuable to those receiving corporate donations.<sup>12</sup>

### Changes in funding are another source of concern.

The Philippines is now classified as a middle-income country, which means foreign funding is being redeployed to low-income countries. And yet half (54%) of SDOs surveyed for the *Doing Good Index 2020* receive foreign funding, and it makes up a fifth of their budget on average.<sup>13</sup> There is a need for SDOs to more consciously and urgently explore alternative sources of funding such

<sup>1</sup> Unless otherwise cited, these statistics are from the World Bank or United Nations Development Programme. For complete references please refer to the Bangladesh demographics box on page 52.

<sup>2</sup> USAID. (2014). *CSO Sustainability Index for Asia*. Retrieved from <https://www.usaid.gov/asia-civil-society/2014>.

<sup>3</sup> On January 1, 2018, the Tax Reform for Acceleration and Inclusion (TRAIN) Act took effect. TRAIN is an effort by the government to make the tax system simpler, fairer and more efficient in order to promote investment, create jobs and reduce poverty.

<sup>4</sup> National Tax Research Center, Department of Finance. (March 2018). *Tax Changes You Need to Know—Republic Act No. 10963: Tax Reform for Acceleration and Inclusion (TRAIN)*. Republic of the Philippines. Retrieved from <http://www.ntrc.gov.ph/images/Publications/train/tax-changes-you-need-to-know.pdf>

<sup>5</sup> According to KPMG, “the donor’s tax is intended to tax transfers of property by gift and includes transfer of real or personal property as well as tangible or intangible property.” Retrieved March 28, 2020, from <https://home.kpmg/xx/en/home/insights/2011/12/philippines-other-taxes-levies.html>.

<sup>6</sup> National Tax Research Center, Department of Finance. (March 2018). *Tax Changes You Need to Know—Republic Act No. 10963: Tax Reform for Acceleration and Inclusion (TRAIN)*. Republic of the Philippines. Retrieved from <http://www.ntrc.gov.ph/images/Publications/train/tax-changes-you-need-to-know.pdf>

<sup>7</sup> Provided that no more than 30% of the donation shall be used by the institution for administrative purposes. *Source: National Internal Revenue Code*. (1997). (Philippines) Retrieved from <https://www.bir.gov.ph/index.php/tax-code.html#title3>

<sup>8</sup> Council of Foundations (COF). *Nonprofit Law in the Philippines*. Retrieved from <https://www.cof.org/content/philippines>

<sup>9</sup> According to Section 87 of the Corporation Code, non-stock corporations can be formed for “charitable, religious, educational, professional, cultural, fraternal, literary, scientific, social, civic service, or similar purposes, such as trade, industry, agricultural and link chambers, or any combination thereof.” *Source: An Act Providing for the Revised Corporation Code of the Philippines*. (2018). Republic Act. No. 11232 (Philippines). Retrieved from [http://www.sec.gov.ph/wp-content/uploads/2019/03/2019Legislation\\_RA-11232-REVISED-CORPORATION-CODE-2019.pdf](http://www.sec.gov.ph/wp-content/uploads/2019/03/2019Legislation_RA-11232-REVISED-CORPORATION-CODE-2019.pdf)

<sup>10</sup> The PCNC was cofounded by six national nonprofits networks in partnership with the Department of Finance and the Bureau of Internal Revenue.

<sup>11</sup> Certified NGOs receive the status of “donee” institution. Figure cited by the PCNC in an email exchange with Oman Jiao of the Association of Foundations.

<sup>12</sup> Anand, P. U., & Hayling, C. (2014). *Levers for Change—Philanthropy in Select South East Asian Countries*. Social Insight Research Series. Lien Centre for Social Innovation: Research. Retrieved from [https://link.library.smu.edu.sg/lien\\_reports/6/](https://link.library.smu.edu.sg/lien_reports/6/)

<sup>13</sup> Unless otherwise indicated, SDO survey data mentioned in this brief are from the *Doing Good Index 2020*.

as crowdfunding, or alternative modes of operation akin to revenue-generating social enterprises.<sup>14</sup>

**Domestic sources of philanthropy are even more important in the face of declining foreign funding.** As funding from foreign sources has waned, key local sources of funding for nonprofits have been the Catholic Church, local businesses and family foundations.<sup>15</sup> For nonprofits working in healthcare and community development, corporate donations are a sizeable source of income, after fees for services and grants.<sup>16</sup>

**Social sector leaders are aging, and their replacements are hard to find.** It has become more difficult to attract younger people—who find the corporate or government sectors more attractive—to take over the leadership of social-sector organizations. While some millennials are interested in working for the social sector, they do not see it as a permanent commitment; rather, they see employment in the social sector as helpful for a future job or undertaking in the corporate sector, in a business, or in government.

There is also a widespread perception that nonprofit employees should earn less than their for-profit counterparts (73% of surveyed SDOs in the Philippines believe this to be true). Talent retention is, therefore, challenging for SDOs; 78% struggle to recruit skilled staff and two-thirds find it difficult to retain them. There is an urgent need to develop ways to attract the younger generation to the social sector—and keep them committed to it.

## Emerging trends

**The social sector has not fully maximized the use of the internet and social media for its purposes.** Online fundraising or crowdsourcing, for instance, seems to have only limited success in the Philippines as Filipinos seem generally wary of making contributions online. Only 13% of surveyed SDOs currently use crowdfunding, the third-lowest across Asia. With the exception of larger organizations, SDOs do not often have an active online presence.

**Social enterprises, which use business operations to meet social needs, are discussed in many online forums relating to the social sector.**

However, the technical capacity of SDOs to transition into or set up social enterprises is limited—after all, the skill sets required for running nonprofits and revenue-generating social enterprises are quite different. Smaller SDOs, in particular, lack the financial resources to hire staff who can launch or manage a social enterprise subsidiary.

**There is an opportunity for the PCNC to further its self-regulating role.** The PCNC is an independent body cofounded by six national nonprofits networks in partnership with the Department of Finance and the Bureau of Internal Revenue. Historically, for the reasons cited earlier in this profile, about 20% of SDOs do not apply for re-certification with the PCNC. In recent years, however, the number of SDOs seeking certification each year has been increasing by 25%.

PCNC certification was always attractive for those receiving corporate donations, since it is a prerequisite for corporate donations being eligible for tax deductions. But donee status is not the only certification SDOs are seeking from PCNC: as of April 2018, some 445 nonprofits have been accredited for “good housekeeping” (compared to 393 for donee status).<sup>17</sup> For both, a high bar exists in terms of governance requirements.

The increasing number of requests for PCNC certification may mean that the social sector is beginning to see PCNC certification as a “seal of good housekeeping,” something important for self-certification mechanisms. It has been observed, however, that foreign donors provide funding for SDOs even without PCNC certification, something that can undercut the value of PCNC certification for the sector. The PCNC board needs to develop a more active plan to connect with foreign embassies in the Philippines and with foreign donors of the sector, to communicate why it is important for the donors to increasingly require their donees in the Philippines to become PCNC-certified—as this provides the donors with another layer of assurance

<sup>14</sup> A social enterprise is defined as an organization that follows business principles to meet a social or environmental need through a product, service, process or distribution of profit. Centre for Asian Philanthropy and Society (CAPS). (2019). *Business for Good: Maximizing the Value of Social Enterprises in Asia*. Retrieved from [www.caps.org/our-research/business-for-good](http://www.caps.org/our-research/business-for-good)

<sup>15</sup> Anand, P. U., & Hayling, C. (2014). *Levers for Change—Philanthropy in Select South East Asian Countries*. *Social Insight Research Series*. Lien Centre for Social Innovation: Research. Retrieved from [https://ink.library.smu.edu.sg/lien\\_reports/6/](https://ink.library.smu.edu.sg/lien_reports/6/)

<sup>16</sup> Ibid.

<sup>17</sup> Figure cited by the PCNC in an email exchange with Oman Jiao of the Association of Foundations.

of accountability from their donees. The PCNC should also look into the impact of the reduced donor's tax on the number of SDOs securing PCNC certification.

**There is a need for more multisectoral cooperation between corporate foundations and SDOs.** But corporate foundations tend to implement their corporate social responsibility initiatives on their own as they seek to improve brand recognition in communities. They will sometimes work with other corporate foundations in their areas to supplement each other's programs in the communities. However, because corporate foundations often do not know enough about the social sector and vice versa, there is a level of mistrust between them and SDOs, which hinders their ability to work together.

The mistrust towards SDOs by corporate foundations may be aggravated by the relatively low level of public trust in nongovernmental organizations, which declined sharply from 59% in 2017 to 37% in 2019 according to the *Philippine Trust Index*.<sup>18</sup> On the other hand, SDOs have a fear of partnerships that will impact their reputation if the corporate foundation and its leadership do not behave ethically.

## The way forward

Poverty remains the biggest issue for the Philippines today, as it has been for decades. Despite a decline in poverty incidence to 21% in 2018, this still translates to about 22.5 million poor Filipinos.<sup>19</sup> The picture is even worse according to the 2018 self-rated Social Weather Stations survey, which showed that 48% of respondents rated themselves as poor.<sup>20</sup> Moreover, income inequality in the Philippines is one of the highest in Southeast Asia.<sup>21</sup>

The government alone cannot lift people out of poverty. The social sector is a critical partner in this endeavor. Where government bureaucracy hampered

the delivery of necessary social services, nonprofits have historically stepped into that role, creating networks and building up strong relationships with poor communities.<sup>22</sup> Several major civil society and nonprofit network organizations remain core to the philanthropic ecosystem, including the Association of Foundations and the Caucus of Development NGO Networks (CODE-NGO).<sup>23,24</sup> As the Philippines looks ahead, enabling policies that facilitate the creation and smooth operation of SDOs are more important than ever. As are tax and fiscal incentives that can encourage domestic philanthropy to step up in the face of declining foreign funding.

<sup>18</sup> CNN Philippines. (2019, September 10). New poll shows trust levels down across institutions. *CNN Philippines*. Retrieved from <https://www.cnn.ph/news/2019/9/10/2019-philippine-trust-index.html>

<sup>19</sup> Philippine Statistics Authority (PSA). (2019, April 10). *Proportion of Poor Filipinos registered at 21.0 percent in the First Semester of 2018*. Republic of the Philippines. Retrieved from <https://psa.gov.ph/content/proportion-poor-filipinos-registered-210-percent-first-semester-2018>

<sup>20</sup> Social Weather Stations. (2018, July 20). *Second Quarter 2018 Social Weather Survey: Self-Rated Poverty up 6 points, to 48%*. Retrieved from <https://www.sws.org.ph/swsmain/artclidisppage/?artcsyscode=ART-20180720202331>

<sup>21</sup> World Bank. (2015). *GINI index (World Bank estimate)* [Data file]. Retrieved from <https://data.worldbank.org/indicator/SI.POV.GINI>

<sup>22</sup> Asian Development Bank (ADB). (February 2013). *Civil Society Briefs: Philippines*. Retrieved from <https://www.adb.org/publications/civil-society-briefs-philippines>

<sup>23</sup> The Association of Foundations was founded in 1972 as the Philippines' first heterogeneous network of nongovernmental organizations and foundations. It is among the primary capacity-building resources for the nonprofit sector in the country. The Caucus of Development NGO Networks (CODE-NGO) is the largest coalition of nonprofits working in social development. It encompasses six national and six regional networks representing around 1,600 organizations.

<sup>24</sup> Chhina, S., Petersik, W., Loh, J., & Evans, D. (2014). *From Charity to Change: Social investment in selected Southeast Asian countries*. Social Insight Research Series. Lien Centre for Social Innovation: Research. Retrieved from [https://link.library.smu.edu.sg/cgi/viewcontent.cgi?article=1010&context=lien\\_reports](https://link.library.smu.edu.sg/cgi/viewcontent.cgi?article=1010&context=lien_reports)

## A BRIEF HISTORY

Charity is deeply rooted in the religious and cultural traditions of the Philippines. The formal charitable sector has roots dating back to the Spanish occupation in the 1500s when the Catholic Church set up the country's first nonprofit institutions, which included hospitals, orphanages and asylums. During the United States occupation, the 1906 Corporation Code was enacted, creating a legal structure for nonprofits.

After World War II, private philanthropy gained more prominence as wealthy individuals and corporations began spearheading fundraising activities and campaigns, complementing the work of the Catholic Church and the government.<sup>25</sup> Nonprofit organizations were established in the 1950s and 1960s to address the urgent issues of rural development and urban poverty. But economic conditions deteriorated, allowing Ferdinand Marcos to take power in the 1960s and rule by martial law.

In the 1970s and 1980s, new nonprofits were established to meet socioeconomic needs of the poor and to organize resistance against authoritarian rule.

Alongside the Catholic Church, they played a role in organizing grassroots campaigns that culminated in the People Power movement. After Marcos was overthrown in 1986, the developmental role of the nonprofit sector was codified in the new constitution.<sup>26</sup>

The role of the charitable sector in the development of the Philippines is articulated and protected in the 1987 Constitution. Specifically, the government is required to facilitate “adequate consultation mechanisms” for the nonprofit sector to ensure “effective and reasonable participation at all levels of decision making.”<sup>27</sup>

The Local Government Code of 1991 was an important piece of legislation in catalyzing the nonprofit sector. By devolving power from the central government to local government units and mandating representation of nonprofits in local legislative and special bodies (i.e. local health boards, local school boards, peace and security councils, and local bids and awards committees), new opportunities for them to participate in local planning and the delivery of services were created.<sup>28</sup>

*We wish to thank our partner, Association of Foundations (AF), for primary authorship of this profile.*

<sup>25</sup> Johnson, P. D. (2010). *Global Institutional Philanthropy: A preliminary status report—Part Two: Country profiles*. The Philanthropic Initiative (TPI) and Worldwide Initiatives for Grantmaker Support (WINGS). Retrieved from [https://www.tpi.org/sites/default/files/pdf/global\\_institutional\\_philanthropy\\_a\\_preliminary\\_status\\_report\\_-\\_part\\_two.pdf](https://www.tpi.org/sites/default/files/pdf/global_institutional_philanthropy_a_preliminary_status_report_-_part_two.pdf)

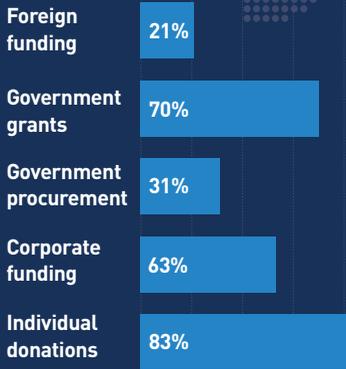
<sup>26</sup> Chhina, S., Petersik, W., Loh, J., & Evans, D. (2014). *From Charity to Change: Social investment in selected Southeast Asian countries*. Social Insight Research Series. Lien Centre for Social Innovation: Research. Retrieved from [https://ink.library.smu.edu.sg/cgi/viewcontent.cgi?article=1010&context=lien\\_reports](https://ink.library.smu.edu.sg/cgi/viewcontent.cgi?article=1010&context=lien_reports)

<sup>27</sup> *The Constitution of the Republic of the Philippines*. (1987). Article II, Section 23; Article XIII, Section 15 (Philippines). Retrieved from <https://www.officialgazette.gov.ph/constitutions/1987-constitution/>

<sup>28</sup> Anand, P. U., & Hayling, C. (2014). *Levers for Change—Philanthropy in Select South East Asian Countries*. Social Insight Research Series. Lien Centre for Social Innovation: Research. Retrieved from [https://ink.library.smu.edu.sg/lien\\_reports/6/](https://ink.library.smu.edu.sg/lien_reports/6/)

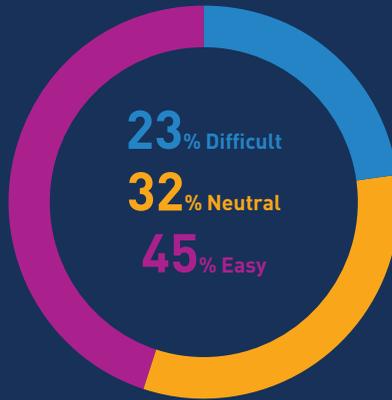
# SINGAPORE

## Prevalence of funding sources\*

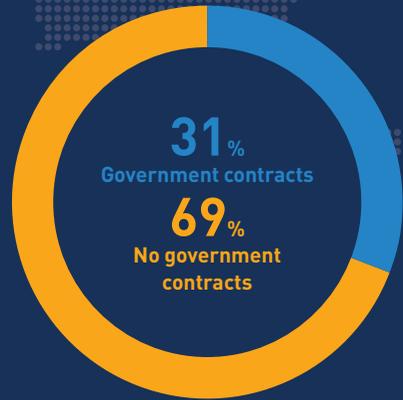


\* % of SDOs receiving each type of funding

## Ease of understanding laws



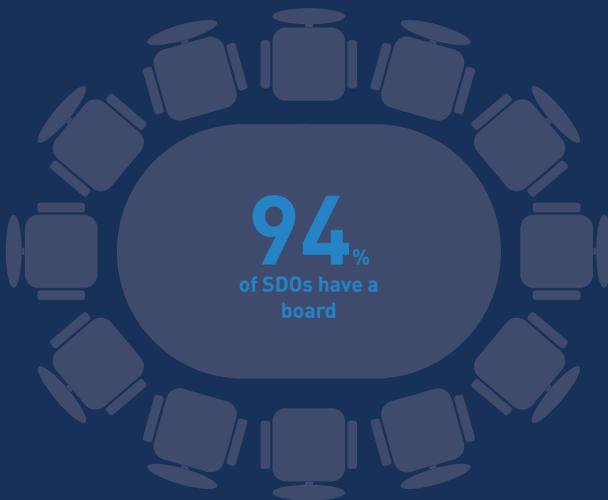
## Proportion of SDOs with government procurement contracts



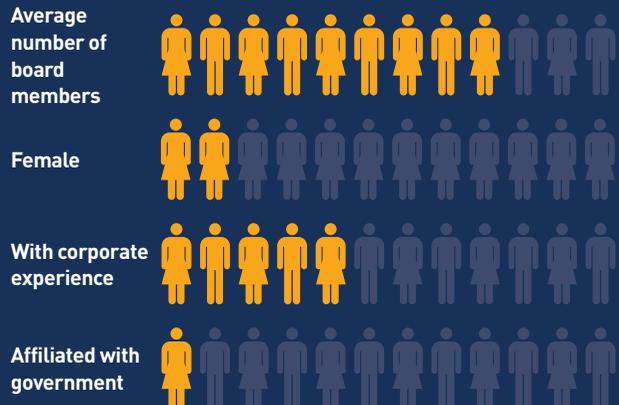
## Trust in SDOs



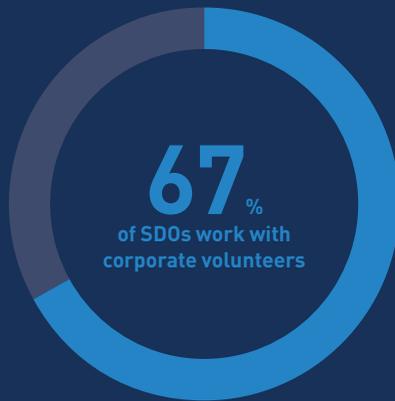
**65%**  
of respondents believe SDOs are trusted by society



## SDO board composition



### Percentage of SDOs working with corporate volunteers



### Difficulty in recruiting skilled staff



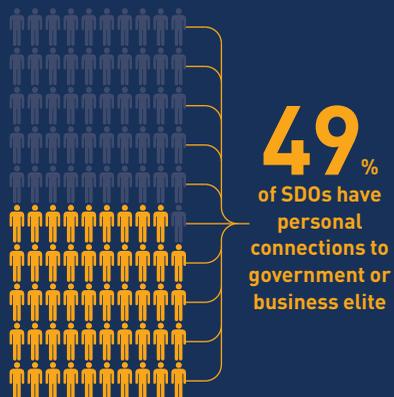
### Individual charitable giving



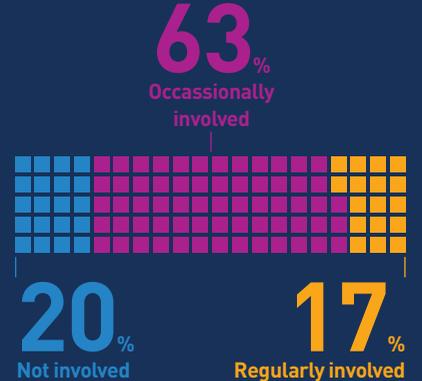
### Top 2 reasons for low levels of individual giving



### SDOs with connections to elite



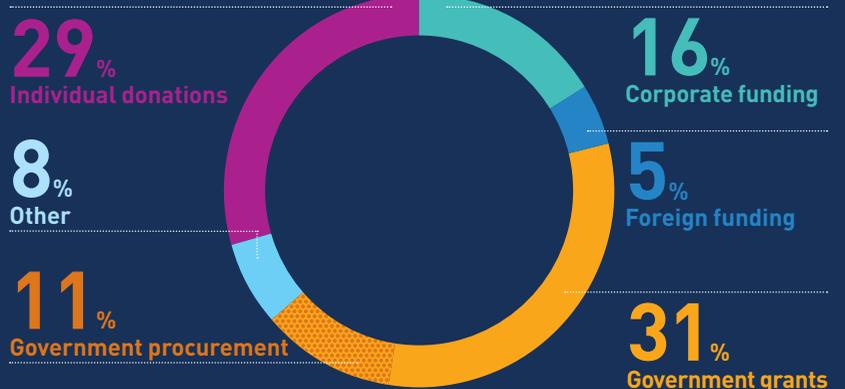
### SDOs involved in policy consultations



### Crowdfunding trends



### Average SDO budget by funding source\*



\* Based on data from 2017-2018, the last complete financial cycle at the time of data collection.



# SINGAPORE

**Summary:** Singapore’s social sector is relatively strong compared to many other countries in the region. The government has overseen and fostered the development of the sector and put in place many of the levers that enable giving, although their impact on spurring philanthropy is not yet clear. As the city-state now faces a diverse and evolving set of social challenges, the question is how to take the social sector to the next level.

**Doing Good Index 2018: Doing Well**  
**Doing Good Index 2020: Doing Well**

## Demographics<sup>1</sup>

**Population (2018):** 5,638,680

**GDP per capita, PPP (2018):** \$101,531.60

**Number of nonprofits (2018, rounded to the nearest 100):** 2,300<sup>2</sup>

**Estimated nonprofit-to-population ration:** 1 for every 2,452 people

**% of GDP spent on health (2016):** 4.44%

**% of GDP spent on education (2013):** 2.9%

**Income status (World Bank classification):** High income

**Annual GDP growth (2018):** 3.1%

**Human Development Index rank (2019):** 9

## Singapore’s social sector: A solid foundation

One of the 20th century’s greatest development success stories, Singapore today is wealthy, safe and orderly. Since its independence in 1965, Singapore has developed from a low-income to a high-income country, bolstered by a record of rapid economic growth combined with high employment and good social indicators.<sup>3</sup> The vast majority of Singapore’s 4 million citizens and permanent residents live in subsidized public housing.<sup>4</sup> Absolute poverty is not a present struggle. The education system is considered one of the best in the world. It has an efficient and widespread healthcare system.

However, Singapore also faces diverse and evolving social challenges. Inequality is high, the population is aging rapidly, and policymakers are concerned about youth mental health. Under the surface, there are other pockets of need: disabled people, LGBTQ+ people and low-skilled migrant workers each face their struggles for inclusion.<sup>5</sup>

Through all of this, many Singaporeans are only just starting to think seriously about climate change, although the city is particularly vulnerable to rising temperatures and sea levels.<sup>6</sup>

**Singaporean nonprofits play a vital role in tackling many of these modern-day issues.** Singapore has nearly 2,300 registered charities (almost 50% are religious congregations).<sup>7</sup> They are governed by the Singapore Charities Act and overseen by the Commissioner of Charities (CoC). Almost 20% provide social and welfare services—these have been referred to as “voluntary welfare organizations” (VWOs).<sup>8</sup> Staffed with teams of social workers, some of the larger VWOs form the backbone of a nationwide network of “family service centres” that act as a platform for a wide variety of community outreach and support programs.<sup>9</sup>

**There is also a booming new sub-sector of social enterprises.**<sup>10</sup> According to 68% of surveyed SDOs in the *Doing Good Index 2020*, Singapore has experienced

a significant increase in social enterprises over the last two years.<sup>11</sup> A similar number agreed that donors are also showing more interest in social enterprises. Set up in 2015, the Singapore Centre for Social Enterprise (raiSE) now boasts over 400 members. The top three areas addressed by these social enterprises are employment for the empowerment of underprivileged groups, education and skills development.<sup>12</sup>

## The government and the social sector

Singapore's government plays a central role in fostering the social sector, whether through funding social delivery organizations (SDOs), providing a strong regulatory environment or offering favorable tax policies.

**The standout feature of Singapore's nonprofit sector is the high level of government funding.** Around 70% of surveyed SDOs reported receiving government

## A SNAPSHOT OF SINGAPORE'S NONPROFIT ENTITIES

There are two types of charity statuses established under the Singapore Charities Act.<sup>13</sup>

**Charities** are of three types: the public company limited by guarantee, the society, and the charitable trust. They differ in organizational, funding and governance requirements, as well as the potential legal liabilities for those involved. After registration as a nonprofit entity, an organization may apply for charitable status based on the purpose of the organization. A key benefit of being a registered charity is automatic tax exemption. As of the end of 2018, there were 2,277 registered charities.<sup>14</sup>

**Institutions of a public character (IPCs)** are registered charities that can issue tax-deductible receipts for qualifying donations. To qualify as an IPC, the charity must be dedicated to serving the community at large and not be limited to a certain group of persons based on race, beliefs, religion or sector. They face stricter registration and governance requirements and are also subject to operating under the direct supervision of a designated government "sector administrator."<sup>15</sup> Furthermore, IPCs face stricter accountability for their use of funds and are not permitted to spend more than 30% of donation revenue on fundraising.<sup>16</sup> As of the end of 2018, there were 610 approved IPCs.<sup>17</sup>

<sup>1</sup> Most of these statistics are from the World Bank or United Nations Development Programme (unless otherwise cited). For complete references please refer to the Bangladesh demographics box on page 52.

<sup>2</sup> Ministry of Community, Culture and Youth, Singapore. (2019). *Commissioner of Charities Annual Report*. Retrieved from <https://www.charities.gov.sg/Publications/Documents/Commissioner%20of%20Charities%20Annual%20Report%202018.pdf>

<sup>3</sup> The World Bank Group. *The World Bank in Singapore*. Retrieved March 3, 2020, from <https://www.worldbank.org/en/country/singapore/overview>

<sup>4</sup> Singapore Department of Statistics. *Population and Population Structure*. Retrieved from <https://www.singstat.gov.sg/find-data/search-by-theme/population/population-and-population-structure/latest-data>

<sup>5</sup> Lien Centre for Social Innovation. *Unmet Social Needs*. Singapore Management University. Retrieved from <https://lcsi.smu.edu.sg/research/unmet-social-needs>

<sup>6</sup> Mokhtar, F. (2020, February 26). Singapore Has a S\$100 Billion Plan to Survive in a Far Hotter World Than Experts Predicted. *Bloomberg Green*. Retrieved from <https://www.bloomberg.com/news/features/2020-02-25/singapore-has-a-100-billion-plan-for-adapting-to-climate-change>

<sup>7</sup> Charity Portal. *Advanced Search*. Retrieved April 27, 2018, from [https://www.charities.gov.sg/\\_layouts/MCYSCPSearch/MCYSCPSearchCriteriaPage.aspx](https://www.charities.gov.sg/_layouts/MCYSCPSearch/MCYSCPSearchCriteriaPage.aspx)

<sup>8</sup> The term VWO is still commonly used to refer to a social and welfare sector charity, although it is now starting to be replaced by social service organization (SSO) and social service agency (SSA). See The Straits Times (2019, July 13). New name for voluntary welfare organisations—social service agencies. *The Straits Times*. Retrieved from <https://www.straitstimes.com/singapore/new-name-for-voluntary-welfare-organisations-social-service-agencies>

<sup>9</sup> Ministry of Social and Family Development. *Family Service Centres*. Retrieved from <https://www.msfc.gov.sg/policies/Strong-and-Stable-Families/Supporting-Families/Pages/Family-Service-Centres.aspx>

<sup>10</sup> A social enterprise is defined as an organization that follows business principles to meet a social or environmental need through a product, service, process or distribution of profit. Centre for Asian Philanthropy and Society (CAPS). (2019). *Business for Good: Maximizing the Value of Social Enterprises in Asia*. Retrieved from [www.caps.org/our-research/business-for-good](http://www.caps.org/our-research/business-for-good)

<sup>11</sup> Unless otherwise indicated, SDO survey data mentioned in this brief are from the Doing Good Index 2020.

<sup>12</sup> Singapore Centre for Social Enterprise (raiSE). (2017). *The State of Social Enterprise in Singapore*. Retrieved from <https://www.raise.sg/images/resources/pdf-files/raiSE---State-of-Social-Enterprise-in-Singapore-2017-Report.pdf>

<sup>13</sup> *Charities Act*. (1994). Act 22 of 1994, Chapter 37 (Singapore). Retrieved from <https://sso.agc.gov.sg/Act/CA1994>

<sup>14</sup> Commissioner of Charities. (2018). *Annual Report for the Year Ended 31 December 2018*. Retrieved from <http://www.charities.gov.sg/Publications/Pages/Publications.aspx>

<sup>15</sup> *Charities Act*. (1994). Act 22 of 1994, Chapter 37, Section 40A (Singapore). Retrieved from <https://sso.agc.gov.sg/Act/CA1994?ProvIds=P1V111A->

<sup>16</sup> *Charities Act - Charities (Institutions of a Public Character) Regulations*. (2008) Chapter 37, Section 40C. (Singapore). Retrieved from <https://sso.agc.gov.sg/SL/CA1994-RG5?DocDate=20110826>

<sup>17</sup> Commissioner of Charities. (2018). *Annual Report for the Year Ended 31 December 2018*. Retrieved from <http://www.charities.gov.sg/Publications/Pages/Publications.aspx>

grants. These made up a third of an SDO's budget on average—one of the highest proportions in Asia.<sup>18</sup> The largest donor in Singapore is the Tote Board, a government body that allocates gambling profits to charity. Another key source of funding for many organizations is the Community Chest, a fund operated by the National Council of Social Services (NCSS) that raises corporate and public donations, distributing the money to selected organizations.

**Many nonprofits engage in social service delivery under government contracts.** A third of surveyed SDOs reported receiving government procurement contracts. The government fairly tightly prescribes services it wants to be delivered on its behalf. For example, the government's Agency for Integrated Care funds a group of charities across the country to operate seniors-focused care services, including Community Intervention Teams (COMITs) that offer holistic support to clients with dementia and mental health issues, and their caregivers.

**Top-down meets bottom-up: a philosophy of "Many Helping Hands."** Despite a high level of government funding and control, policymakers are also at pains to nurture grassroots giving, volunteering and social initiatives. This is accomplished primarily through three government capacity-building bodies: the NCSS, the CoC and the National Volunteer & Philanthropy Centre (NVPC). Under the mantra of "Many Helping Hands," an approach initiated in the 1990s, the government has pursued a vision of "self-reliance in a society that is robust, yet compassionate and caring" through "partnership with concerned citizens, corporations, community organizations, religious groups and family members."<sup>19</sup>

In reality, this means that the government typically stops short of providing full funding for any program. At the same time, it actively encourages charities to raise funds and even offers training to charities on fundraising. The government also promotes private philanthropy by operating various matching-funds schemes and offering generous tax incentives for donors.<sup>20</sup>

The Charities Act is a robust piece of legislation that

underpins the charity sector. Introduced in 1994, it has provisions for registration requirements, measures for reporting, record-keeping, and commissioner oversight. These laws are relatively easy to understand, according to 45% of surveyed SDOs. Laws are also generally enforced according to 93% of surveyed SDOs. These are the highest ratings in the *Doing Good Index 2020*.

**Singapore confers high standards for accountability and transparency.** Under the carrot-and-stick regime of the CoC, charities have been steered towards steadily greater levels of transparency and good governance. For example, all charities are required to submit an annual self-assessment against the CoC's governance code. Those with top quality governance are recognized at the high-profile Charity Transparency and Governance Awards. In 2019, the CoC also developed guidance for charities with non-charitable subsidiaries to prevent conflicts of interest. On the donor side, the CoC's "Safer Giving Campaign" launched in 2018 reached an audience of over 1.7 million people with messages about requiring transparency and accountability for donations made.<sup>21</sup>

**Individual giving is incentivized by offering a 250% tax deduction for donations to IPCs.** This is likely the highest deduction rate in the world, and there is no limit on the eligible income. Further, if tax deductions for the donation exceed income for the year, the donor (individual or corporate) may carry the unutilized deduction forward for a maximum of five years.<sup>22</sup>

## Community and corporate engagement with the social sector

Not all efforts are government-led. Various organizations have succeeded in uncovering new opportunities and pioneering innovative thinking. Charities such as ArtsWok Collaborative, AWARE and Beyond Social Services are tackling new or hidden issues and forging partnerships for innovation. On the funder side, the Lien Foundation and Tsao Foundation have established strong track records in seeding bold ideas and out-of-the-box initiatives.

**Community engagement is reflected in institutional**

<sup>18</sup> One-third of SDOs receiving government grants said that this funding accounts for more than 60% of their budget.

<sup>19</sup> Statement by Mr Abdullah Tarmurgi, then Acting Minister for Community Development at the World Summit for Social Development in Copenhagen on March 10, 1995. Quoted by Cheng, W., & Mohamed, S. (2015). *Doing Good in Singapore. In 50 Years of Social Issues in Singapore* (pp. 237–272). Singapore: World Scientific.

<sup>20</sup> For example, the Cultural Matching Fund in the arts sector and the Community Silver Trust, which supports active aging, are dollar-for-dollar matching grants provided by the government for private donations for charities that meet certain criteria.

<sup>21</sup> Commissioner of Charities. (2018). *Annual Report for the Year Ended 31 December 2018*. Retrieved from <http://www.charities.gov.sg/Publications/Pages/Publications.aspx>

<sup>22</sup> Inland Revenue Authority of Singapore. *Donations and Tax Deductions*. Government of Singapore. Retrieved from <https://www.iras.gov.sg/irashome/Other-Taxes/Charities/Donations-and-Tax-Deductions/>

**recognition.** Singapore is one of only four economies in the *Doing Good Index 2020* that have a national giving day/week. The annual National Giving Week, first launched in 2015, is spearheaded by the NVPC and brings together over 30,000 individuals and 180 businesses and nonprofits to support social causes.<sup>23</sup> Other NVPC initiatives include the Company for Good program, which has engaged over 1,000 corporations for greater giving and accords businesses with the annual “Champions of Good” title, and the annual President’s Volunteerism & Philanthropy Awards.<sup>24,25</sup>

**Corporations account for a significant share of donations to SDOs.** Two-thirds (63%) of SDOs reported receiving corporate funding, the second-highest proportion in Asia. Over half of the firms surveyed by the NVPC in 2017 had engaged in corporate giving, and a further 31% said they were keen to start.<sup>26</sup> Almost 60% of tax-deductible donations were sourced from corporations in 2018.<sup>27</sup>

**Corporate volunteering is also common.** In the *Doing Good Index 2020* survey, 76% of SDOs that host volunteers work with corporate volunteers. Starting from 2016, civil servants receive one day of volunteer leave per year, and some companies have followed suit by offering the same to their employees.

**Fewer individuals are giving, but the average contribution per donor has increased.** Singapore’s donation rate has gradually declined from a high of 97% in 2004 to 79% in 2018. However, the average donation more than doubled from 2008 to 2018, resulting in a total donation amount of SG\$2.11 billion (US\$1.53 billion) in 2018.<sup>28</sup> Of surveyed SDOs, 83% receive funding from individuals. However, 93% believe individual giving remains low.

## The road ahead: Taking it to the next level

Many charities are delivering products and services to address social needs at scale and with consistency, supported by the government, corporations and individuals. What will it take to deepen and broaden the

social sector’s impact? Experts consulted for this study identified the following three main opportunities.

**Building talent.** Over 70% of SDOs surveyed find it difficult to attract and retain skilled staff. This has been attributed to the pay gap between the social and private sectors, the widespread perception that working in the social sector is not a high-status career, and limited sources of training (e.g. degrees in nonprofit management) to produce and nurture experts in this sector. With 93% of surveyed SDOs thinking that the public believes nonprofit employees should earn less than their for-profit counterparts (the highest in Asia), recruitment is likely to remain challenging.

Some efforts to change this are underway. Experts indicated that new salary guidelines from NCSS have helped improve transparency and spark discussions on how to increase salaries in the social sector. Encouragingly, 86% of surveyed SDOs believe that young people are as or more interested in the social sector than their parents. A new generation of “next-gen” philanthropists are bringing a fresh perspective into the sector. More professional degree courses are also emerging, such as the graduate gerontology programs at the Singapore University of Social Sciences.

**Catalyzing collaboration.** Collaboration has been a favorite buzzword among certain funders and policymakers over the past few years in Singapore. But despite the talk, practitioners across the sector acknowledge that it does not happen often or deeply enough. There have been relatively few examples of charities in Singapore collaborating to address common goals or even to share data and lessons learned. Funders have a role to play in encouraging a culture of collaboration instead of unhealthy competition among charities.

There are some positive examples of funders driving collaboration. The NVPC’s Colabs initiative, for instance, launched in 2018, is bringing together public, private and social sector players to collectively “build insights and

<sup>23</sup> City of Good. [2018, November 22]. *Singapore Turns Global Giving Day into Week-Long National Movement for 4th Consecutive Year*. Retrieved from <https://cityofgood.sg/resources/singapore-turns-global-giving-day-into-week-long-national-movement-for-4th-consecutive-year/>

<sup>24</sup> Company of Good. *About and Champions of Good—bringing others on a collaborative giving journey*. Retrieved from <https://www.companyofgood.sg/about> and <https://www.companyofgood.sg/champions-of-good>

<sup>25</sup> City of Good. *President’s Volunteerism & Philanthropy Awards*. Retrieved from <https://cityofgood.sg/resources/presidents-volunteerism-philanthropy-awards/>

<sup>26</sup> National Volunteer & Philanthropy Centre. [2018, July 24]. *Corporate Giving Survey 2017*. Retrieved from <https://www.mccy.gov.sg/about-us/news-and-resources/statistics/2019/jan/-/media/28DBAC7E03BD4F0491D0A3C74A50B4AD.ashx>

<sup>27</sup> Commissioner of Charities. [2018]. *Annual Report for the Year Ended 31 December 2018*. Retrieved from <http://www.charities.gov.sg/Publications/Pages/Publications.aspx>

<sup>28</sup> National Volunteer and Philanthropy Centre (NVPC). [2019, May 16]. *Individual Giving Study (IGS) 2018* [Media Briefing]. Retrieved from <https://d1qt9fkyno54tz.cloudfront.net/docs/resources/IGS-2018-Media-Briefing-16052019-FINAL-v3.pdf?mtime=20190516171308>

co-create solutions.”<sup>29</sup> Another example is the Tote Board’s Shared Gifting Circles program, also launched in 2018, which allocated SG\$2 million (US\$1.4 million) jointly to a group of seven nonprofits and social enterprises, tasking them to agree among themselves how best to divide the money.<sup>30</sup>

**Nurturing grassroots ownership.** The government’s strong role has had significant advantages, but some experts suggest that, in some cases, it may have inadvertently contributed to a culture of overdependence. For example, if neighbors have a small issue with each other, they might typically go to the Resident’s Committee (an organization staffed by volunteers who are government-appointed), instead of simply resolving it amongst themselves.

But grassroots civil society initiatives do continue to exist. For example, the Cassia Resettlement Team formed when a number of elderly people were relocated from their long-time homes to new government housing. A team of volunteers emerged organically to visit the seniors each week and help them navigate these changes.<sup>31</sup>

## A ripe opportunity to seize the initiative

Singapore achieved its stunning leap “from third

world to first” in the second half of the 20th century through impeccably planned top-down direction. The government seemingly has a masterplan for everything—and, in general, this approach has worked very well. But Singapore today is facing a new set of challenges. To stay ahead of the curve, Singaporeans need to be creative and confident problem-solvers, not just obedient citizens and workers.

Policymakers across government are busy grappling with this challenge. How to nurture more ideas and initiatives without losing the winning formula of order and control? How to inspire innovators to develop new solutions to tricky social problems without revealing too much unflattering data on the nature of those problems?

As of now, these questions are still being worked through. The process of rebalancing the equation between top-down and bottom-up may take several more years. In the meantime, there is a ripe opportunity for more nonprofits, social enterprises and private philanthropic funders to step up and showcase what can be done when civil society takes more initiative to complement and boost existing services.

## A BRIEF HISTORY OF SINGAPORE’S SOCIAL SECTOR<sup>32</sup>

Singapore’s civil society dates back to the pre-independence era. The British colonial powers did not provide much social and welfare services and allowed the operations of ethnic self-help organizations.<sup>33</sup> After independence, the new government drove an agenda of rapid economic development in which the state took on responsibility for directly providing social and welfare services, sidelining nonprofits in the process. From the 1990s, the government began to look to the nonprofit

sector for support, as it recognized a growing need to support vulnerable populations. VWOs and SDOs were welcomed in a supplementary role as part of the “Many Helping Hands” policy.<sup>34</sup>

Today, Singapore’s government remains the primary caretaker of social services, setting the framework for doing good in the modern nation-state. Meanwhile, Singaporean SDOs work in tandem with the government to meet societal needs.

*We wish to thank our partner, Just Cause, for primary authorship of this profile.*

<sup>29</sup> City of Good. (2018, July 2). *CFS and NVPC Initiate Cross-Sector Collaborative Effort to Help Disadvantaged Young Persons in Singapore*. Retrieved from <https://cityofgood.sg/resources/cfs-and-nvpc-initiate-cross-sector-collaborative-effort-to-help-disadvantaged-young-persons-in-singapore/>

<sup>30</sup> Tote Board. *Shared Gifting Circles*. Retrieved from <https://www.toteboard.gov.sg/grants/apply-to-us/grant-calls/shared-gifting-circles>

<sup>31</sup> Lim, M. Z. (2017, December 4). Causes Week 2017: Befriending former Dakota Crescent residents. *The Straits Times*. Retrieved from <https://www.straitstimes.com/singapore/befriending-former-dakota-crescent-residents>

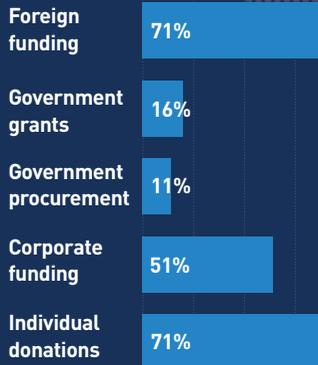
<sup>32</sup> Edited from Jang, H. (2018). Old Money—The History of Giving in Asia. In *Pragmatic Philanthropy* (pp. 17–68). Palgrave Macmillan.

<sup>33</sup> Tay, S.S.C. (1998). Towards a Singaporean Civil Society. *Southeast Asian Affairs* (1998), 244–61. Retrieved from <http://www.jstor.org/stable/10.2307/2791220?ref=search-gateway:939d64b148afad72570745020c95ceb0>

<sup>34</sup> Ibid.

# SRI LANKA

## Prevalence of funding sources\*

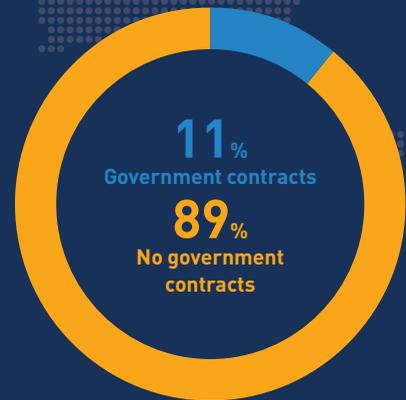


\* % of SDOs receiving each type of funding

## Ease of understanding laws



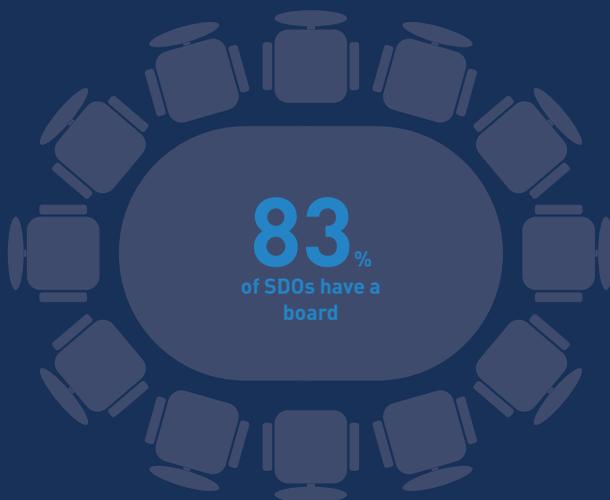
## Proportion of SDOs with government procurement contracts



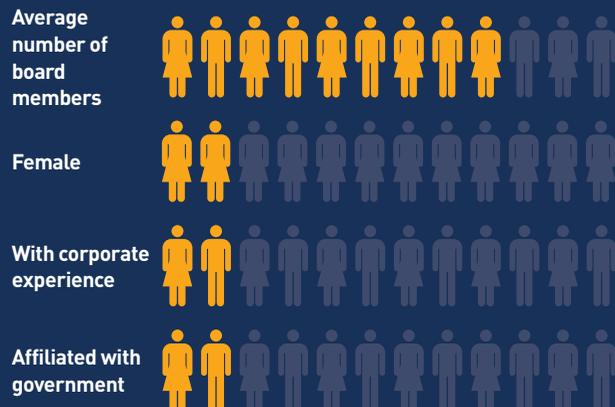
## Trust in SDOs



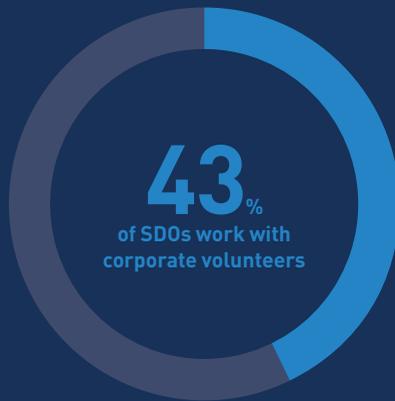
**51%**  
of respondents believe SDOs are trusted by society



## SDO board composition



### Percentage of SDOs working with corporate volunteers



### Difficulty in recruiting skilled staff



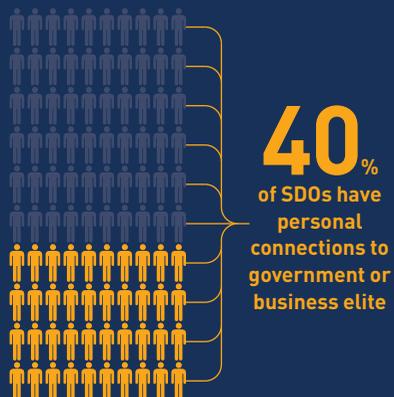
### Individual charitable giving



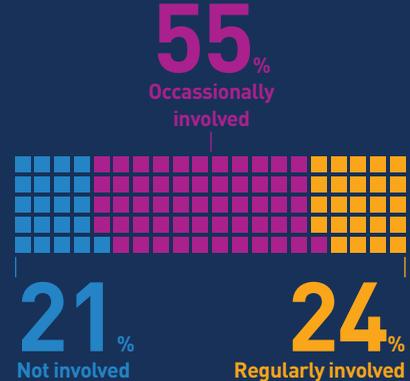
### Top 2 reasons for low levels of individual giving



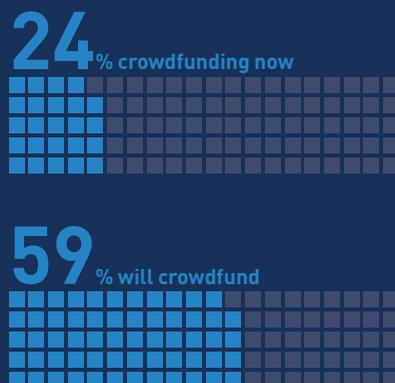
### SDOs with connections to elite



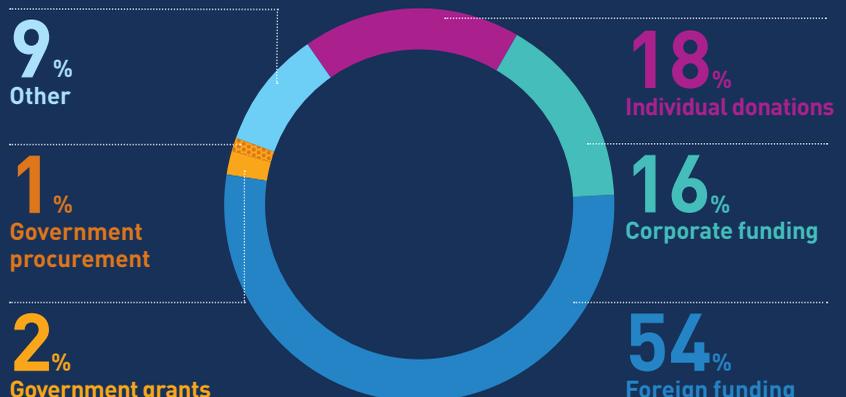
### SDOs involved in policy consultations



### Crowdfunding trends



### Average SDO budget by funding source\*



\* Based on data from 2017-2018, the last complete financial cycle at the time of data collection.



# SRI LANKA

**Summary:** Social Delivery Organizations (SDOs) have historically played a vital role in Sri Lanka's development narrative, especially since the nation's economic liberalization in the late 1970s, which led to an influx of foreign funding. While the sector has come under the purview of different ministries at different times and continues to be shuffled around, regulations and the registration process pertaining to SDOs are relatively efficient. As the economy grows and foreign funding in turn declines, Sri Lanka will need to tap the unrealized potential of domestic philanthropy and government funding to fortify the sector moving forward.

**Doing Good Index 2018: Doing Better**

**Doing Good Index 2020: Doing Okay ▼**

## Demographics<sup>1</sup>

**Population (2018):** 21,670,000

**GDP per capita, PPP (2018):** \$13,473.70

**Number of nonprofits (rounded to the nearest 100):** 1,600<sup>2</sup>

**Estimated nonprofit-to-population ratio:** 1 for every 13,544 people

**% of GDP spent on health (2016):** 3.89%

**% of GDP spent on education (2018):** 2.1%

**Income status (World Bank classification):** Upper-middle income

**Annual GDP growth (2018):** 3.2%

**Human development Index rank (2019):** 71

## The state of the social sector in Sri Lanka

**Sri Lanka continues to be a top performer in the Regulations sub-index of the *Doing Good Index*, in part due to administrative efficiency.**<sup>3</sup> In 1996, the National Secretariat for Non-Governmental Organizations (NGO Secretariat) was established for the purpose of centralizing information, facilitating the registration of SDOs and monitoring all activities in the sector.<sup>4,5</sup> Most (70%) SDOs surveyed in Sri Lanka for the *Doing Good Index 2020* agreed that it is helpful to have this single government entity managing the social sector.

The NGO Secretariat has made all necessary regulations easily accessible through its official website, and recently introduced an online platform for registration.<sup>6</sup> These measures have significantly improved administrative efficiency, making registering as a nonprofit relatively easier in Sri Lanka compared

to other economies in the region. Only one clearance is required for registration and the process is virtually free. Registration takes around 60 days, which is less than the Asian average of 94 days.

### **Oversight of the NGO Secretariat has shuffled back and forth between different government ministries.**

Initially, in 1996, the NGO Secretariat was established under the Ministry of Health, Highways and Social Services. Since then, it has been passed back and forth between the Ministry of Internal Administration, the Ministry of Defence, the Ministry of Law and Order, and the Ministry of National Co-existence, Dialogue and Official Languages.

These changes have sometimes created unease among SDOs, especially as purview by certain ministries results in heightened scrutiny. For example, in 2014 and 2015, the NGO Secretariat was controversially placed

under the supervision of the Ministry of Defence. This move raised fears of more draconian oversight over civil society organizations and their right to associate and operate freely.<sup>7</sup> Eventually, the NGO Secretariat was moved to the Ministry of National Co-existence, Dialogue and Official Languages.

However, after the election of President Gotabaya Rajapaksa in November 2019, the government announced that the NGO Secretariat will again be brought back under the Ministry of Defence. Organizations in the social sector, especially those working on human rights advocacy and post-conflict reconciliation, are concerned that this move may restrict the operations of NGOs. It should be noted, however, that this move has yet to take place and no such policies have been directly introduced thus far.

**Some SDOs choose to register under the Companies Act rather than as an NGO.** While it is relatively easy to register as an NGO in Sri Lanka, only a small number (around 1,600) are registered as NGOs. SDOs can also register under the Companies Act, No. 7 of 2007, which provides a framework for the incorporation of companies and associations limited by guarantee, their administration and reporting procedure, and related matters.<sup>8</sup> Organizations circumvent potentially heightened scrutiny of the sector by registering under the Companies Act rather than as an NGO under the supervision of the NGO Secretariat.

## Funding in flux

Foreign funding continues to play a big role in Sri Lanka's nonprofit sector. Sri Lanka transitioned from low-income status to lower-middle-income status in

2010, which has led to a decline in foreign funding. In fact, overseas development assistance (ODA) decreased from 1.46% of gross national income in 2009 to 0.37% in 2017.<sup>9</sup>

This does not bode well for the social sector as it is still heavily reliant on foreign funding. Almost three-quarters (71%) of surveyed SDOs receive funding from foreign donors—among the highest proportions in Asia. Foreign funding makes up over half (54%) of the budget of an average Sri Lankan SDO.

SDOs are feeling the pinch. Over half of those surveyed found fundraising harder than before and cited declining foreign funding as the main reason. Gathering data for the SDO survey for the *Doing Good Index 2020* was much harder than in 2018, as several SDOs seemed to have shut down due to withdrawal of foreign funding.

**While religious giving is common practice, individual giving to SDOs remains low.** Two-thirds (69%) of surveyed SDOs find the overall level of individual giving low. The top reason they cite is that religious giving crowds out donations to SDOs.

**Tax deductions are available but incentivize only a narrow segment of donors.** Almost all (88%) surveyed SDOs believe that tax incentives for giving are important to individual donors. But with the introduction of the Inland Revenue Act of 2017, tax deductions were restricted to donations made to certain organizations helping children and the elderly. There are only a limited number of nonprofits eligible—only 75 charities are currently listed on the website.<sup>10</sup> On top of that, eligible income for individual giving is capped. Further, 70% of SDOs believe it is difficult to claim available tax deductions.

<sup>1</sup> Most of these statistics are from the World Bank or United Nations Development Programme (unless otherwise cited). For complete references please refer to the Bangladesh demographics box on page 52.

<sup>2</sup> National Secretariat for Non-Governmental Organizations. (2019). *Registered Organizations—National Level*. Retrieved May 13, 2020, from [http://www.ngosecretariat.gov.lk/index.php?option=com\\_ngo&view=registeredlist&layout=national\\_list&Itemid=146&lang=en#](http://www.ngosecretariat.gov.lk/index.php?option=com_ngo&view=registeredlist&layout=national_list&Itemid=146&lang=en#)

<sup>3</sup> Unless otherwise indicated, SDO survey data mentioned in this brief are from the *Doing Good Index 2020*.

<sup>4</sup> National Secretariat for Non-Governmental Organizations. *Home*. Retrieved March 4, 2020, from <http://www.ngosecretariat.gov.lk/index.php?lang=en>

<sup>5</sup> In addition to registering NGOs, the NGO Secretariat also facilitates other services such as visa approvals and the issuance of work permits for expatriates. It is further empowered with the ability to enter into memorandums of understanding (MoU) with registered organizations.

<sup>6</sup> The NGO Secretariat operates as a one-stop-shop for all registration applications. Following submission, the secretariat forwards the application to the Ministry of Foreign Affairs and the Ministry of Defence to obtain their recommendations on behalf of the applying organization. After approval by the two ministries, the secretariat issues a certificate of registration.

<sup>7</sup> Dietz, B. (2014, July 9). *Sri Lanka moves to silence NGOs, press groups*. Committee to Protect Journalists. Retrieved from <https://cpj.org/blog/2014/07/sri-lanka-moves-to-silence-ngos-press-groups.php>

<sup>8</sup> Asian Development Bank (ADB). (December 2013). *Civil Society Briefs: Sri Lanka*. Retrieved from <https://www.adb.org/sites/default/files/publication/31161/csb-sri-lanka.pdf>

<sup>9</sup> World Bank, World Development Indicators. (2018). *Net ODA Inflows [% of GNI] - Sri Lanka* [Data file]. Retrieved from <https://data.worldbank.org/indicator/DT.ODA.ODAT.GN.ZS?locations=LK>

<sup>10</sup> Sri Lanka Inland Revenue. *Useful Information*. Approved Charities. Retrieved on March 4, 2020, from <http://www.ird.gov.lk/en/publications/SitePages/Approved%20Charity.aspx?menuid=1408-->

**Interest in homegrown philanthropy has yet to take off**, as evidenced by low interest in general, and lack of media coverage and newly established funds. Sri Lanka has yet to see any significant change in tax incentives or in the ecosystem that could spark a change in philanthropic behavior. Around 61% of surveyed SDOs reported no notable rise in media attention on philanthropy and the social sector in the past year. However, philanthropy tends to increase during times of crisis, and there is some evidence of greater domestic giving to combat Covid-19.

**The government can play a bigger role in plugging funding gaps for SDOs.** Only 16% of SDOs surveyed in Sri Lanka receive government grants, half the average proportion across Asia. And government grants only make up around 2% of the average Sri Lankan SDO budget. The average Asian SDO budget has four times as much government funding. Additionally, 80% of SDOs said it is difficult to access information about government grants and apply for them.

**Procurement is a missed opportunity to strengthen the social sector.** Government tenders are only open to a small number of charities approved by the Department of Social Services.<sup>11</sup> Only 11% of SDOs surveyed in Sri Lanka have contracts with the government, amongst the lowest proportions in Asia.

## Trends to watch

**Corporate social responsibility (CSR) is much more established than it was a decade ago.** Most corporations have established their own CSR projects, some allocate resources by sponsoring events by established SDOs and others provide direct funding. Around half (51%) of surveyed SDOs receive corporate funding, and this funding makes up 15% of the average SDO budget.

Funding aside, 40% of surveyed SDOs receive in-kind services from corporates or partner with them to raise awareness on a social issue. Corporates also engage through volunteering: half of the SDOs who work with volunteers host corporate volunteers.

**Government perceptions of SDOs continue to fluctuate.** In a bid to regulate, supervise and inspect NGOs in Sri Lanka, in 2018, the government proposed an amendment to the Voluntary Social Service Organizations Act of 1980. The government noted that changes were in line with requests by the Central Bank and Ministry of Justice to fulfill commitments of international conventions on money laundering and financing terrorism. Civil society organizations and other stakeholders, however, believed that the law was too vague and allowed unnecessary government overreach into the social sector. These changes were subsequently withdrawn a few months later following strong criticism.<sup>12</sup>

The decades-long civil war fostered suspicion of foreign-funded organizations by the government. Concerns about foreign influence and aid dependency also surfaced in the wake of the 2004 Indian Ocean tsunami when much of the foreign aid received for relief efforts was channeled through NGOs rather than through the government.<sup>13</sup> Since then, government attitudes toward the social sector seem to seesaw between trust and mistrust.

## Looking ahead

Encouragingly, SDOs in Sri Lanka see their role as complementary to that of the government and continue to do their part. The two most common answers when surveyed SDOs were asked to identify their role relative to the government were: “to address societal needs the government is unable to meet/no one else is meeting” and “to work alongside government to execute successful delivery of social services.”

Economic growth, coupled with declining foreign funding, gives a greater impetus for incentivizing domestic philanthropy and increasing government funding and procurement. Sri Lanka’s social sector remains indispensable as local and foreign SDOs continue to play an important role in areas such as post-conflict reconciliation, disaster management, environmental conservation and poverty alleviation.

<sup>11</sup> Centre for Asian Philanthropy and Society (CAPS). [2018]. *Doing Good Index 2018*. Retrieved from <http://caps.org/our-research/doing-good-index-2018/>

<sup>12</sup> Daily Mirror. [2018, April 3]. Proposed NGO Act shocks and Stuns Civil Society. *Daily Mirror Online*. Available at: <http://www.dailymirror.lk/article/Proposed-NGO-Act-Shocks-and-stuns-civil-society-148177.html>

<sup>13</sup> Asian Development Bank (ADB). [December 2013]. *Civil Society Briefs: Sri Lanka*. Retrieved from <https://www.adb.org/sites/default/files/publication/31161/csb-sri-lanka.pdf>

## A BRIEF HISTORY OF SRI LANKAN NONPROFITS

Voluntary and professional associations to address unmet social needs proliferated in pre-colonial Sri Lanka under the Societies Ordinance Act of 1891. After independence from British rule in 1948, there was a growth in the number of religious voluntary service organizations which began to serve communities beyond urban areas.<sup>14,15</sup>

In the late 1970s, economic liberalization, relaxation of exchange controls and increased inflow of foreign funding resulted in the social sector's expansion.<sup>16</sup> The growth of foreign-linked SDOs was particularly welcomed by the government, which saw the social sector playing a complementary role in enacting the government's development agenda.

However, starting in the 1980s and continuing through the 1990s, the government came to view the sector more negatively and criticized SDOs for undermining national security, disrupting ethnic harmony and supporting terrorism. As the civil war (1983–2009) escalated, military costs increased without a concurrent increase in government revenue, contributing to Sri Lanka's heavy reliance on bilateral and multilateral aid to fund development activities. However, SDOs receiving foreign funding came under greater scrutiny due to fear of foreign meddling in domestic politics. Tensions between the government and the SDO sector were particularly high during the final stages and immediately after the conflict, as some foreign-funded SDOs were seen to engage in political advocacy against government actions on domestic and foreign online forums.

Still, SDOs played a critical role in delivering services to citizens during the conflict and aiding recovery efforts in the wake of the 2004 tsunami disaster.<sup>17</sup>

The evolution of the legal framework for nonprofits also deserves a mention. Before 1980, there were no specific laws and regulations governing the operation of NGOs in Sri Lanka, with the exception of the 1891 Societies Ordinance. This changed in 1980 when the parliament enacted the Voluntary Social Services Organizations (Registration & Supervision) Act. The act required the registration of NGOs that received government grants or required visas for expatriate staff.<sup>18</sup> However, the act was not strictly enforced.

In subsequent years, the government introduced several laws and regulations for the social sector, with varying levels of implementation, especially following prominent allegations related to the misappropriation of funds and the misuse of autonomy granted to SDOs. For example, in 1990, a Presidential Commission was established to evaluate the sector and required all SDOs with a turnover of over Rs50,000 (US\$266) to register under the Public Security Ordinance. However, this requirement elapsed with the expiry of Emergency Regulations soon after. In 1996, the NGO Secretariat was established, making the registration of organizations in the sector mandatory. The NGO Secretariat is effectively a single-window facility that registers and monitors activities in the social sector and ensures compliance. Organizations are registered at the national, district or divisional level.

*We wish to thank our partner, Institute of Policy Studies of Sri Lanka (IPS), for primary authorship of this profile.*

<sup>14</sup> Asian Development Bank (ADB). [December 2013]. *Civil Society Briefs: Sri Lanka*. Retrieved from <https://www.adb.org/sites/default/files/publication/31161/csb-sri-lanka.pdf>

<sup>15</sup> Ibid.

<sup>16</sup> Ibid.

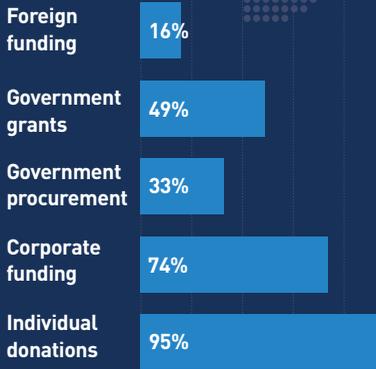
<sup>17</sup> Soges S., & Luca, A. [2010]. *Civil Society Mapping in Asia: Case study on civil society organizations in Sri Lanka*. European Union.

<sup>18</sup> Asian Development Bank (ADB). [December 2013]. *Civil Society Briefs: Sri Lanka*. Retrieved from <https://www.adb.org/sites/default/files/publication/31161/csb-sri-lanka.pdf>



# TAIWAN

## Prevalence of funding sources\*

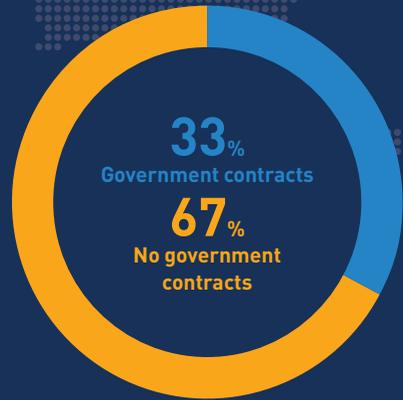


\* % of SDOs receiving each type of funding

## Ease of understanding laws



## Proportion of SDOs with government procurement contracts



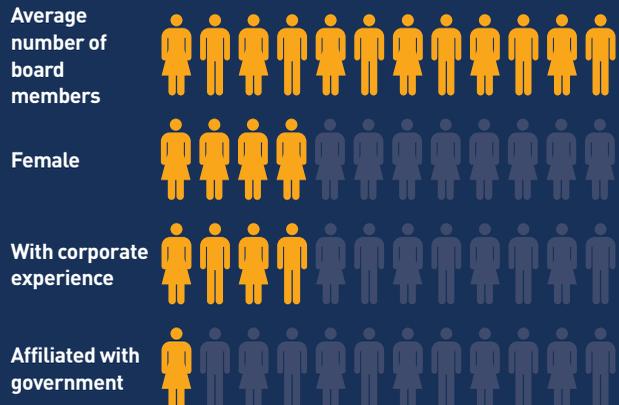
## Trust in SDOs



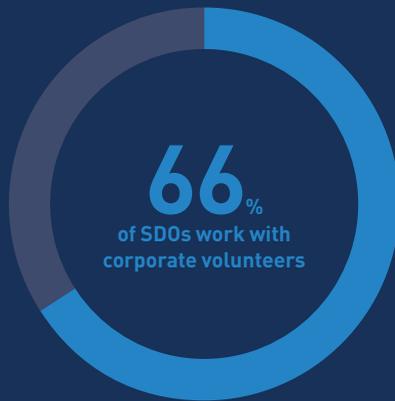
**18%**  
of respondents believe SDOs are trusted by society



## SDO board composition



### Percentage of SDOs working with corporate volunteers



### Difficulty in recruiting skilled staff



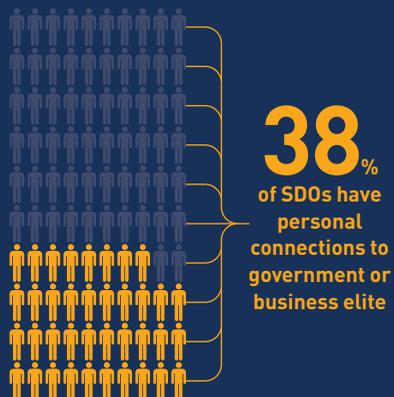
### Individual charitable giving



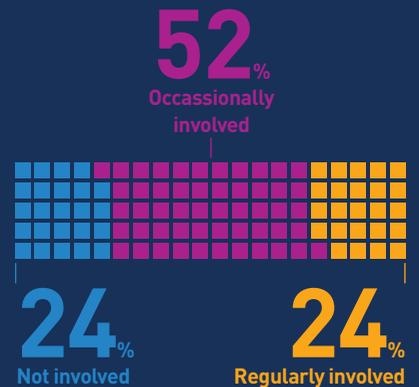
### Top 2 reasons for low levels of individual giving



### SDOs with connections to elite



### SDOs involved in policy consultations



### Crowdfunding trends



### Average SDO budget by funding source\*



\* Based on data from 2017-2018, the last complete financial cycle at the time of data collection.



# TAIWAN

**Summary:** The charity sector in Taiwan is relatively mature. While the sector is regulated by a multiplicity of laws, the regulations do not appear to be difficult to navigate. These regulations have helped build accountability and trust. In fact, since 1998, the government has put in place mechanisms which have increased the degree to which it utilizes the services of social delivery organizations (SDOs). With policies in place to encourage charitable giving, Taiwan's social sector is supported by a largely healthy enabling infrastructure. However, there is room for taking it to the next level, particularly through improved tax incentives.

**Doing Good Index 2018: Doing Well**  
**Doing Good Index 2020: Doing Well**

## Demographics

**Population (2019):** 23,603,121<sup>1</sup>

**GDP per capita, PPP (2019):** \$55,078.00<sup>2</sup>

**Number of nonprofits (2020, rounded to the nearest 100):** 64,100<sup>3</sup>

**Estimated nonprofit-to-population ratio:** 1 for every 368 people

**% of GDP spent on health (2018):** 6.6%<sup>4</sup>

**% of GNI spent on education (2018):** 4.98%<sup>5</sup>

**Income status (World Bank classification):** High income<sup>6</sup>

**Annual GDP growth (2019):** 2.63%<sup>7</sup>

## The state of the social sector

**The Taiwanese government cooperates with the philanthropic sector in many ways** and has demonstrated commitment to accelerating its development. In the wake of the 1997 Asian financial crisis, which resulted in high unemployment levels, there was a greater demand for welfare programs and services. The economic downturn was an impetus for the government to reform both social service and employment policies.<sup>8</sup> Because of their history of working in partnership, the government began to contract more services from SDOs.<sup>9</sup> The Government Procurement Act, announced and implemented in 1998, clearly set out the rules of execution, allowing the development and expansion of the privatization of social welfare in Taiwan.<sup>10</sup> Additionally, due to Taiwan's limited ability to engage with international organizations, Taiwanese SDOs providing humanitarian assistance overseas have become an integral

part of Taiwan's soft power.

**A third of Taiwanese SDOs surveyed for the *Doing Good Index 2020* have a contract with the government.**<sup>11</sup>

The government recognizes that SDOs can be more flexible and adaptable than the public sector, and can provide certain social services that may be difficult for the government to deliver.

Taiwan's bidding process is one of the most transparent in Asia. Almost all (98%) of surveyed SDOs that have contracts with the government reported that the bidding process was transparent. An open and transparent bidding process levels the playing field for every organization seeking contracts and allows bids to be better tailored to needs. Further, 77% of SDOs with procurement contracts believed that it was easy to access information about procurement contracts floated by the government.

**The government also supports the sector through**

**grants.** Nearly half of the SDOs surveyed in Taiwan receive grant funding from the government, almost double the 28% Asian average. Government grants constitute 13% of the average budget of a Taiwanese SDO, among the highest proportions in Asia and almost double the Asian average.

**Effective and unambiguous regulations help build trust in the sector.** SDOs are required to comply with annual reporting requirements set by the government, which—according to three-quarters of survey respondents—are easy to fulfill. Most (80%) SDOs agreed that greater transparency is a major benefit of these reporting requirements.

Accountability mechanisms such as boards of governance are almost universally in place, and the average Taiwanese SDO board tends to meet two to four times a year. Board members, in addition to senior staff, are held legally liable for their organization’s actions. These measures help build trust in the sector.

In addition, 83% of SDOs believe that laws pertaining to the social sector are mostly or always enforced, compared to the Asian average of 55%. Taiwanese laws are among the most comprehensible in Asia. Only 5% of the SDOs surveyed found them difficult to understand—the lowest of the 18 economies in the study—compared to the 42% Asian average. The easier a law is to understand, the easier it is to comply. It is no wonder then that all surveyed SDOs report that they are generally trusted by society.

## Local philanthropy: Vibrant and sustained

**Almost all (95%) of the SDOs surveyed in Taiwan receive donations from individual donors.** Domestic philanthropy is relatively mature. Individual donations make up nearly half (43%) of an average SDO budget in Taiwan—the highest proportion across Asia. Reflecting the vibrancy of

local individual giving, two-thirds of Taiwanese SDOs find the level of individual giving in their economy adequate compared to one-third across the region.

Local corporate giving is also widespread. Of the SDOs surveyed, around 74% received corporate funding—the highest in Asia. Corporate funding constitutes 16% of an SDO budget on average. Compared to individual and corporate giving, comparatively few Taiwanese SDOs rely on funding from foreign donors. Only 16% receive foreign funding, one of the lowest proportions in Asia.

Encouragingly, surveyed SDOs also reported increasing interest in the charity sector both from the general public and from local donors, signaling that domestic philanthropy is likely to remain in good shape in the years to come.

**Tax incentives are in place, but their effectiveness is mitigated by limits.** Individual and corporate donors can benefit from a tax deduction rate of 100%. Taiwan is one of the economies where it is easiest to claim these tax deductions: more than 90% of SDOs consider it is easy for individuals and corporates to claim them. There is also a strong awareness of these incentives, with 97% of SDOs being aware of tax benefits (compared to 57% in the rest of Asia).

However, Taiwan has not yet unleashed the full potential of tax incentives. Individual deductions are capped at 20% of taxable income, and corporate deductions are capped at 10%. Removing these limits would allow the full incentivizing impact of tax deductions to kick in.

## The talent gap in the social sector

**Recruiting and retaining skilled staff is challenging.** Most (75%) Taiwanese SDOs find it difficult to recruit and retain skilled staff. Part of the reason is the widespread perception, according to 82% of survey respondents, that nonprofit staff should earn less than their for-profit

<sup>1</sup> CEIC. (2019). *Taiwan Population*. Retrieved on December 14, 2019, from <https://www.ceicdata.com/en/taiwan/population/population>

<sup>2</sup> CEIC. (2019). *Taiwan Forecast: GDP PPP Per Capita (in PPP Intl\$)*. Retrieved December 14, 2019, from <https://www.ceicdata.com/en/indicator/taiwan/forecast-gdp-ppp-per-capita>

<sup>3</sup> Ministry of the Interior, Republic of China (Taiwan). *Gongyi zixun pingtai*. Retrieved December 14, 2019, from <https://npo.moi.gov.tw/npom/>

<sup>4</sup> Ministry of Health and Welfare, Republic of China (Taiwan). (2020). *National Health Expenditure 2018 Abstract*. Retrieved from <https://www.mohw.gov.tw/lp-130-2.html>

<sup>5</sup> National Statistics, Republic of China (Taiwan). *Education, Science, and Technology, Culture, and Mass Communication— Expenditure situation on education*. Retrieved December 14, 2019, from <https://eng.stat.gov.tw/ct.asp?xItem=41873&ctNode=6343&mp=5>

<sup>6</sup> World Bank. *World Bank Country and Lending Groups*. Retrieved March 10, 2020, from <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups>

<sup>7</sup> CEIC. (2019). *Taiwan Forecast: Real GDP Growth*. Retrieved on December 14, 2019, from <https://www.ceicdata.com/en/indicator/taiwan/forecast-real-gdp-growth>

<sup>8</sup> Defourny, J., & Kim, S. Y. (2011). Emerging Models of Social Enterprise in Eastern Asia: a Cross-Country Analysis. *Social Enterprise Journal*, 7(1), 86–111.

<sup>9</sup> Lin, T. C., Liao, J., & Fields, A. (2005). *An Assessment of Civil Society in Taiwan—Transforming State-Society Relations: The Challenge, Dilemma, and Prospect of Civil Society in Taiwan*. Center for International NGO Studies, National Sun Yat-sen University. CIVICUS Civil Society Index. Retrieved from [http://www.civicus.org/media/CSI\\_Taiwan\\_Report.pdf](http://www.civicus.org/media/CSI_Taiwan_Report.pdf)

<sup>10</sup> *Government Procurement Act*. (1998). [The Republic of China]. Retrieved March 31, 2019, from <https://law.moj.gov.tw/ENG/LawClass/LawHistory.aspx?pcode=A0030057>

<sup>11</sup> Unless otherwise indicated, SDO survey data mentioned in this brief are from the *Doing Good Index 2020*.

counterparts. This perception is reflected by reality. Compared with other industries, social service project executives are still underpaid.<sup>12</sup> Unfortunately, Taiwan's aging population means social needs will continue to grow, and the inability to hire skilled staff will become increasingly problematic.<sup>13</sup>

**Taiwan leads in female participation in the social sector, but has room for improvement.** Taiwan is a leader in female representation on nonprofit boards (along with Bangladesh), with women comprising 37% of a typical board compared to the Asian average of 22%. However, as women account for 72% of total SDO staff in Taiwan, the difference between representation on boards versus staff remains significant.

**The 2019 Labor Standard Act revision sought to remedy difficult working conditions for SDO staff but also created extra burden.**<sup>14</sup> The revision requires a five-day workweek, reduction of working hours, mandatory annual leave, overtime pay standards and at least 11 resting hours for shift work. These changes, while welcome, greatly increase financial and administrative burdens without providing additional funding.

## Current and future trends

**Shifting demographics are posing new challenges and giving rise to new needs.** There is a shift in the social sector from focusing on service delivery toward advocating for human rights. In addition to traditional economic security and welfare services, emerging issues such as equal rights for marriage, long-term care, gender campaigns, youth social participation and international human rights are gathering more attention.

Also, an aging population and continued economic

stress are providing new challenges for the social sector. The elderly (those over 65 years old) account for nearly 15% of the total population in 2018, and the proportion increases year by year.<sup>15</sup> In March 2018, the World Health Organization reported that Taiwan would be a “super-aged” society—where more than 20% of the population is 65 or older—by 2026.<sup>16</sup> Of the SDOs surveyed in Taiwan, the most common area of work is serving the elderly or disabled.

**Despite widespread support, sustained fundraising remains a challenge.** Most nonprofit organizations focus on service provision and neglect strategic planning and resource development. This inability to carry out long-term planning has serious consequences when funding gets diverted during, for instance, natural disasters. In the case of the 2018 Hualien earthquake, donations flowed to disaster relief, leaving normal services underfunded.

**Social enterprises are on the rise.** With the Social Enterprise Development Act draft in 2014, the Ministry of Economic Affairs ushered in the “era of the social enterprise” in Taiwan.<sup>17</sup> Interest has continued to grow. In the *Doing Good Index 2020* survey, 70% of SDOs report a significant increase in interest in social enterprises over the last two years. According to statistics by the Ministry of Labor and Ministry of Economic Affairs, Taiwan had 384 social enterprises and 11,343 potential social enterprises in 2017.<sup>18,19</sup>

The rise of social enterprises is generally viewed positively by traditional nonprofits, but one-fifth (22%) of the surveyed SDOs do report feeling pressure to incorporate revenue-generating activities in their operations.

**Corporate social responsibility (CSR) is growing.** In 2014, the Taiwan Stock Exchange and Financial

<sup>12</sup> Control Yuan, Republic of China (Taiwan). (March 3, 2019). *Press Release*. Retrieved April 29, 2020, from [https://www.cy.gov.tw/News\\_Content.aspx?n=124&sms=8912&s=13327](https://www.cy.gov.tw/News_Content.aspx?n=124&sms=8912&s=13327)

<sup>13</sup> National Development Council—Population Projections for the R.O.C. (Taiwan). *Population Pyramid*. Retrieved April 29, 2020, from [https://pop-proj.ndc.gov.tw/main\\_en/Pyramid.aspx?uid=4106&pid=4104](https://pop-proj.ndc.gov.tw/main_en/Pyramid.aspx?uid=4106&pid=4104)

<sup>14</sup> *Labor Standards Act—Amendments*. (2019). (The Republic of China). Retrieved on March 31, 2020, from <https://law.moj.gov.tw/ENG/LawClass/LawALL.aspx?pcode=N0030001>

<sup>15</sup> National Development Council—Population Projections for the R.O.C. (Taiwan). *Data Query—Proportion of Population Aged 65+*. Retrieved March 31, 2020, from [https://pop-proj.ndc.gov.tw/main\\_en/dataSearch.aspx?uid=78&pid=7](https://pop-proj.ndc.gov.tw/main_en/dataSearch.aspx?uid=78&pid=7)

<sup>16</sup> National Development Council—Population Projections for the R.O.C. (Taiwan). *Population Pyramid*. Retrieved March 31, 2020, from <https://www.ndc.gov.tw/en/cp.aspx?n=2E5DCB04C64512CC>

<sup>17</sup> Lo, K. T., & Wu, S. Y. (2015). Giving in Taiwan: On the Rise following Economic Growth and Political Democratization. In *The Palgrave Handbook of Global Philanthropy* (pp. 455–472). London: Palgrave Macmillan.

<sup>18</sup> These social enterprises constitute corporate social enterprises registered with the official social enterprise registration platform (106 in total) and noncorporate social enterprises involved in the Multiple Employment Program, talent cultivation and social registration platforms (278 in total). Potential social enterprises refer to the social enterprises under the guidance of the Ministry of Economic Affairs, excluding those registered as social enterprises (241 in total), cooperatives (4,348 in total) and local development associations (6,754 in total).

<sup>19</sup> Wu, Y. C., Wu, Y. J., & Wu, S. M. (2018). Development and Challenges of Social Enterprises in Taiwan—From the Perspective of Community Development. *Sustainability*, 10(6), 1797. Retrieved from <https://www.mdpi.com/2071-1050/10/6/1797>

Supervisory Commission made it a requirement for companies in certain industries and those with a capital of NT\$10 billion (US\$334 million) to issue CSR reports.<sup>20</sup> This has prompted many companies to increase their CSR activities. Half of survey respondents report that corporate donations are increasing.

The corporate sector engages with SDOs in other ways as well. Of the surveyed SDOs that work with volunteers, 66% host corporate volunteers. Half of the

SDOs have board members with corporate experience, with most reporting that recruiting these board members was easy.

Overall, Taiwan has a vibrant social sector. The government has put in place laws and mechanisms to allow SDOs to be partners in providing social goods and services domestically and abroad. The result is an ecosystem in which many organizations can flourish, and philanthropic capital can be efficiently deployed.

## HISTORY OF TAIWANESE NONPROFITS

The development of nonprofits in Taiwan has been shaped by the legal environment, social context and political situation.

Democratization and rapid economic development enabled Taiwan to nurture its philanthropic sector. Economic prosperity came to Taiwan during the export-orientated economy of the 1980s, buttressed by the rise of private enterprise. After martial law was lifted by the government in 1987, many nonprofit organizations were established, laying the foundation for further social service development. The government understood how the social sector could aid in the delivery of products and services to the needy and set up mechanisms to allow the social sector to fulfill that role. The Government Procurement Act of 1998 expanded the procurement process to facilitate the contracting out of services to the social sector to a much greater extent.<sup>21</sup>

The year 1989 saw the enactment of the Civil Associations Act and consequently, the number of SDOs in Taiwan grew from 11,000 in 1987 to 25,000 in 2000, according to Ministry of Interior statistics.<sup>22</sup> As of February 2020, the number of SDOs (“社會團體”) registered with

the Ministry of the Interior was 64,128.<sup>23</sup>

Economic growth transformed Taiwan from being a recipient of overseas development aid to becoming a donor.<sup>24</sup> The emergence of the middle and business classes, including high-net-worth individuals, contributed to the growth of the charity sector, which was also supported by religious giving. (A 2015 study found that higher-income persons and those with religious affiliations were more likely to give in Taiwan.)<sup>25</sup>

Over time, Taiwanese nonprofits have become more professional and institutionalized. Although livelihood maintenance and serving the disadvantaged have been the primary goals of social welfare, the scope has become deeper and more dynamic with time. The social sector has moved from humanitarian assistance to human rights, including marriage equality, adoption of international human rights conventions, environmental protection, and labor rights and interests. These issues are of greatest concern to the new-generation social welfare organizations which are experiencing a “redefinition” of the traditional boundaries of social service in Taiwan.

*We wish to thank our partner, Center for the Third Sector, National Chengchi University, for primary authorship of this profile.*

<sup>20</sup> GRI. (2014, December 4). *Mandatory Sustainability Reporting Regulation in Taiwan* [Press Release]. Retrieved from <https://www.globalreporting.org/information/news-and-press-center/Pages/MANDATORY-SUSTAINABILITY-REPORTING-REGULATION-IN-TAIWAN.aspx>

<sup>21</sup> *Government Procurement Act*. (1998). (The Republic of China). Retrieved on March 31, 2019, from <https://law.moj.gov.tw/ENG/LawClass/LawHistory.aspx?pcode=A0030057>

<sup>22</sup> Taiwan Today. (2014, May 1). *Taiwan Review—The Third Pillar*. Retrieved from <https://taiwantoday.tw/news.php?unit=12&post=23742>

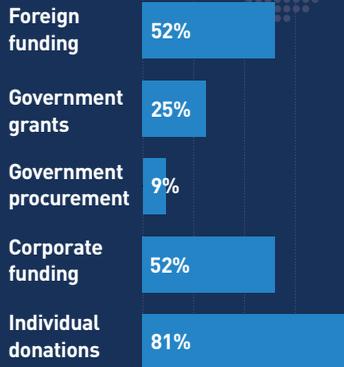
<sup>23</sup> Ministry of the Interior, Republic of China (Taiwan). (2018). *Gongyi zixun pingtai*. Retrieved from <https://npo.moi.gov.tw/npom/>

<sup>24</sup> Lin, T. C, Liao, J., & Fields, A. (2005). *An Assessment of Civil Society in Taiwan—Transforming State-Society Relations: The Challenge, Dilemma, and Prospect of Civil Society in Taiwan*. Center for International NGO Studies, National Sun Yat-sen University. CIVICUS Civil Society Index. Retrieved from [http://www.civicus.org/media/CSI\\_Taiwan\\_Report.pdf](http://www.civicus.org/media/CSI_Taiwan_Report.pdf)

<sup>25</sup> Lo, K. T., & Wu, S. Y. (2015). Giving in Taiwan: On the Rise following Economic Growth and Political Democratization. In *The Palgrave Handbook of Global Philanthropy* (pp. 455–472). London: Palgrave Macmillan.

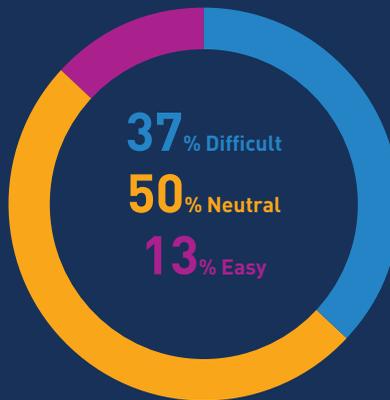
# THAILAND

## Prevalence of funding sources\*

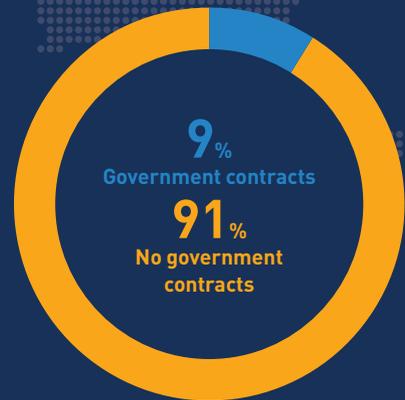


\* % of SDOs receiving each type of funding

## Ease of understanding laws



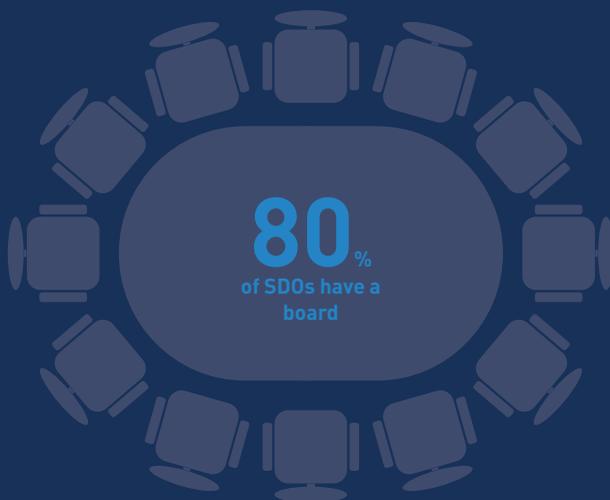
## Proportion of SDOs with government procurement contracts



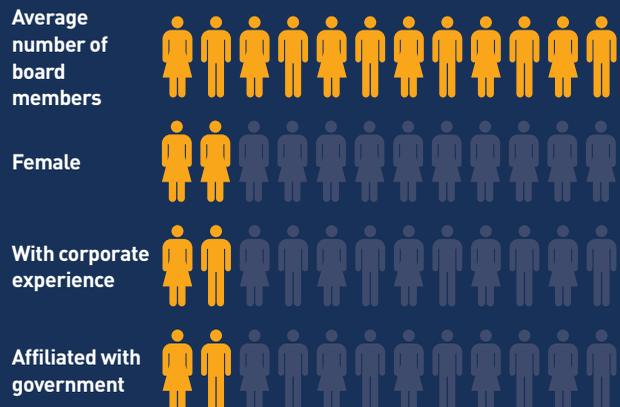
## Trust in SDOs



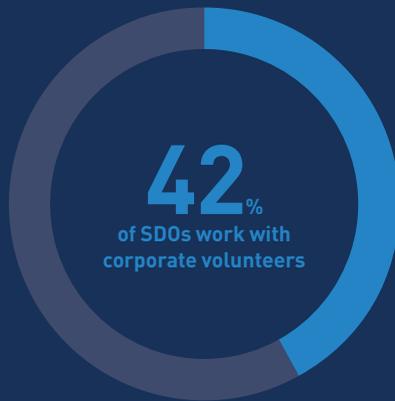
**39%**  
of respondents believe SDOs are trusted by society



## SDO board composition



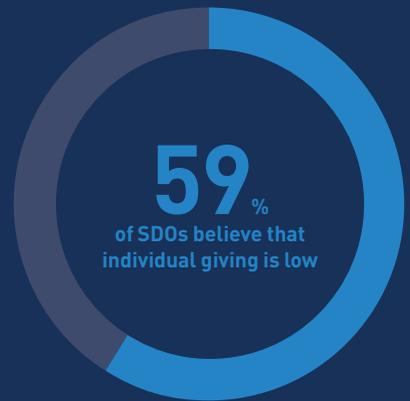
### Percentage of SDOs working with corporate volunteers



### Difficulty in recruiting skilled staff



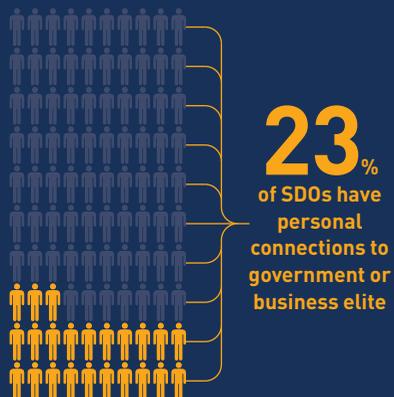
### Individual charitable giving



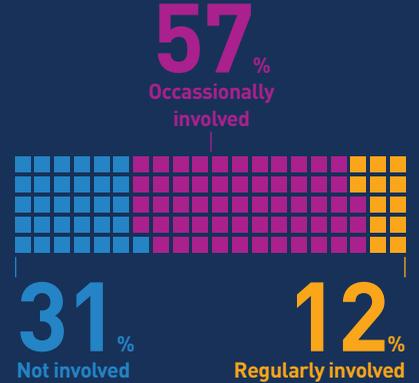
### Top 2 reasons for low levels of individual giving



### SDOs with connections to elite



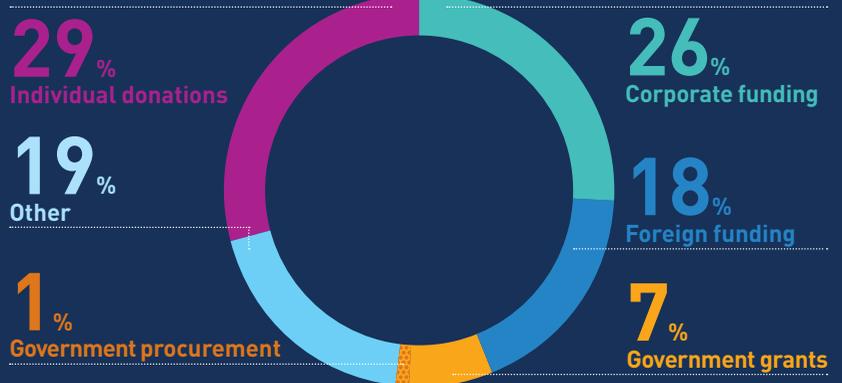
### SDOs involved in policy consultations



### Crowdfunding trends



### Average SDO budget by funding source\*



\* Based on data from 2017-2018, the last complete financial cycle at the time of data collection.

# THAILAND

**Summary:** The social sector in Thailand is evolving to respond to changing needs and a changing funding landscape. There are new types of stakeholders, new sources of funding and new forms of engagement. There is policy support for social enterprises—a rising trend. Tax incentives for giving are in place, although not fully leveraged. Companies are also increasingly involved through corporate social responsibility (CSR) funding and partnerships, which support the social sector. Given low levels of trust, the majority of philanthropic capital still goes toward religious institutions, large, well-known charitable organizations and foundations under royal patronage.

**Doing Good Index 2018: Doing Better**  
**Doing Good Index 2020: Doing Okay ▼**

## Demographics<sup>1</sup>

**Population (2018):** 69,428,520

**GDP per capita, PPP (2018):** \$18,481.90

**Number of nonprofits (rounded to the nearest 100):** 84,100<sup>2</sup>

**Estimated nonprofit-to-population ratio:** 1 for every 825 people

**% of GDP spent on health (2017):** 3.75%

**% of GDP spent on education (2013):** 4.1%

**Income status (World Bank classification):** Upper-middle income

**Annual GDP growth (2018):** 4.1%

**Human Development Index rank (2019):** 77

## The state of the social sector: A sector in transition

Thailand's ecosystem for giving and receiving philanthropy and other types of private social investment is still evolving. Thailand is driven by deep religious beliefs in Theravada Buddhism, and traditional forms of giving are well entrenched.<sup>3</sup> A large part of charitable giving continues to go to religious causes and institutions.<sup>4</sup> Of the Thai SDOs surveyed for the *Doing Good Index 2020*, nearly 60% consider individual giving to be low, and the majority cite people's preference to donate to religious organizations as the main reason.<sup>5</sup>

**Aside from religious causes, royal charities and projects under royal patronage occupy a significant proportion of charitable giving.** Royal charities are the product of the vision of King Bhumibol Adulyadej (Rama IX; 1946–2016) to assist his people and improve their

well-being through sustainable agriculture, conservation of the ecosystem, and the maintenance of well-balanced and self-sufficient livelihoods. With belief and trust placed in them by Thai people, these foundations are often among the first choice for donors.<sup>7</sup>

**Economic growth has catalyzed change in the social sector.** Around 1990, Thailand was named the “New Asian Tiger” due to its fast-paced economic growth. Overseas development aid began to wane in the 2000s as the Thai economy boomed, and international and multinational organizations redirected resources to less-developed countries. Some international organizations and multilateral aid groups established domestic foundations to raise local funds to advance their mission and goals. For example, CARE International Thailand registered as the Raks Thai Foundation and World Vision registered as the Supanimit Foundation.

Such organizations, along with other domestic actors, provided essential social services and support to those whose livelihoods were affected by the 1997 Asian financial crisis. Unfortunately, when the financial crisis hit Thailand and spread through most of Asia, the transformation of international NGOs to local foundations took a very long time and only a few of them were successful in making the transition.

## The role of government: Supporter but not yet a partner

The government realizes it cannot meet social needs alone. It has slowly changed its mindset to be more supportive of the social sector by adjusting existing laws and regulations, and establishing new legislation recognizing social enterprises.

It is relatively easy for a nonprofit to register in Thailand, where it is virtually free and takes around 60 days, significantly lower than the Asian average of 94 days. Further, the government does not require social delivery organizations (SDOs) to seek its permission to receive foreign funding, allowing free flow of funds to the social sector. In 2019, the government also announced new legislation to support the burgeoning social enterprise sector in Thailand.

From 2005 to 2007, when Thailand prepared to celebrate the 80th birthday of King Rama IX (the late King Bhumibol Adulyadej), the government launched a national campaign called “Good Deed for Dad.” This philanthropy movement inspired a variety of volunteer activities and public donations. In 2008, the Ministry of Social Development and Human Security set up a National Volunteer and Philanthropy Center to promote philanthropy at the national level.

**The impact of tax incentives is muted by low limits for deductions.** Like most Asian economies, Thailand allows tax deductions on charitable donations by individuals and corporations, but the limits are relatively

low. For companies, the total tax-deductible amount is limited to 2% of net profits, while for individuals, the deductible amount cannot exceed 10% of net taxable income.

On the other hand, the government is signaling support for some sectors by offering greater tax deductions. In 2018, Royal Decree No. 663 encouraged greater giving in the health sector by increasing the deduction rate for donations to state hospitals to 200%.<sup>8</sup>

**The government has set up several social funds to support nonprofit activities.** These national funds, such as the Thai Health Promotion Foundation, are supported by a “sin tax” on tobacco and alcohol, and the Lottery Agency. The government also offers direct grants, with 25% of SDOs surveyed in Thailand having received government grants in line with the average across Asia. These grants only made up 7% of the average Thai SDO budget.

**There is an opportunity to convert support into partnership through procurement.** Only 9% of SDOs surveyed in Thailand have government contracts, the second-lowest proportion in Asia.

With 72% of surveyed Thai SDOs saying they provide services that the government cannot or does not provide, there is unrealized potential for the government to procure more social services from the social sector.

**Government agencies are using public-private partnership models to collaborate with nonprofits and businesses.** An important movement in Thai society called “Pracharat” (public-private partnership) illustrates how the public, private and nonprofit sectors can work together. The idea behind it is that businesses have creative and innovative ideas, good management practices, and are result oriented. Nonprofit programs under these partnerships are thus mostly run and led by business executives. Businesses asked to participate are given a great deal of authority in designing the programs they will lead.

<sup>1</sup> Most of these statistics are from the World Bank or United Nations Development Programme (unless otherwise cited). For complete references please refer to the Bangladesh demographics box on page 52.

<sup>2</sup> Shared by Puey Ungphakorn School of Development Studies, Thammasat University.

<sup>3</sup> Phaholyothin, N. (2017). Moving beyond charity to philanthropy? The case of charitable giving in Thailand. *Austrian Journal of South-East Asian Studies*, 10(2), 185–203.

<sup>4</sup> Chhina, S., Petersik, W., Loh, J., & Evans, D. (2014). *From Charity to Change: Social investment in selected Southeast Asian countries*. Social Insight Research Series. Lien Centre for Social Innovation: Research. Retrieved from [https://ink.library.smu.edu.sg/cgi/viewcontent.cgi?article=1010&context=lien\\_reports](https://ink.library.smu.edu.sg/cgi/viewcontent.cgi?article=1010&context=lien_reports)

<sup>5</sup> Unless otherwise indicated, SDO survey data mentioned in this brief are from the *Doing Good Index 2020*.

<sup>6</sup> The three principal royal charities are the Sai Jai Thai Foundation, established in 1976, the Chaipattana Foundation, and the Mae Fah Luang Foundation, both established in 1988. Numerous projects funded by these three royal foundations form the basis of Thailand’s charity sector.

<sup>7</sup> Phaholyothin, N. (2017). Moving beyond charity to philanthropy? The case of charitable giving in Thailand. *Austrian Journal of South-East Asian Studies*, 10(2), 185–203.

<sup>8</sup> PwC. (2018, December 24). *Tax Newsletter, Issue no. 5/2018*. Retrieved from <https://www.pwc.com/th/en/pwc-tax-newsletters/2018/2018-tax-newsletter-05.pdf>

## The rise of corporate donors

The funding profile of the average Thai SDO mirrors that of the average Asian SDO in that individual donations and foreign funds contribute the bulk. The share of corporate funding, however, is higher at almost twice the Asian average. Foreign funding only makes up 18% of the average SDO budget in Thailand, lower than the Asian average.

**Corporate donors are big players in Thailand’s philanthropic ecosystem.** In the wake of the 2004 Indian Ocean earthquake and tsunami, there was a buildout of CSR. Many businesses sent teams to Phuket to help in the aftermath, and some stayed on to assist in the design and implementation of rebuilding efforts. The business sector has since been very active with philanthropy through their CSR missions and activities. There is a growing recognition that sustainable business growth cannot occur if communities are left behind and the environment allowed to degrade.

The late King Bhumibol Adulyadej’s Sufficiency Economy Philosophy (SEP), which promotes holistic and equitable development, has also driven the evolution of CSR in Thailand and spurred companies to invest in green energy, waste management and the circular economy.<sup>9</sup>

In Thailand, many of the large conglomerates are still family dominated. Due to this, it is increasingly common for high-net-worth individuals to participate in philanthropy not only through family foundations but through the CSR activities of the family-owned businesses.<sup>10</sup> Half of the surveyed SDOs in Thailand receive corporate funding, which, on average, makes up over a quarter of their budget—the second-highest proportion in Asia.

**Corporates are also offering non-financial support to the social sector.** Almost half of the surveyed SDOs that work with volunteers host corporate volunteers, in line with the average across Asia. Businesses also partner with nonprofits to raise funds by sponsoring events. They help build nonprofits’ capacity in marketing

and communication, management and governance. Of the Thai SDOs surveyed, the most common forms of corporate engagement were “partnering to raise awareness on a social issue” and companies providing “in-kind services or products.”

Despite these positives, corporate engagement has room to grow. Only 27% of SDO boards feature members with corporate experience, the second-lowest corporate participation rate in Asia.

**The Stock Exchange of Thailand (SET) is the first stock market in Asia to have a CSR Club.** Established in 2009 by 27 founders from leading corporations in SET, the club now has more than 500 corporate members. The club promotes a healthy environment, education, economic sustainability, volunteering spirit, and CSR standards.<sup>11</sup> Even before the club, there were many corporate investments in community development and environmental preservation. But the club has paved the way for CSR to be the new normal for good corporate citizenship.

**Sustainable Development Goals (SDGs) are an increasingly popular reporting framework.** In their SDG reports, companies are beginning to relate their work to each goal. They also report on partnerships with nonprofits and government and their social investment initiatives.

**Corporates also support the burgeoning social enterprise sector.** They incubate, mentor, train and fund potential social enterprises. Some companies even set up social enterprises as an affiliate company or subsidiary. This demonstrates how the corporate sector is transforming too—from traditional CSR to initiatives more in line with the “partnerships” envisioned by Sustainable Development Goal 17.

## Looking ahead

**Impact measurement and accountability are becoming more important for new donors.** The younger generation in Thailand tends to donate to people they trust and to the causes they believe in, rather than simply reverting to well-respected

<sup>9</sup> Introduced in 1974 by His Majesty the late King Bhumibol Adulyadej (King Rama IX), SEP is a holistic approach for sustainable development. It attaches great importance to human development at all levels and emphasizes the need to strengthen community capacity to ensure a balanced way of life with full respect for the environment.

<sup>10</sup> Chhina, S., Petersik, W., Loh, J., & Evans, D. (2014). *From Charity to Change: Social investment in selected Southeast Asian countries*. Social Insight Research Series. Lien Centre for Social Innovation: Research. Retrieved from [https://ink.library.smu.edu.sg/cgi/viewcontent.cgi?article=1010&context=lien\\_reports](https://ink.library.smu.edu.sg/cgi/viewcontent.cgi?article=1010&context=lien_reports)

<sup>11</sup> Johnson, P. D. (2014). *Global Institutional Philanthropy: A preliminary Status Report—Part Two: Country Profiles*. The Philanthropic Initiative, Inc. (TPII). Retrieved from [https://www.tpi.org/sites/default/files/pdf/global\\_institutional\\_philanthropy\\_a\\_preliminary\\_status\\_report\\_-\\_part\\_two.pdf](https://www.tpi.org/sites/default/files/pdf/global_institutional_philanthropy_a_preliminary_status_report_-_part_two.pdf)

foundations. Trustworthiness is the key factor for these new donors, who are especially wary due to scandals related to misuse of temple donations, issues of money laundering and misconduct, as well as misappropriation of funds at the government level.

Next-generation donors tend to care more about organizations that are creating measurable impact on society. They seek information on outcomes, impact and governance before donating. Traditional nonprofits that refuse to change or offer this information are at risk of being left behind. There is anecdotal evidence that next-gen donors seem to prefer to support social enterprises that better match their expectations.

**There is a trend of nonprofits transforming from traditional models to hybrid or social enterprise structures.** Some nonprofits are finding new ways to raise funds. Others are transforming into social enterprises, and yet others to an in-between hybrid model. Overall, most nonprofits are trying to transform their mission and operations to be more self-sustaining.

**SDOs are growing more professional.** This includes setting up clear governance structures (80% of SDOs surveyed in Thailand have a board), standardizing operations, measuring output and impact, providing professional information and reports, and being more active in public communication. There are many schools and training centers that provide capacity-building for SDOs, such as Thammasat University.

**Social enterprises are on the rise.** Three-quarters of the surveyed SDOs share that the number of social enterprises is increasing, and almost 90% agree that donors are showing more interest in them. There is a strong and growing grassroots movement to build support for social enterprises.<sup>12</sup> Having set up a National Social Enterprise Committee to develop a National Master Plan for Social Enterprises back in 2009, the government more recently passed the Social Enterprise Act 2019 to support the development of social enterprises.

**New forms of digital philanthropy can play a big role in fundraising,** especially combined with the reach of social media and digital communication. The full impact of these new influences on the sector—

new technology, innovation, digital platforms—is yet to be realized, but some trends are becoming clear. With new technology and digital platforms, SDOs can raise funds online and tap into new donors. While 17% of SDOs surveyed in Thailand are using crowdfunding platforms now, 65% intend to use them in the future. Through the many types of social media platforms available, telling their stories is becoming easier for SDOs too. Almost all (91%) of Thai SDOs surveyed consider social media the most important tool for their organization’s marketing efforts.

Thailand’s biggest needs are still poverty, youth education, environment and employment. The government alone cannot meet these needs, and, in the face of declining foreign funding, the philanthropic ecosystem in Thailand—like in many other Asian countries—is in transition. SDOs are no longer only nonprofits but also for-profit or hybrid social enterprises. Fundraising is not only done face-to-face but also online. Thailand’s social sector is in flux, morphing in response to the changing landscape. While it remains to be seen what shape it will settle into, it is clear that the social sector will continue to play a pivotal role in building a prosperous and equitable Thailand.

<sup>12</sup> Centre for Asian Philanthropy and Society (CAPS). (2019). *Business for Good: Maximizing the Value of Social Enterprises in Asia*. Retrieved from [www.caps.org/our-research/business-for-good](http://www.caps.org/our-research/business-for-good)

## A BRIEF HISTORY OF THAI NONPROFITS

The development of the modern charity sector in Thailand sped up following World War II. Fundraising efforts to support war victims fanned out into organized efforts to help the underprivileged. Thai expatriates who had studied abroad and worked or volunteered at organizations like the Red Cross returned to Thailand, pioneering the establishment of both local charitable foundations and local branches of international foundations and humanitarian organizations.

More foreign aid flowed into Thailand to cope with the influx of Vietnamese and Cambodian refugees from the late 1950s onwards. Initially focused on setting up refugee camps and performing relief missions, this funding spurred the setting up of bilateral nonprofits that went on to receive international funding and

assistance for several decades.

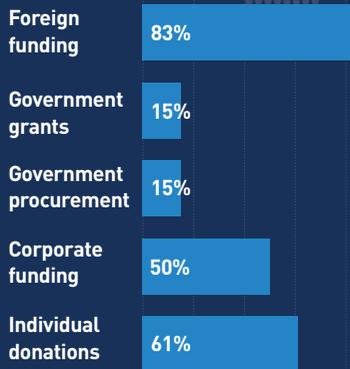
Nonprofits were banned outright by the conservative governments of the 1970s. However, the relaxation of the political environment in the 1980s, accompanied by the opening up to global influences and the transition to democracy, paved the way for civil society and formal charitable organizations to thrive from the late 1980s to 1990s. These organizations also provided input into the People's Constitution of 1997 as well as the Eighth National Development Plan. Active movements in the environmental, health and community-based development sectors flourished during this time. Now, the social sector is changing again with the adoption of new business models and the use of technology to reach a larger portion of Thai society.

*We wish to thank our partner, Puey Ungphakorn School of Development Studies, Thammasat University, for primary authorship of this profile.*

<sup>13</sup> Johnson, P. D. (2014). *Global Institutional Philanthropy: A preliminary Status Report—Part Two: Country Profiles*. The Philanthropic Initiative, Inc. (TPI). Retrieved from [https://www.tpi.org/sites/default/files/pdf/global\\_institutional\\_philanthropy\\_a\\_preliminary\\_status\\_report\\_-\\_part\\_two.pdf](https://www.tpi.org/sites/default/files/pdf/global_institutional_philanthropy_a_preliminary_status_report_-_part_two.pdf)

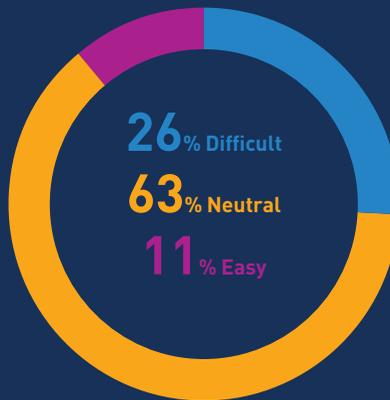
# VIETNAM

## Prevalence of funding sources\*

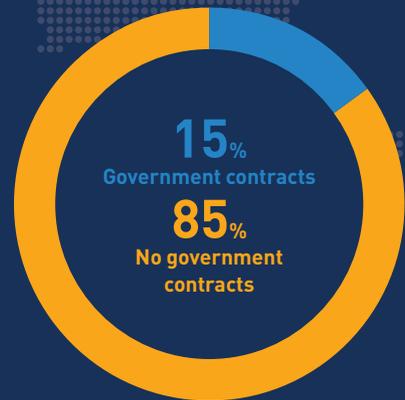


\* % of SDOs receiving each type of funding

## Ease of understanding laws



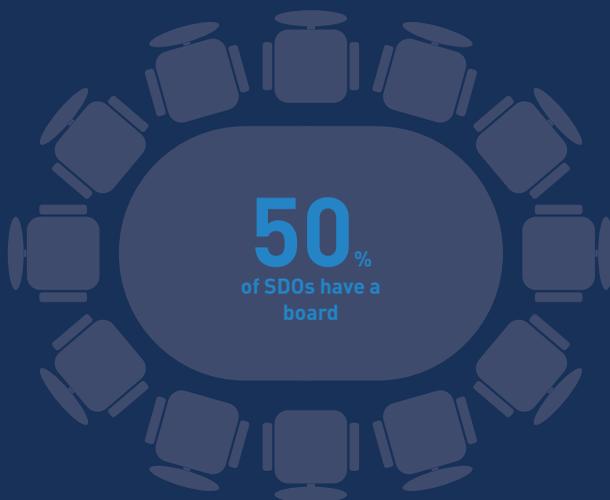
## Proportion of SDOs with government procurement contracts



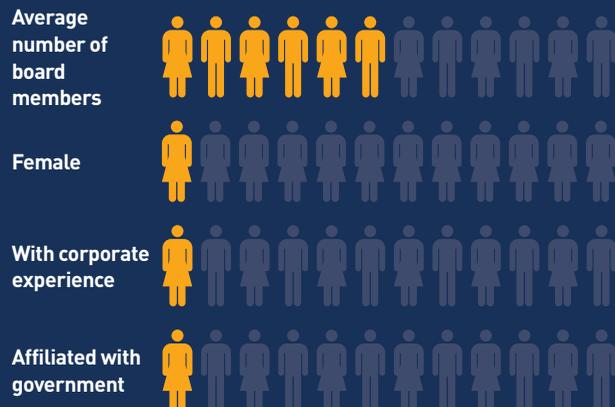
## Trust in SDOs



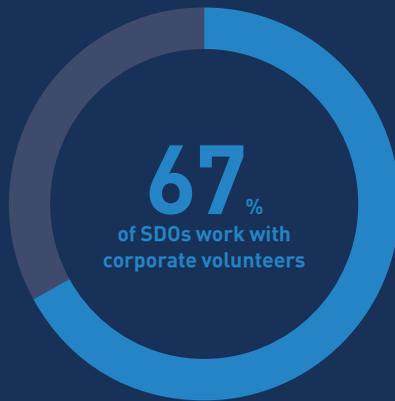
**48%**  
of respondents believe SDOs are trusted by society



## SDO board composition



### Percentage of SDOs working with corporate volunteers



### Difficulty in recruiting skilled staff



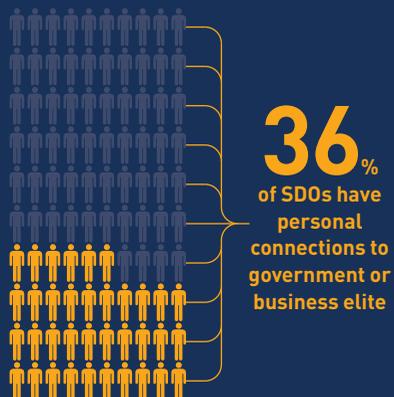
### Individual charitable giving



### Top 2 reasons for low levels of individual giving



### SDOs with connections to elite



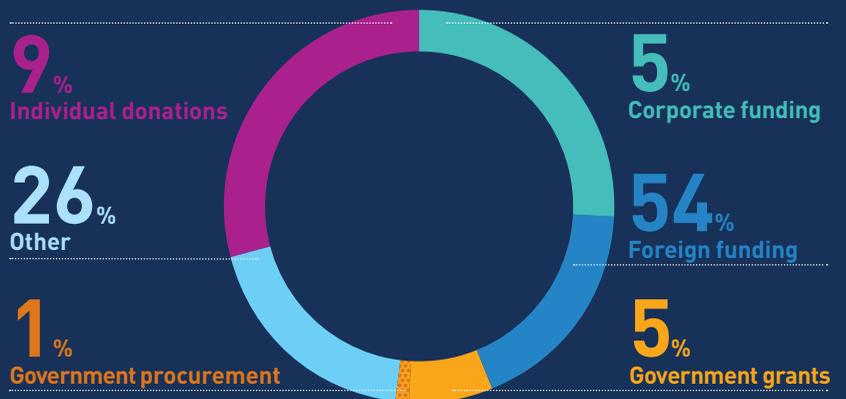
### SDOs involved in policy consultations



### Crowdfunding trends



### Average SDO budget by funding source\*



\* Based on data from 2017-2018, the last complete financial cycle at the time of data collection.

# VIETNAM

**Summary:** Since Vietnam became a lower-middle-income country, many social delivery organizations (SDOs) have pivoted away from poverty alleviation to more diversified service provision to reflect the changing needs of communities. SDOs have also become more active in raising public awareness of important social issues and holding the government accountable. At the same time, the downside of rising incomes has been a decrease in the amount of foreign funding coming into the country. Many SDOs are facing significant funding shortfalls. Rather than incentivizing domestic giving, the government is further disengaging from the sector. Although there are no official statistics, many SDOs have become inactive in the last two years.

**Doing Good Index 2018: Doing Better**  
**Doing Good Index 2020: Doing Better**

## Demographics<sup>1</sup>

**Population (2019):** 96,208,984<sup>2</sup>

**GDP per capita, PPP (2018):** \$7,447.80

**Number of nonprofits (rounded to the nearest 100):** 17,400<sup>3</sup>

**Estimated nonprofit-to-population ratio:** 1 for every 5,529 people

**% of GDP spent on health (2017):** 5.53%

**% of GDP spent on education (2018):** 4.2%

**Income status (World Bank classification):** Lower-middle income

**Annual GDP growth (2018):** 7.1%

**Human Development Index rank (2019):** 118

## The state of the social sector: A sector in transition

**In recent years, strong economic growth has transformed Vietnam.** The Đổi Mới (reform) policy initiated in 1986 marked an important milestone. Vietnam opened up to foreign investment, aiming to reform the national economy as well as reduce poverty. Since then, economic growth has remained high with the gross domestic product (GDP) per capita increasing 2.7 times between 2002 and 2018.<sup>4</sup> Within a quarter of a century, Vietnam has transformed from one of the poorest countries in the world to a lower-middle-income nation.

**The concept of a domestic organization that delivers social services independently of the government is a fairly recent development.** Vietnam did not have its first locally founded nongovernmental organization (NGO)

until the late 1990s. On average, the SDOs surveyed for the *Doing Good Index 2020* were established around 12 years ago. Since the 1970s, there have been large, membership-based, quasi-governmental organizations such as trade unions and women's unions, which dominated the social sector.<sup>5</sup> While NGOs traditionally focused on poverty alleviation, they are increasingly taking on a broader scope of activities and operations, including advocacy and multi-stakeholder engagement.

**The total number of SDOs in Vietnam is difficult to ascertain.** At the national and provincial levels, there are several thousand associations and over a thousand funds and foundations. There are also tens of thousands of nonprofits of various forms at the local level, including cooperatives, clubs, local community-based groups and associations. Additionally, there are an estimated 140,000

community-based organizations (CBOs) without a specific legal framework.

## A complex matrix of regulations

**There is no official law regulating SDOs in Vietnam.** A Law on Association, which was meant to be the official “umbrella” law for SDOs, has yet to be approved despite having been discussed for more than two decades. In 2016, the National Assembly re-tabled the bill, but its passing was hampered by the efforts of civil society organizations that were concerned about its potential for restricting their activities.

**Under the existing legal framework, SDOs are classified across a spectrum of legal personalities and are accordingly subject to different sets of laws and provisions.** Consequently, SDOs must navigate a matrix of legal requirements for registration and operation.<sup>7</sup> Some organizations receive favorable treatment from the government. For example, there is ample state funding for social organizations, which has mainly gone to select groups such as the Vietnam Fatherland Front Committee and five social-political (or mass) organizations—Women’s Union, Farmers’ Union, Youth Union, Labor Union and the War Veteran Association—which are aligned with the government.

## TYPES OF SDOs IN VIETNAM

SDOs in Vietnam can choose from a range of legal personalities<sup>6</sup>:

**Social relief establishments (SRE)**— SREs assist individuals who are experiencing social and other difficulties (e.g. orphans, HIV/AIDS-infected persons, elderly, disabled).

**Social funds and charitable funds (Funds)**— Funds are established for not-for-profit purposes in support of the development of culture, education, health, sports, science and other public development causes, and to remedy or help persons in difficulty.

**Associations (Hội)**— Associations operate to protect and advance the rights and interests of their members and the community.

**Scientific and technological organizations (STOs)**—STOs are generally engaged in scientific or technological research and development, and local NGOs often register as this type of SDO. However, due to the broad definition of an STO, general-purpose organizations without a scientific or technological focus are also often established as STOs.

**International nongovernmental organizations (INGOs)** —These include organizations, social funds and private funds operating in areas of developmental assistance and humanitarian aid.

**Social enterprises**—These are hybrid organizations combining a not-for-profit structure with a business that operates for profit. Social enterprises must reinvest at least 51% of their total annual profit in the implementation of their social or environmental objectives.

While these categories comprise the primary official forms of SDOs, several other informal forms of charitable and nonprofit organizations operate in Vietnam, including voluntary groups, clubs and religious organizations.

<sup>1</sup> Unless otherwise cited, these statistics are from the World Bank or United Nations Development Programme. For complete references please refer to the Bangladesh demographics box on page 52.

<sup>2</sup> General Statistics Office of Viet Nam. (2019). *Online conference on dissemination of preliminary results of the 2019 population and housing census of Vietnam*. Retrieved from [https://gso.gov.vn/default\\_en.aspx?tabid=768&ItemID=19282](https://gso.gov.vn/default_en.aspx?tabid=768&ItemID=19282)

<sup>3</sup> Shared by the Management and Sustainable Development Institute (MSD) from an internal presentation of the Ministry of Home Affairs: “According to the Ministry of Home Affairs, there are about 500 at the state level, 4,000 organizations at the provincial level and 10,000 district and commune organizations; 1,800 non-governmental organizations (NGOs) including non-state scientific, environmental, healthcare and educational organizations; 150 occupation associations; hundreds funds and over 900 international non-governmental organizations (INGOs) activate in Vietnam.”

<sup>4</sup> The World Bank (2018) *Vietnam Overview*. Retrieved on April 4, 2020, from <http://www.worldbank.org/en/country/vietnam/overview>

<sup>5</sup> Chhina, S., Petersik, W., Loh, J., & Evans, D. (2014). *From Charity to Change: Social investment in selected Southeast Asian countries*. Social Insight Research Series. Lien Centre for Social Innovation: Research. Retrieved from [https://ink.library.smu.edu.sg/cgi/viewcontent.cgi?article=1010&context=lien\\_reports](https://ink.library.smu.edu.sg/cgi/viewcontent.cgi?article=1010&context=lien_reports)

<sup>6</sup> Council on Foundations (COF). (2019). *Nonprofit Law in Vietnam*. Retrieved on April 4, 2020, from <https://www.cof.org/content/vietnam>

<sup>7</sup> Ibid.

## Incentivizing government procurement

**The state has enacted incentivizing policies for social organizations that provide public services in the areas of education, health care and culture.** Decree No. 53/ND-CP, dated May 25, 2006, encourages SDOs to participate in public service provision.<sup>8</sup> Transfer of public services or delivery of social services allows the government to hand over the responsibility for service delivery to non-state entities, including SDOs, and guarantee financial resources for these services. As a result of this law, Vietnam is one of the few countries that offers incentives for SDOs to apply for procurement contracts. SDOs are given priority in renting houses and facilities to provide services in education and training, health care, culture, sports, science and technology, environment, social affairs, and childcare and protection. State-administered facilities may be transferred to non-public establishments for use under a long-term lease with preferential rent, and land may be allocated to non-public establishments for use rent-free or with preferential rent. SDOs are allowed to mobilize investment capital and are given credit incentives for investment capital and they are not required to pay registration fees.

**Unfortunately, many organizations do not know how to apply for government contracts.** Only 15 of the Vietnamese SDOs surveyed for this study have government procurement contracts. Additionally, access to procurement is hampered by the low level of transparency throughout the process. The great majority (80%) of SDOs with government contracts said that the approval process was not really transparent, and 86% found the approval process difficult.

## Unclear incentives and mixed messages

**Most high-net-worth individuals (HNWIs) in Vietnam are first-generation wealthy and have not yet moved beyond traditional charity to institutional philanthropy.** Intergenerational wealth is still a new phenomenon in

Vietnam, and few HNWIs have set up family foundations or offices. Apart from the legal difficulties of setting up foundations, there is an absence of financial advisors and intermediaries to help institutionalize philanthropy.<sup>9</sup> The good news is that 82% of SDOs surveyed reported there is more interest in the charitable sector among the general public now than in the previous year and 61% reported there is more interest among local donors.<sup>10</sup>

**With greater wealth, interest in individual philanthropy and corporate social responsibility (CSR) has been growing.** Around 61% of SDOs surveyed in Vietnam receive funding from individual donors such as private or family foundations, although this falls short of the 73% Asian average. While the government has called for the mobilization of private resources through state channels to address the country's developmental needs, the institutional structures to incentivize such giving remain nascent.<sup>11</sup>

**Tax incentives are in place, but they do not sufficiently promote charitable giving.** Vietnam stands out in Asia Pacific as the only non-high-income economy with an uncapped tax-deduction rate of 100% for charitable donations. However, 60% of surveyed SDOs say deductions are difficult to claim and more than half of those surveyed were unaware of tax deductions.

**SDOs are also afforded tax incentives but are not treated equally due to the lack of a clear regulatory framework and policies.** Preferences detailed in provisions are scattered across different tax documents, including legislation and regulations dealing with value-added tax (VAT). As a general rule, SDOs do not pay tax on income received from the government or on local or foreign contributions that are "used for educational, scientific research, cultural, artistic, charitable, humanitarian and other social activities in Vietnam."<sup>12</sup> SDOs can also benefit from deductible expenses when calculating taxable income.<sup>13</sup> Foundations and associations enjoy an easier tax-related deduction process, which other types of organizations find difficult

<sup>8</sup> Vietnam Law and Legal Forum Magazine. (2006). *Legal Update: Decree No. 53/2006/ND-CP*. Retrieved from <http://vietnamlawmagazine.vn/decreed-no-53-2006-nd-cp-1928.html>

<sup>9</sup> Chhina, S., Petersik, W., Loh, J., & Evans, D. (2014). *From Charity to Change: Social investment in selected Southeast Asian countries*. Social Insight Research Series. Lien Centre for Social Innovation: Research. Retrieved from [https://ink.library.smu.edu.sg/cgi/viewcontent.cgi?article=1010&context=lien\\_reports](https://ink.library.smu.edu.sg/cgi/viewcontent.cgi?article=1010&context=lien_reports)

<sup>10</sup> Unless otherwise indicated, SDO survey data mentioned in this brief are from the *Doing Good Index 2020*.

<sup>11</sup> Indiana University Lilly Family School of Philanthropy. (2018). *Global Philanthropy Environment Index—Country Report 2018: Vietnam*. Retrieved from <https://globalindices.iupui.edu/environment/regions/southern-southeastern-asia/vietnam.html>

<sup>12</sup> *Law on Enterprise Income Tax*. (2008). No. 14/2008/QH12 (Vietnam). Article 4. Retrieved from <https://www.gbs.com.vn/index.php/en/taq/47-laws-and-regulations-on-investment/600-law-on-enterprise-income-tax?start=1>

<sup>13</sup> Council of Foundations (COF). (2019). *Nonprofit Law in Vietnam*. Retrieved on April 4, 2020, from <https://www.cof.org/content/vietnam>

to obtain. Therefore, these organizations also have easier access to the state's resources compared to other SDOs.

## Funding

**Vietnam's elevation to a middle-income country has resulted in a decline in foreign aid.** The rate of non-refundable aid has continuously declined—by 20% from 1993-2000, 19% from 2001-2005, 93% from 2006-2010, and 4.3% from 2011-2012—compared to loans within the overseas development assistance (ODA) framework.<sup>14</sup> The changes and fluctuations in funding have caused difficulty in areas such as health care, education and training, and hunger elimination and poverty alleviation, which depend on aid to a large extent.

Due to this decrease in foreign aid, Vietnam is now pursuing new opportunities such as private funding for development (foreign direct investment and domestic investment) in addition to ODA loans. It is also strengthening South-South and regional cooperation.<sup>15</sup> Vietnam has also made efforts to modernize its public financial management system, especially the tax system, to optimize the revenue and expenditure framework for development.

**Still, SDOs in Vietnam largely rely on foreign funding.** The great majority (83%) of SDOs surveyed receive foreign funding—the second-highest number across Asia. For many, foreign funding is the biggest contributor to their incomes, comprising 54% of their budget on average.

## Emerging trends: Alliances and collaboration

**Increasingly, SDOs are forging partnerships and coalitions to share resources and have a stronger voice with policymakers.** SDO consortia and networks have grown quickly in the last two years, especially in the areas of service provision and advocacy for children,

women and people with disabilities as well as health, education and environmental protection.

**In Vietnam, 90% of surveyed SDOs reported being part of at least one network of organizations.** The top two reasons for joining these networks were sharing knowledge and learning, and collaborating on policy initiatives. In special cases, the networks or consortia can be recognized by the government and be invited to provide advice on policy. In fact, 89% of SDOs in Vietnam are involved in policymaking—higher than the average across Asia.

**Another new trend in Vietnam is the rise of social enterprises.**<sup>16</sup> There are currently 80 legally registered social enterprises, but the actual number is estimated to be closer to 1,000.<sup>17,18</sup> Almost half (43%) of the SDOs surveyed for the *Doing Good Index* have a revenue-generating component. Most respondents report that the number of social enterprises is increasing, and almost all shared that donors are showing more interest in social enterprises.

**SDOs are also partnering with the private sector to a much greater extent.** The 2030 Agenda for Sustainable Development emphasized the roles of businesses in the successful implementation of the Sustainable Development Goals. As a result, the government has been encouraging CSR programs, which are slowly gaining traction. 50% of SDOs in Vietnam receive corporate funding but in small amounts. The *Doing Good Index 2020* survey results show that on average corporate support only constitutes 5% of SDO budgets. Other studies suggest that much of corporate philanthropy remains traditional and events-based, focusing on disaster relief and poverty reduction.<sup>19</sup>

Other ways to partner with companies are also growing. 74% of those surveyed have board members with corporate experience, and 67% of SDOs host corporate volunteers. When asked about CSR, the

<sup>14</sup> Figures shared by the Management and Sustainable Development Institute (MSD).

<sup>15</sup> "South-South cooperation" refers to technical cooperation among developing countries of the Global South in specific areas such as agricultural, urban development, health, human rights, among others.

<sup>16</sup> A social enterprise is defined as an organization that follows business principles to meet a social or environmental need through a product, service, process or distribution of profit. Centre for Asian Philanthropy and Society (CAPS). (2019). *Business for Good: Maximizing the Value of Social Enterprises in Asia*. Retrieved from [www.caps.org/our-research/business-for-good](http://www.caps.org/our-research/business-for-good)

<sup>17</sup> These include enterprises and organizations that have not formally registered as social enterprises but identify as being social enterprises or have recognized as such by supporting organizations.

<sup>18</sup> United Nations Development Programme (UNDP). (2018). *Fostering the Growth of the Social Impact Business Sector in Viet Nam*. Retrieved from <https://www.vn.undp.org/content/vietnam/en/home/library/SIB.html>

<sup>19</sup> Chhina, S., Petersik, W., Loh, J., & Evans, D. (2014). *From Charity to Change: Social investment in selected Southeast Asian countries*. Social Insight Research Series. Lien Centre for Social Innovation: Research. Retrieved from [https://link.library.smu.edu.sg/cgi/viewcontent.cgi?article=1010&context=lien\\_reports](https://link.library.smu.edu.sg/cgi/viewcontent.cgi?article=1010&context=lien_reports)

top three forms of engagement reported by SDOs were “receiving in-kind services or products from companies,” “partnering with companies to raise awareness on a social issue,” and “receiving technical support from companies.” These trends point to the large potential partnering with the private sector offers in Vietnam.

Philanthropy and other types of social investment

have great potential in Vietnam, but the potential has not been realized yet. As wealth and incomes continue to grow, how much money makes its way to the social sector will depend on the signals the government sends through clear and supportive policies. On the recipient side, the social sector—while active—is uncertain of its place against the backdrop of Vietnam’s changing political landscape.

## A BRIEF HISTORY OF VIETNAMESE NONPROFITS

Vietnam has a long tradition of volunteering and communal assistance, as exemplified by the proverb: “Whole leaves wrap torn leaves.” As early as the 15<sup>th</sup> century under King Le Thanh Tong, the royal court introduced tax concessions for wealthy people who helped the poor, while the Nguyen dynasty (1802-1945) called for private contributions to be made to families affected by crop losses.<sup>20</sup>

Following the Vietnam War (1955-1975), a period of control by the Communist Party of Vietnam and the state government followed. Oversight of SDOs was underpinned by regulatory documents enacted in the 1950s. The ability of civic organizations to form remained hampered by such provisions and the process for approvals to establish a social organization or association was challenging.<sup>21</sup>

Under the *Đổi Mới* (reform) policy initiated in 1986

Vietnam began opening its market economy to foreign investment from 1986. Since then, economic growth has remained relatively high, allowing Vietnam to reach the status of a lower-middle-income country within a quarter of a century. Regulatory constraints on SDOs, however, continued during this period.

From the late 1980s, foreign aid from other countries and international organizations and foundations flowed into Vietnam to support humanitarian causes and economic development. Vietnam, however, did not have its first locally founded NGO until a decade later, although there were large, membership-based quasi-governmental organizations since the 1970s.<sup>22</sup> The years 2010-2014 is seen as a period of growth for Vietnam’s domestic social sector, with the creation of many local SDOs providing assistance to communities and the needy in a range of areas.

*We wish to thank our partner, Management and Sustainable Development Institute (MSD), for primary authorship of this profile.*

<sup>20</sup> Indiana University Lilly Family School of Philanthropy. (2018). *Global Philanthropy Environment Index—Country Report 2018: Vietnam*. Retrieved from <https://globalindices.iupui.edu/environment/regions/southern-southeastern-asia/vietnam.html>

<sup>21</sup> Sidel, M. (2009). Maintaining Firm Control: Recent Developments in Nonprofit Law and Regulation in Vietnam. *International Journal for Not-for-Profit Law*, 12, 52.

<sup>22</sup> Chhina, S., Petersik, W., Loh, J., & Evans, D. (2014). *From Charity to Change: Social investment in selected Southeast Asian countries*. Social Insight Research Series. Lien Centre for Social Innovation: Research. Retrieved from [https://ink.library.smu.edu.sg/cgi/viewcontent.cgi?article=1010&context=lien\\_reports](https://ink.library.smu.edu.sg/cgi/viewcontent.cgi?article=1010&context=lien_reports)

## APPENDIX I

# WHAT IS THE DOING GOOD INDEX?

The potential for Asian philanthropy and private social investment to contribute to meaningful change in the region is extraordinary. *The Doing Good Index* is a **first-of-its-kind**, systematic **body of evidence** that aims to help unleash this potential.

The *Doing Good Index* homes in on two broad challenges facing philanthropists, corporations and SDOs as they strive to meet Asia's unmet social needs. The first is whether an economy's institutional infrastructure enables private social investment and allows philanthropists and changemakers to move towards a more strategic set of investments. The second is a trust deficit that permeates the sector in many economies.

With these two key challenges in mind, the *Doing Good Index* comprises 35 indicators grouped into four areas (sub-indexes) that condition all aspects of the supply and demand for private social investment. It examines the regulatory environment that can facilitate or hinder systematic investment; fiscal incentives to donate; societal support for the social sector; and the sector's participation in public procurement. In doing so, it also identifies those factors that most contribute to the trust deficit and remedies for addressing it.

By creating this body of evidence, we at CAPS hope to help Asia realize its potential as a global leader in social innovation. In this effort we are powered by the support of partners and experts based in 18 economies across Asia and the varied expertise of a growing and multinational team. Action-oriented, evidence-driven insights from the inaugural *Doing Good Index 2018* traveled to all economies covered by the report. In collaboration with our partners, our findings were presented directly to over 1,200 stakeholders including policymakers, philanthropists, social sector leaders and academics across Asia, as well as to global foundations and multilateral organizations such as the World Bank and the United Nations.

At its heart the *Doing Good Index* illuminates **best**

## **practices and ways for economies to move forward.**

It is a set of informed views to help philanthropists, policymakers, researchers, SDOs and engaged citizens to understand what levers can be pulled to best increase and enhance philanthropic giving in their economies. There are insights gleaned from examining economies comparatively and from findings at the level of each individual economy.

The level of giving varies across economies in Asia, but no matter what the starting point, the index **identifies force multipliers** for growing national giving. Asia has a unique opportunity to leap ahead and put in place policies and programs that can unleash the region's potential for philanthropic giving. In this opportunity lies the value of the *Doing Good Index*, helping Asia to create a better tomorrow for all of us.

## Doing Good Index

<b>REGULATIONS</b>	Efficiency	<ul style="list-style-type: none"> <li>• Number of registration clearances</li> <li>• Time required to obtain registration clearances</li> <li>• Single-window facility</li> </ul>
	Flow of funds	<ul style="list-style-type: none"> <li>• Number of foreign funding clearances</li> <li>• Time required to obtain foreign funding clearances</li> <li>• Limit on amount of foreign funding</li> <li>• Inhibitors on flow of funds</li> </ul>
	Accountability	<ul style="list-style-type: none"> <li>• Number of reporting requirements</li> <li>• Legal liability of board members</li> <li>• Legal liability of senior staffers</li> <li>• Enforcement of regulations</li> </ul>
	Communication	<ul style="list-style-type: none"> <li>• Publicly available laws</li> <li>• Easily understandable laws</li> <li>• Involvement in policymaking</li> </ul>
<b>TAX AND FISCAL POLICY</b>	Incentives for donors	<ul style="list-style-type: none"> <li>• Rate of individual and corporate tax deductions</li> <li>• Limits on tax deduction</li> <li>• Ease of claiming tax deductions</li> <li>• Tax incentives for bequests</li> <li>• Mandated corporate giving</li> </ul>
	Incentives for recipients	<ul style="list-style-type: none"> <li>• Tax exemption for SDOs</li> <li>• Availability of government grants</li> <li>• Penalty on operating surplus</li> </ul>
<b>ECOSYSTEM</b>	Public perception	<ul style="list-style-type: none"> <li>• Level of trust in SDOs</li> <li>• Public scandals</li> <li>• Level of individual giving</li> </ul>
	Institutional recognition	<ul style="list-style-type: none"> <li>• Awards for philanthropy, SDOs and CSR</li> <li>• National giving day and volunteering programs</li> </ul>
	Talent infrastructure	<ul style="list-style-type: none"> <li>• Recruitment of staff and volunteers</li> <li>• Support for capacity-building</li> <li>• University courses on nonprofits and/or philanthropy</li> <li>• Compensation gap</li> </ul>
	Good governance	<ul style="list-style-type: none"> <li>• Prevalence of boards and their composition</li> <li>• Corporate representation on boards</li> <li>• Government representation on boards</li> <li>• Connections to elite</li> </ul>
<b>PROCUREMENT</b>	Access to procurement opportunities	<ul style="list-style-type: none"> <li>• Eligibility for Requests for Proposals (RFPs)</li> <li>• Targeted incentives for SDOs</li> </ul>
	Procurement process	<ul style="list-style-type: none"> <li>• Access to information, transparency and ease of process</li> </ul>

## APPENDIX II

# METHODOLOGY AND DATA SOURCES

## Methodology

The *Doing Good Index* aggregates different indicators that are categorized into four sub-indexes. These indicators are homogenized to follow a consistent direction and then normalized to produce scores between 0 and 5. These techniques maintain the variation in the data while their relative simplicity ensures transparency.

For indicators that flow in the intended direction (for example, for a greater proportion of SDOs to state that tax deductions are easy to claim in their economy—a positive outcome), we used the following formula to transform data on a scale of 0 to 5:

$$\text{Indicator}_{ik} = 5 \left[ \frac{X_{ik}}{\text{Max}[X_i, k]} \right]$$

$X$  is the raw value of indicator;  $i$  stands for  $i^{\text{th}}$  indicator; and  $k$  stands for economy.  $\text{Max}[X_i, k]$  is the maximum value of the  $i^{\text{th}}$  indicator across the  $k$  economies in the sample.

On the other hand, for indicators that do not flow in the positive direction (for example, a greater proportion of SDOs to report that in their economy, more SDOs think social sector staff should earn less than their for-profit counterparts—a negative outcome), we first took the reciprocal of the indicator and then normalized it, as in the formula below:

$$\text{Indicator}_{ik} = 5 \left[ \frac{1}{\frac{X_{ik}}{\text{Min}[X_i, k]}} \right]$$

$X$  is the raw value of indicator;  $i$  stands for  $i^{\text{th}}$  indicator; and  $k$  stands for economy.  $\text{Min}[X_i, k]$  is the minimum value of the  $i^{\text{th}}$  indicator across the economies in the sample.

Similarly, binary answers were scaled into indicator values of 0 or 5 depending on the direction of the question. An answer of “yes” received a score of 5 in indicators flowing positively while it received a score of 0 for negative indicators.

## Weighting system

Assigning weights is a crucial aspect of index construction. For the *Doing Good Index*, weights indicate the relative importance of each indicator in measuring the effectiveness of policy environments for doing good. To determine weights, we organized a roundtable workshop with experts from the philanthropic sectors in all economies covered in this study and asked them to assign weights to each indicator. Experts first assigned a weight separately for each indicator selected under each of the four sub-indexes: Regulations, Tax and Fiscal Policy, Ecosystem and Procurement. Later, they were asked to assign weights to each of the four sub-indexes.

## Aggregation

The *Doing Good Index* was constructed using a linear aggregation process. Separate sub-indexes were first constructed for Regulations, Tax and Fiscal Policy, Ecosystem and Procurement by aggregating the relevant indicators. Then, these four sub-indexes were aggregated to construct the overall *Doing Good Index*. The aggregation for the sub-indexes has been done using the following formula:

$$\text{Sub-index}_{ik} = \sum W_i X_{ik}$$

$W$  is the indicator weight;  $X$  is the indicator; and  $i$  goes from 1 to  $n$ .

The aggregation for the index was completed with the following formula:

$$\text{Index}_k = \sum W_i I_{ik}$$

$W$  is the sub-index weight;  $I$  is the sub-index; and  $i$  goes from 1 to  $n$ .

## Data sources<sup>xlvi</sup>

The *Doing Good Index* targets a question about which little data is available through secondary sources. Therefore, the index relies on a comprehensive data collection process. Data are sourced from two pipelines: sector experts and SDOs themselves.

Sector experts were brought together by our partners in each economy and asked to reach a consensus on each question. These expert panels typically included SDO leaders, tax accountants, lawyers, academics and government representatives. Data collected from them was further cross-checked and verified by local partners in each economy and our team.

A comprehensive SDO survey was conducted in each economy from February to July 2019 using an online survey platform. Our partners in each economy were responsible for survey dissemination, administration and monitoring.<sup>xlvii</sup> A minimum sample size for each economy

was calculated, accepting a 90% confidence level with a 7.5% margin of error. Information on the total number of SDOs in each economy was sourced from our partners and then cross-checked against estimates available online.

Fourteen of the 18 economies collected (or exceeded) the minimum sample required. In Hong Kong, Singapore, Sri Lanka and Vietnam, the response rate was lower than expected and a revised margin of error of 9% was accepted for them. Hong Kong, however, was unable to meet this revised target and eventually an 11% margin of error was accepted for it. The final number of SDOs surveyed in each economy is given in the table.

## Updates in 2020

Three new economies have been included in our study this year: Bangladesh, Cambodia and Nepal. We thank our partners and external data consultants for championing the *Doing Good Index* in their economies and for their excellent research support.

Inputs for the index were drawn from a survey of 2,189 SDOs and 145 experts across 18 economies in Asia. The average number of surveys per country increased from 105 in 2018 to 122 in 2020.

Prior to the survey period, we gathered a group of 29 research partners and experts from 15 economies in Bangkok in 2019. This group reviewed challenges in collecting data for *Doing Good Index 2018* and verified our framework for *Doing Good Index 2020*.

Consistency served as a key priority when working on this iteration of the *Doing Good Index*. No changes were made to data transformation techniques and indicator or index weights. Two new metrics were added based on information received since the *Doing Good Index 2018* and on our learnings in the last two years. These metrics feature in the Regulations and Ecosystem sub-indexes. The first measures the cost required to obtain clearances to operate as an SDO, and the other measures whether an economy places a limit on overheads. The weights of these indicators were decided based on feedback from experts.

Data processing was managed completely in-house, another change from 2018. With data management and analysis capacity added to our team, we can continue to ensure the quality of data cleaning, mining and analysis adheres to the highest standard.

## Sample size

Economy	Number of SDOs surveyed
 Bangladesh	115
 Cambodia	108
 China	123
 Hong Kong	82
 India	161
 Indonesia	124
 Japan	200
 Korea	159
 Malaysia	122
 Myanmar	103
 Nepal	115
 Pakistan	123
 Philippines	139
 Singapore	82
 Sri Lanka	83
 Taiwan	131
 Thailand	118
 Vietnam	101
<b>Total</b>	<b>2,189</b>

<sup>xlvi</sup> Amounts cited in foreign currencies have been converted to US\$ according to international exchange rates in April 2020.

<sup>xlvii</sup> In Nepal data was collected by external data advisors.

## List of partner organizations

Economy	Partner
 <b>Bangladesh</b>	Centre for Policy Dialogue (CPD)
 <b>Cambodia</b>	Cooperation Committee for Cambodia (CCC) The NGO Forum on Cambodia
 <b>China</b>	Non-Profit Incubator (NPI) Institute for Philanthropy Tsinghua University (IPTU)
 <b>Hong Kong</b>	Department of Social Work and Social Administration, The University of Hong Kong
 <b>India</b>	GuideStar India Centre for Advancement of Philanthropy (CAP)
 <b>Indonesia</b>	Company-Community Partnerships for Health in Indonesia (CCPHI)
 <b>Japan</b>	Japan NPO Center (JNPOC)
 <b>Korea</b>	The Beautiful Foundation The Asan Nanum Foundation
 <b>Malaysia</b>	myHarapan - Youth Trust Foundation
 <b>Myanmar</b>	Myanmar Centre for Responsible Business (MCRB)
 <b>Nepal</b>	External data advisors
 <b>Pakistan</b>	Sustainable Development Policy Institute (SDPI) Pakistan Centre for Philanthropy (PCP)
 <b>Philippines</b>	Association of Foundations (AF)
 <b>Singapore</b>	Just Cause
 <b>Sri Lanka</b>	Institute of Policy Studies of Sri Lanka (IPS)
 <b>Taiwan</b>	Center for the Third Sector, National Chengchi University
 <b>Thailand</b>	Puey Ungphakorn School of Development Studies, Thammasat University
 <b>Vietnam</b>	Management and Sustainable Development Institute (MSD)

# ENDNOTES

- <sup>1</sup> United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). (2018). *Is Asia Pacific on track to meet the Sustainable Development Goals?* Retrieved from <https://www.un.org/sustainabledevelopment/blog/2018/07/is-asia-pacific-on-track-to-meet-the-sustainable-development-goals/>
- <sup>2</sup> Houghton, M. (2019, February 19). *Closing the Infrastructure Gap in Asia-Pacific*. AXA XL. Retrieved from <https://axa.com/fast-fast-forward/articles/closing-the-infrastructure-gap-in-asia-pacific>
- <sup>3</sup> World Bank Group. (2018). *Poverty and Shared Prosperity 2018: Piecing Together the Poverty Puzzle*. International Bank for Reconstruction and Development. Retrieved from <https://www.worldbank.org/en/publication/poverty-and-shared-prosperity>
- <sup>4</sup> Ugwuegbula, L. (2019, November 21). The Asia-Pacific Education Crisis. *The Diplomat*. Retrieved from <https://thediplomat.com/2019/11/the-asia-pacifics-education-crisis/>
- <sup>5</sup> Asia Development Bank (ADB). (2016, August 31). World Water Week: The Asian Agenda. *Asian Development Bank*. Retrieved from <https://www.adb.org/news/features/world-water-week-asian-agenda>
- <sup>6</sup> World Bank, World Development Indicators. (2019). *GDP, PPP (current international \$)—East Asia & Pacific, South Asia, Europe & Central Asia* [Data file]. Retrieved from <https://data.worldbank.org/indicator/NY.GDP.MKTP.PP.CD?locations=Z4-8S-Z7>
- <sup>7</sup> Giving USA. (2019). *Giving USA 2019: The Annual Report on Philanthropy for the Year 2018*. Retrieved from <https://givingusa.org/giving-usa-2019-americans-gave-427-71-billion-to-charity-in-2018-amid-complex-year-for-charitable-giving/>
- [Contd] Bureau of Economic Analysis, US Department of Commerce. (2019, March 28). *Gross Domestic Product, 4th quarter and annual 2018 (third estimate); Corporate Profits, 4th quarter and annual 2018* [News release]. Retrieved from <https://www.bea.gov/news/2019/gross-domestic-product-4th-quarter-and-annual-2018-third-estimate-corporate-profits-4th>
- <sup>8</sup> Organisation for Economic Co-operation and Development (OECD). (2019). *Development Aid at a Glance: Statistics by region (4. Asia)*. Retrieved from <http://www.oecd.org/dac/financing-sustainable-development/development-finance-data/Asia-Development-Aid-at-a-Glance-2019.pdf>
- <sup>9</sup> Giving USA. (2019). *Giving USA 2019: The Annual Report on Philanthropy for the Year 2018*. Retrieved from <https://givingusa.org/giving-usa-2019-americans-gave-427-71-billion-to-charity-in-2018-amid-complex-year-for-charitable-giving/>
- <sup>10</sup> Bureau of Economic Analysis, US Department of Commerce. (2019, March 28). *Gross Domestic Product, 4th quarter and annual 2018 (third estimate); Corporate Profits, 4th quarter and annual 2018* [News release]. Retrieved from <https://www.bea.gov/news/2019/gross-domestic-product-4th-quarter-and-annual-2018-third-estimate-corporate-profits-4th>
- <sup>11</sup> United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). (2019). *Economic and Social Survey of Asia and the Pacific: Ambitions beyond growth*. United Nations. Retrieved from [https://www.unescap.org/sites/default/files/publications/Economic\\_Social\\_Survey%202019.pdf#page=59](https://www.unescap.org/sites/default/files/publications/Economic_Social_Survey%202019.pdf#page=59)
- <sup>12</sup> Shapiro, R. A., Mirchandani, M., & Jang, H. (2018). *Pragmatic Philanthropy: Asian Charity Explained*. London: Palgrave Macmillan

<sup>13</sup> World Bank Group. (2018). *Poverty and Shared Prosperity 2018: Piecing Together the Poverty Puzzle*. International Bank for Reconstruction and Development. Retrieved from <https://www.worldbank.org/en/publication/poverty-and-shared-prosperity>

<sup>14</sup> Ibid.

<sup>15</sup> Kharas, H. (2017). *The Unprecedented Expansion of the Global Middle Class: An Update*. Brookings Institution. Retrieved from <https://www.brookings.edu/research/the-unprecedented-expansion-of-the-global-middle-class-2/>

<sup>16</sup> Sajan, C. (2019, May 4). Is Asia giving back enough? *The Business Times*. Retrieved from <https://www.businesstimes.com.sg/brunch/is-asia-giving-back-enough-0>

<sup>17</sup> Knight Frank. (2019). *The Wealth Report: The global perspective on prime property and investment*. Retrieved from <https://content.knightfrank.com/resources/knightfrank.com/wealthreport/2019/the-wealth-report-2019.pdf>

<sup>18</sup> Centre for Asian Philanthropy and Society (CAPS). (2019). *Business for Good: Maximizing the value of social enterprises in Asia*. Retrieved from [www.caps.org/our-research/business-for-good](http://www.caps.org/our-research/business-for-good)

<sup>19</sup> Ugwuegbula, L. (2019, November 21). The Asia-Pacific's Education Crisis. *The Diplomat*. Retrieved from <https://thediplomat.com/2019/11/the-asia-pacifics-education-crisis/>

<sup>20</sup> Asian Development Bank (ADB). (2016, August 31). *World Water Week: The Asian Agenda*. Retrieved from <https://www.adb.org/news/features/world-water-week-asian-agenda>

<sup>21</sup> United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). (2019). *Asia and the Pacific SDG Progress Report 2019*. United Nations. Retrieved from [https://www.unescap.org/sites/default/files/publications/ESCAP\\_Asia\\_and\\_the\\_Pacific\\_SDG\\_Progress\\_Report\\_2019.pdf](https://www.unescap.org/sites/default/files/publications/ESCAP_Asia_and_the_Pacific_SDG_Progress_Report_2019.pdf)

<sup>22</sup> Centre for Asian Philanthropy and Society (CAPS).

(2019). *Business for Good: Maximizing the value of social enterprises in Asia*. Retrieved from [www.caps.org/our-research/business-for-good](http://www.caps.org/our-research/business-for-good)

<sup>23</sup> See endnote 3,4 and 5

<sup>24</sup> Organisation for Economic Co-operation and Development (OECD). (2019). *Development Aid at a Glance: Statistics by region (4. Asia)*. Retrieved from <http://www.oecd.org/dac/financing-sustainable-development/development-finance-data/Asia-Development-Aid-at-a-Glance-2019.pdf>

<sup>25</sup> United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). (2019). *Economic and Social Survey of Asia and the Pacific: Ambitions beyond growth*. United Nations. Retrieved from [https://www.unescap.org/sites/default/files/publications/Economic\\_Social\\_Survey%202019.pdf#page=59](https://www.unescap.org/sites/default/files/publications/Economic_Social_Survey%202019.pdf#page=59)

<sup>26</sup> World Bank, World Development Indicators. (2018). *GDP per capita, PPP (current international \$)* [Data file]. Retrieved from <https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD>

<sup>27</sup> United Nations Human Development Programme (UNDP). *2019 Human Development Index Ranking*. Retrieved from <http://hdr.undp.org/en/content/2019-human-development-index-ranking>

<sup>28</sup> Shapiro, R.A., Mirchandani, M., & Jang, H. (2018). *Pragmatic Philanthropy: Asian Charity Explained*. London: Palgrave Macmillan.

<sup>29</sup> Rutzen, D. (2015). Aid Barriers and the Rise of Philanthropic Protectionism. *The International Journal of Not-for-Profit Law*, 17(1), 5–44. Retrieved from <https://www.icnl.org/resources/research/ijnl/volume-17-issue-1>

<sup>30</sup> Dupuy, K., Ron, J., & Prakash, A. (2016). Hands Off My Regime! Governments' Restrictions on Foreign Aid to Non-governmental Organizations in Poor and Middle-income Countries. *World Development*, 84, 299–311.

<sup>31</sup> Carothers, T., & Brechenmacher, S. (2014). *Closing Space: Democracy and Human Rights Support Under Fire*. Carnegie Endowment for International

Peace. Retrieved from <https://carnegieendowment.org/2014/02/20/closing-space-democracy-and-human-rights-support-under-fire-pub-54503>

<sup>32</sup> Centre for Asian Philanthropy and Society (CAPS). (2019). *Business for Good: Maximizing the value of social enterprises in Asia*. Retrieved from [www.caps.org/our-research/business-for-good](http://www.caps.org/our-research/business-for-good)

<sup>33</sup> World Bank, World Development Indicators. (2018). *GDP per capita (current US\$)* [Data file]. Retrieved from <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD>

<sup>34</sup> Shapiro, R.A., Mirchandani, M., & Jang, H. (2018). *Pragmatic Philanthropy: Asian Charity Explained*. London: Palgrave Macmillan.

<sup>35</sup> Gaffikin, M. (2005). Regulation as Accounting Theory. *School of Accounting & Finance*, (Working Paper 9). Retrieved from <http://ro.uow.edu.au/acfinwp/50>

<sup>36</sup> Stigler, G.J. (1971). The Theory of Economic Regulation. *The Bell Journal of Economics and Management Science*, 2(1), 3–21.

<sup>37</sup> Simon, G.J. (1995). The Regulation of American Foundations: Looking Backward at the Tax Reform Act of 1969. *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, 6(3), 243–254.

<sup>38</sup> Rutzen, D. (2015). Aid Barriers and the Rise of Philanthropic Protectionism. *International Journal for Not-for-Profit Law*, 17(1), 5–44. Retrieved from <https://www.icnl.org/resources/research/ijnl/volume-17-issue-1>

<sup>39</sup> International Center for Not-for-Profit Law (ICNL). (2016). *The Law Affecting Civil Society in Asia: Developments and Challenges for Nonprofit and Civil Society Organizations*. Retrieved from <https://www.icnl.org/post/report/the-law-affecting-civil-society-in-asia>.

<sup>40</sup> Human Rights Watch (HRW). (2016, October 19). Bangladesh: New Law Will Choke Civil Society. Retrieved from <https://www.hrw.org/news/2016/10/19/bangladesh-new-law-will-choke-civil-society>

<sup>41</sup> *Law of the People's Republic of China*

*on Administration of Activities of Overseas Nongovernmental Organizations in the Mainland of China*. (2016) Order of the President of the People's Republic of China No. 44 (China).

<sup>42</sup> Indiana University Lilly Family School of Philanthropy. (2018). *Global Philanthropy Environment Index - Appendix A: Changes in Country Regulations*. Retrieved from <https://scholarworks.iupui.edu/bitstream/handle/1805/15968/gpei18-appendixA.pdf?sequence=1&isAllowed=y>

<sup>43</sup> Council on Foundations (COF). (2019). *Nonprofit Law in India*. Retrieved from <https://www.cof.org/content/nonprofit-law-india#reporting>

<sup>44</sup> News on Air. (2019, December 4). *14,500 NGOs banned by govt from receiving foreign funds*. Retrieved on March 20, 2020, from <http://newsonair.nic.in/News?title=14%2C500-NGOs-banned-by-govt-from-receiving-foreign-funds&id=375612>

<sup>45</sup> The Economic Times. (2019, November 12). *FCRA registration of 1,807 NGOs cancelled in 2019 for violation of laws*. *The Economic Times*. Retrieved on March 20, 2020, from <https://economictimes.indiatimes.com/news/politics-and-nation/fcra-registration-of-1807-ngos-cancelled-in-2019-for-violation-of-laws/articleshow/72020138.cms>

<sup>46</sup> International Center for Not-for-Profit Law (ICNL). (2019). *Civic Freedom Monitor: Nepal*. Retrieved from <https://www.icnl.org/resources/civic-freedom-monitor/nepal>.

<sup>47</sup> International Center for Not-for-Profit Law (ICNL). (2016). *The Law Affecting Civil Society in Asia: Developments and Challenges for Nonprofit and Civil Society Organizations*. Retrieved from <https://www.icnl.org/post/report/the-law-affecting-civil-society-in-asia>.

<sup>48</sup> Human Rights Watch (HRW). (2019, November 19). *Nepal: New NGO Law Should Protect Rights*. Retrieved from <https://www.hrw.org/news/2019/11/14/nepal-new-ngo-law-should-protect-rights>

<sup>49</sup> Ibid.

- <sup>50</sup> International Center for Not-for-Profit Law (ICNL). (2013). *Policy Framework for NGOs and NGOs*. Retrieved from [https://www.icnl.org/research/library/pakistan\\_policy/](https://www.icnl.org/research/library/pakistan_policy/)
- <sup>51</sup> Indiana University Lilly Family School of Philanthropy. (2018). Global Philanthropy Environment Index—Country Report 2018: Japan. Retrieved from <https://globalindices.iupui.edu/environment/regions/eastern-asia/japan.html>
- <sup>52</sup> Rutzen, D. (2015). Aid Barriers and the Rise of Philanthropic Protectionism. *International Journal of Not-for-Profit Law*, 17(1) 1–42. Retrieved from <https://www.icnl.org/resources/research/ijnl/volume-17-issue-1>
- <sup>53</sup> *Decree Promulgating the Regulation on Management and use of Foreign Nongovernmental Aid*. (2009). Act 93/2009/NĐ-CP (Vietnam). Retrieved from <http://vbpl.vn/TW/Pages/vbpgen-toanvan.aspx?ItemID=10708>.
- <sup>54</sup> The Economist. (2016, November 24). A plan to legalise Vietnam's private charities and clubs is shelved. *The Economist*. Retrieved from <https://www.economist.com/asia/2016/11/24/a-plan-to-legalise-vietnams-private-charities-and-clubs-is-shelved>; Indiana University Lilly Family School of Philanthropy. (2018). Global Philanthropy Environment Index. Retrieved from <https://globalindices.iupui.edu/environment/downloads/index.html>.
- <sup>55</sup> Asian Development Bank (ADB). *Civil Society Briefs — Cambodia*. Retrieved from <https://www.adb.org/sites/default/files/publication/28965/csb-cam.pdf>
- <sup>56</sup> Devex. *CODE-NGO*. Retrieved on March 20, 2020, from <https://www.devex.com/organizations/caucus-of-development-ngo-networks-code-ngo-47165>
- <sup>57</sup> Association of Foundations (AF). *Capacity Building*. Retrieved on March 20, 2020, from, <http://afonline.org/capacity-building/>
- <sup>58</sup> Asian Development Bank (ADB). *Civil Society Briefs — Cambodia*. Retrieved from <https://www.adb.org/sites/default/files/publication/28965/csb-cam.pdf>
- <sup>59</sup> Cooperation Committee for Cambodia. *NGO Governance & Professional Practice (GPP)*. Retrieved March 20, 2020, from <https://www.ccc-cambodia.org/en/membership/ngo-governance-professional-practice-gpp>
- <sup>60</sup> Asian Development Bank (ADB). (2009). *Overview of Civil Society Organizations: India*. Retrieved from <https://www.adb.org/publications/overview-civil-society-organizations-india>
- <sup>61</sup> Credibility Alliance. *Meaning & Process of Accreditation*. Retrieved on March 20, 2020, from <http://www.credibilityalliance.org/accreditation-meaning-process.html>
- <sup>62</sup> Charities Aid Foundation (CAF). (May 2016). *Donation States – An international comparison of the tax treatment of donations*. Charities Aid Foundation (CAF). Retrieved from <https://www.cafonline.org/docs/default-source/about-us-publications/fwg4-donation-states.pdf?sfvrsn=4>
- <sup>63</sup> Shapiro, R.A., Mirchandani, M., & Jang, H. (2018). *Pragmatic Philanthropy: Asian Charity Explained*. London: Palgrave Macmillan.
- <sup>64</sup> Inland Revenue Authority of Singapore. *Donations and Tax Deductions*. Retrieved on January 15, 2020, from <https://www.iras.gov.sg/irashome/Other-Taxes/Charities/Donations-and-Tax-Deductions/>
- <sup>65</sup> Centre for Asian Philanthropy and Society (CAPS). (2018). *Doing Good Index 2018: Maximizing Asia's Potential*. Retrieved from <http://caps.org/our-research/doing-good-index-2018/>
- <sup>66</sup> Choe, Y.S., & Jeong, J. (1993). Charitable Contributions by Low- and Middle-Income Taxpayers: Further Evidence with a New Method. *National Tax Journal*, 46(1), 33–39.
- <sup>67</sup> Boskin, M.J. & Feldstein, M. (1977). Effects of the Charitable Deduction on Contributions by Low Income and Middle Income Households: Evidence From the National Survey of Philanthropy. *The Review of Economics and Statistics*, 59(3), 351–354.
- <sup>68</sup> Scheltens, L., & Brangan, M. (2017, November 15).

- How tax breaks help the rich. *Vox*. Retrieved from <https://www.vox.com/videos/2017/11/15/16654480/how-tax-breaks-help-rich>
- <sup>69</sup> Bakija, J. (2013). Tax Policy and Philanthropy: A Primer on the Empirical Evidence for the United States and Its Implications. *Social Research*, 80(2), 557–584.
- <sup>70</sup> Brooks, A.C. (2007). Income Tax Policy and Charitable Giving. *Journal of Policy Analysis and Management*, 26(3), 599–612.
- <sup>71</sup> The Korea Bizwire. (2019, November 20). Seoul City Facilitates Donation Procedure Upon Death for Unaffiliated Persons. *The Korea Bizwire*. Retrieved from <http://koreabizwire.com/seoul-city-facilitates-donation-procedure-upon-death-for-unaffiliated-persons/148019?ckattempt=2>
- <sup>72</sup> Brunetti, M.J. (2005). The Estate Tax and Charitable Bequests: Elasticity Estimates Using Probate Records. *National Tax Journal*, 58(2), 165–188.
- <sup>73</sup> Boskin, M.J. & Feldstein, M. (1977). Effects of the Charitable Deduction on Contributions by Low Income and Middle Income Households: Evidence From the National Survey of Philanthropy. *The Review of Economics and Statistics*, 59(3), 351–354.
- <sup>74</sup> Allaudeen, A. (2017, September 25). Asia is expected to be home to more than half of the elderly population worldwide by 2030. *Business Insider*. Retrieved from <https://www.businessinsider.com/asia-will-be-home-to-more-than-half-of-the-elderly-population-2017-9>
- <sup>75</sup> Brunetti, M.J. (2005). The Estate Tax and Charitable Bequests: Elasticity Estimates Using Probate Records. *National Tax Journal*, 58(2), 165–188.
- <sup>76</sup> Obe, M. (2020, January 1). Aging Japan: Banks turn to technology to tackle looming demographic crisis. *Nikkei Asian Review*. Retrieved from <https://asia.nikkei.com/Spotlight/Cover-Story/Aging-Japan-Banks-turn-to-technology-to-tackle-looming-demographic-crisis>
- <sup>77</sup> *Companies Act. (2013)*. Article 135 (5). (India). Retrieved from <http://www.mca.gov.in/Ministry/pdf/CompaniesAct2013.pdf>
- <sup>78</sup> Hayakawa, A. (2018, December 18). Corporate India helps battle nation's social ills. *Nikkei Asia Review*. Retrieved from <https://asia.nikkei.com/Business/Business-trends/Corporate-India-helps-battle-nation-s-social-ills>
- <sup>79</sup> *Industrial Enterprise Act, 2073* (2016) (Nepal) Chapter 9, Section 48(1).
- <sup>80</sup> Maharjan, D. (2018, July 9). Corporate Social Responsibility (CSR): Scenario & Implications in Nepal. Biruwa Advisors. Retrieved from <http://biruwa.net/2018/07/corporate-social-responsibility-csr-scenario-implications-nepal/>
- <sup>81</sup> *Company Law of the People's Republic of China* (2006). Article 5. (China). Retrieved from <http://mg2.mofcom.gov.cn/article/policy/China/201910/20191002905610.shtml>
- <sup>82</sup> *Law of the Republic of Indonesia concerning Limited Liability Company*. (2007). Law No. 40. (Indonesia). Retrieved from [http://www.flevin.com/id/lgso/translations/Laws/Law%20No.%2040%20of%202007%20on%20Limited%20Liability%20Companies%20\(BKPM\).pdf](http://www.flevin.com/id/lgso/translations/Laws/Law%20No.%2040%20of%202007%20on%20Limited%20Liability%20Companies%20(BKPM).pdf)
- <sup>83</sup> Chen, Y.C, Hung, M.Y., & Wang, Y.X. (2018). The Effect of Mandatory CSR Disclosure on Firm Profitability and Social Externalities: Evidence from China. *Journal of Accounting and Economics* 65(1), 169–190.
- <sup>84</sup> Ministry of Corporate Affairs, India. (2019). *Report of the High Level Committee on Corporate Social Responsibility 2018*. Government of India. Retrieved from [https://www.mca.gov.in/Ministry/pdf/CSRHLC\\_13092019.pdf](https://www.mca.gov.in/Ministry/pdf/CSRHLC_13092019.pdf)
- <sup>85</sup> Ibid.
- <sup>86</sup> Moyers, R. (2011, May 6). There's No Penalty for Having Reserves. *The Chronicle of Philanthropy*. Retrieved from <https://www.philanthropy.com/article/Theres-No-Penalty-for-Having/190573/>
- <sup>87</sup> Bloom, D., Kirby, P., Sevilla, J.P., & Stawasz, A.

[2018, December 3]. Japan's Age Wave: Challenges and Solutions. VOX CEPR Policy Portal. Retrieved from <https://voxeu.org/article/japan-s-age-wave-challenges-and-solutions>

<sup>88</sup> *The Act on Utilizations of Funds Related to Dormant Deposits to Promote Public Interest Activities by the Private Sector* (2016). Act No. 101 (Japan). Retrieved from [http://www.japaneselawtranslation.go.jp/law/detail\\_main?re=&vm=02&id=2992](http://www.japaneselawtranslation.go.jp/law/detail_main?re=&vm=02&id=2992)

<sup>89</sup> The Japan Times. [2017, January 28]. Making use of dormant accounts. *The Japan Times*. Retrieved from <https://www.japantimes.co.jp/opinion/2017/01/28/editorials/making-use-dormant-accounts/#.XkKkQTEzY2%20w>

<sup>90</sup> Japan Network for Public Interest Activities (JANPIA). (2019). *What is "Utilization of Dormant Deposits"?* Japan Network for Public Interest Activities (JANPIA). Retrieved from [https://www.janpia.or.jp/en/common/pdf/top\\_20190816.pdf](https://www.janpia.or.jp/en/common/pdf/top_20190816.pdf)

<sup>91</sup> British Columbia Unclaimed Property Society. *An International Perspective on Using Dormant Assets to Fund Social Programs*. Retrieved on March 3, 2020, from <https://unclaimedpropertybc.ca/an-international-perspective-on-using-dormant-assets-to-fund-social-programs/>

<sup>92</sup> Shapiro, R. A. (2018). Philanthropists in Asia: What Do They Want? What Do They Get? In *Pragmatic Philanthropy* (pp. 85–100). Singapore: Palgrave Macmillan.

<sup>93</sup> Ibid.

<sup>94</sup> Centre for Asian Philanthropy and Society (CAPS). (2018). *Doing Good Index 2018: Maximizing Asia's Potential*. Retrieved from <http://caps.org/our-research/doing-good-index-2018/>

<sup>95</sup> Sidel, M. (2008). The Promise and Limits of Collective Action for Nonprofit Self-Regulation: Evidence from Asia. *University of Iowa Legal Studies Research Paper*; No. 08–06, 14–20.

<sup>96</sup> Charities Aid Foundation. (2019). *World Giving Index*

*2019: Ten years of giving trends*. London: Charities Aid Foundation. Retrieved from [https://www.cafonline.org/docs/default-source/about-us-publications/caf\\_wgi\\_10th\\_edition\\_report\\_2712a\\_web\\_101019.pdf](https://www.cafonline.org/docs/default-source/about-us-publications/caf_wgi_10th_edition_report_2712a_web_101019.pdf)

<sup>97</sup> Shapiro, R.A., Mirchandani, M., & Jang, H. (2018). *Pragmatic Philanthropy: Asian Charity Explained*. London: Palgrave Macmillan.

<sup>98</sup> Giving Week. About. Retrieved January 3, 2020, from <https://givingweek.sg/about-us/>

<sup>99</sup> The Straits Times. [2019, December 2]. 4 great ways to share this Giving Week 2019. *The Straits Time*. Retrieved from <https://www.straitstimes.com/singapore/4-great-ways-to-share-this-giving-week-2019>

<sup>100</sup> *Charity Law of the People's Republic of China*. (2016). (China). Article 7.

<sup>101</sup> Yan, Wu. (2019, September 6). The Fourth 'Chinese Charity Day': Charity Creates a Better Life. *China Global Television Network (CGTN)*. Retrieved from <https://news.cgtn.com/news/2019-09-06/The-fourth-Chinese-Charity-Day-Charity-creates-a-better-Life-JLFGeiQTD0/index.html>

<sup>102</sup> The Amity Foundation. (2017). *China's National Charity Day: Unleash philanthropic energy*. Retrieved April 5, 2020, from <https://www.amityfoundation.org/eng/china%E2%80%99s-national-charity-day-unleash-philanthropic-energy>

<sup>103</sup> GivingTuesday. *About GivingTuesday*. Retrieved January 3, 2020, from <https://www.givingtuesday.org/about>

<sup>104</sup> Hessekiel, D. (2019, December 3). Here's What Companies Are Doing This GivingTuesday. *Forbes*. Retrieved from <https://www.forbes.com/sites/davidhessekiel/2019/12/03/companies-givingtuesday-2019/#2d2fe4403561>

<sup>105</sup> Corsetti, G. 2019, September 11). Fifth Tencent 9/9 Charity Day raises over 2.4 billion yuan, smashing last year's record. *China Development Brief*. Retrieved from <http://www.chinadevelopmentbrief.cn/news/fifth->

tencent-99-charity-day-raises-over-2-4-billion-yuan-smashing-last-years-record/

<sup>106</sup> Feifei, F. (2019, September 4). Tencent continues to build sophisticated charity platform. *ChinaDaily*. Retrieved from <https://www.chinadaily.com.cn/a/201909/04/WS5d6f703ba310cf3e35569b71.html>

<sup>107</sup> Tencent. Ushering in a new era of “rational charity” with more than 28 million individual donations setting a record high. Retrieved January 2, 2020, from <https://www.tencent.com/en-us/articles/2200005.html>

<sup>108</sup> Philippines Business for Social Progress (PBSP). *Who we are*. Retrieved January 3, 2020, from [http://www.pbsp.org.ph/?page\\_id=9935](http://www.pbsp.org.ph/?page_id=9935)

<sup>109</sup> Philippines Disaster Resilience Foundation (PDRF). *About PDRF: Corporate History*. Retrieved January 3, 2020, from <https://www.pdrf.org/about/history/>

<sup>110</sup> Philippines Disaster Resilience Foundation (PDRF). (2019, November 5). Philippine private sector responds to Mindanao earthquakes. Retrieved from <https://www.pdrf.org/media/newsroom/philippine-private-sector-responds-to-mindanao-earthquakes/>

<sup>111</sup> Centre for Asian Philanthropy and Society (CAPS). (2018). *Doing Good Index 2018: Maximizing Asia's Potential*. Retrieved from <http://caps.org/our-research/doing-good-index-2018/>

<sup>112</sup> Japan NPO Center. *Size and Scope of NPOs*. Retrieved January 3, 2020, from <https://www.jnpoc.ne.jp/en/nonprofits-in-japan/size-and-scope/>

<sup>113</sup> Centre for Asian Philanthropy and Society (CAPS). (2019). *Business for Good: Maximizing the value of social enterprises in Asia*. Retrieved from <http://caps.org/our-research/business-for-good/>

<sup>114</sup> Hasan, S., & Onyx, J. (Eds.). (2008). *Comparative Third Sector Governance in Asia: Structure, process, and political economy* (pp. 94). New York: Springer Science + Business Media, LLC.

<sup>115</sup> Di Mento, M. (2019, September 9). Five CEOs of

Wealthy Foundations Pledge to Do More to Help Charities Pay Overhead. *The Chronicle of Philanthropy*. Retrieved from <https://www.philanthropy.com/article/5-CEOs-of-Big-Foundations/247063>

<sup>116</sup> Deloitte Global Center for Corporate Governance. (2019). *Women in the Boardroom: A Global Perspective, Sixth Edition*. Retrieved from <https://www2.deloitte.com/global/en/pages/risk/articles/women-in-the-boardroom-global-perspective.html>

<sup>117</sup> World Economic Forum (WEF). (2019). *Global Gender Gap Report 2020*. Retrieved from <https://www.weforum.org/reports/gender-gap-2020-report-100-years-pay-equality>

<sup>118</sup> Rock, D., & Grant, H. (2016). Why diverse teams are smarter. *Harvard Business Review*, 4(4), 2-5

<sup>119</sup> Harjoto, M., Laksmana, I., & Lee, R. (2015). Board diversity and corporate social responsibility. *Journal of Business Ethics*, 132(4), 641-660.

<sup>120</sup> Ibid.

<sup>121</sup> Statista. (2019). *Crowdfunding Asia* [Data file]. Retrieved from <https://www.statista.com/outlook/335/101/crowdfunding/asia#market-users>

<sup>122</sup> Centre for Asian Philanthropy and Society (CAPS). (2019). *Business for Good: Maximizing the value of social enterprises in Asia*. Retrieved from <http://caps.org/our-research/business-for-good/>

<sup>123</sup> Ibid.

<sup>124</sup> *Social Enterprise Promotion Act*. (2007). Act No. 8217 (Korea). Article 12. Retrieved from [https://www.ilo.org/dyn/natlex/natlex4.detail?p\\_lang=en&p\\_isn=78610](https://www.ilo.org/dyn/natlex/natlex4.detail?p_lang=en&p_isn=78610)

<sup>125</sup> *Circular No. 91/2006/TT-BTC* (Vietnam) and Decree No. 69/2008/ND-CP (Vietnam). Article IV.1. 126 Organisation for Economic Co-operation and Development (OECD). (2016). The Korean Public Procurement Service: Innovating for Effectiveness. OECD Public Governance Reviews. Retrieved from <https://doi.org/10.1787/9789264249431-en>

<sup>127</sup> *Public Procurement Regulatory Authority Ordinance* (2002). XXII of 2002 (Pakistan) Retrieved from <https://www.ppra.org.pk/ordinance.asp>

<sup>128</sup> Public Procurement Regulatory Authority (Pakistan). *Homepage*. Retrieved on February 26, 2020 from <https://www.ppra.org.pk/>

<sup>129</sup> Public Procurement Regulatory Authority (Pakistan). *Procurement Code, 4th Edition*. (2015). Retrieved from <https://www.ppra.org.pk/>

<sup>130</sup> Khan, K.H. (2017). Public Procurement Experience of Pakistan. *Fourth South Asian Regional Public Procurement Conference*. Retrieved from <http://pubdocs.worldbank.org/en/639141490813160511/e-GP-in-South-Asia-achievements-Pakistan.pdf>

<sup>131</sup> Public Procurement Service. *PPS in History*. Retrieved on February 9, 2020, from [https://www.pps.go.kr/eng/jsp/about/pps\\_history.eng](https://www.pps.go.kr/eng/jsp/about/pps_history.eng)

<sup>132</sup> Public Procurement Service. *Overview*. Retrieved on February 9, 2020, from <https://www.pps.go.kr/eng/jsp/koneps/overview.eng>

<sup>133</sup> Organisation for Economic Co-operation and Development (OECD). (2016). *The Korean Public Procurement Service: Innovating for Effectiveness*. OECD Public Governance Reviews. Retrieved from <https://doi.org/10.1787/9789264249431-en>

<sup>134</sup> Public Procurement Service. *Achievements*. Retrieved on February 9, 2020, from <https://www.pps.go.kr/eng/jsp/koneps/achievements.eng>

<sup>135</sup> Hao, H. (2018, August 20). E-procurement: An opportunity for fair competition. *Vietnam Investment Review*. Retrieved from <https://www.vir.com.vn/e-procurement-an-opportunity-for-fair-competition-61879.html>

<sup>136</sup> Korea IT Times. (2009, February 23). Korean e-government procurement system extends to Vietnam, world. *Korea IT Times*. Retrieved from <http://www.koreaitimes.com/news/articleView.html?idxno=668>

<sup>137</sup> Wen, Z. (2017). Government Purchase of Services in China: Similar Intentions, Different Policy Designs: Contracting out social services in China. *Public Administration and Development*, 37(1), 65–78.

<sup>138</sup> *Presidential Regulation No. 16/2018 on Public Procurement of Goods/Services* (PR16) (2018) (Indonesia)

<sup>139</sup> World Population Review. *Asia Population 2020*. Retrieved April 6, 2020, from <https://worldpopulationreview.com/continents/asia-population/>

<sup>140</sup> WorldAtlas. *Major Languages Spoken in Asia*. Retrieved April 6, 2020, from <https://www.worldatlas.com/articles/major-languages-spoken-in-asia.html>



[www.caps.org](http://www.caps.org)

CAPS is a uniquely Asian, independent, action-oriented research and advisory organization committed to maximizing private resources for doing good. We do this by generating evidence-based insights into how individuals, companies, and governments can best address social challenges.

© 2020 Centre for Asian Philanthropy and Society.  
All rights reserved



Printed on recycled paper"



**Website:** [caps.org](http://caps.org)

**LinkedIn:** [linkedin.com/company/capsasia](https://www.linkedin.com/company/capsasia)

**Twitter:** [caps\\_asia](https://twitter.com/caps_asia)

**Facebook:** [facebook.com/capsasia](https://www.facebook.com/capsasia)

**Instagram:** [capsasia](https://www.instagram.com/capsasia)

**Newsletter:** [bit.ly/caps-wdg](https://bit.ly/caps-wdg)