



DOING GOOD INDEX 2018

Maximizing Asia's Potential



Centre for Asian Philanthropy and Society

doing **GOOD**

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EXECUTIVE SUMMARY

Philanthropy, which translates from Ancient Greek as “a love of mankind,” is a manifestation of the human imperative to “do good” for others. While charity in Asia is hardly a new concept, Asian philanthropy is seeking a new form as its economies grow and restructure, government policy evolves, and a more financially secure populace seeks new ways to engage with and help their communities.

This is happening when personal wealth in Asia is at an all-time high, with more billionaires in the region now than anywhere else in the world. At the same time, there is increased attention from the government, increased engagement by the private sector, and new types of organizations and fundraising platforms that are reshaping the charitable landscape.

In 2013, the Centre for Asian Philanthropy and Society (CAPS) was established as an action-oriented research and advisory organization committed to improving the quantity and quality of philanthropic giving in Asia. We set to work on developing a system-wide understanding of the factors that drive giving to the social sector.ⁱ

In our conversations with Asian philanthropists, many mentioned a lack of trust as a significant impediment to increased giving. With ambiguity between organizations that advocate and those that deliver services, scandals that periodically make the front page, the perception that many organizations are not transparent and accountable, and a historical tendency for the best and the brightest to go to other sectors, it is easy to understand why this might exist.

To aid philanthropists’ desire to work alongside government in addressing societal challenges, we need to help mitigate this trust deficit and its deleterious impact on giving. A crucial element in achieving a more conducive environment for philanthropy in Asia

is improving confidence in the social sector. Our study helps by mapping the context for philanthropic giving through the lens of the **Doing Good Index™**.ⁱⁱ

What is the Doing Good Index?

The Doing Good Index is a first-of-its-kind study based around a set of indicators that taken together show the regulatory and institutional infrastructure enabling or impeding philanthropic giving. It examines fiscal, cultural and social incentives to donate; the regulatory environment that can facilitate or hinder systematic investment; factors that affect the establishment and operations of organizations that deliver services or products to address a societal need; and their ability to access funds.

The environment in which philanthropists and organizations operate to meet societal need in Asia is understudied. An economy’s institutional infrastructure is a crucial enabler for individual and corporate donors to move beyond spontaneous or *ad hoc* handouts to a wider, more strategic set of investments. With this in mind, the Doing Good Index maps the environment for philanthropic giving by considering factors under four sub-indexes: **Regulations, Tax and Fiscal Policy, Ecosystem** and **Procurement**.

We want to achieve a step increase in philanthropic giving throughout the region, and the Doing Good Index is our contribution to this ambitious objective in the following ways:

Addressing the trust deficit. Go to any conference on philanthropy in Asia and the issue of the lack of trust comes up. Among other impediments to giving, the index identifies those that most contribute to the trust deficit and those remedies most effective in addressing it.

Creating new data. Philanthropic activity, in a

ⁱ 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.

ⁱⁱ The Doing Good Index™ and DGI™ are trademarks of CAPS.

formal sense, has simply not been considered under the purview of national statistical agencies, nor as a high priority for data collection. The Doing Good Index creates a body of data that can be used to understand the landscape for philanthropic giving and the changes happening within it.

Pointing the way to a more vibrant social sector. We seek to present the findings as a set of informed views to help philanthropists, policymakers, researchers, SDOs and engaged citizens understand what levers can be pulled to best increase and enhance philanthropic giving in their economies.

Overall findings

We find Asia to be a region in which philanthropy is deeply rooted in the culture of individual economies. While every one of the 15 economies we cover—China, Hong Kong, India, Indonesia, Japan, Korea, Malaysia, Myanmar, Pakistan, Philippines, Singapore, Sri Lanka, Taiwan, Thailand and Vietnam—has unique characteristics, common themes that emerge include:ⁱⁱⁱ

People are engaged, policy to follow. Most economies across Asia perform best on how society nurtures the social sector. With the average **Ecosystem** score for Asia being the highest among the four sub-indexes, it is clear that people are engaged in the social sector and that there is latent resource potential to be unlocked through changes in regulations and tax and fiscal policy.

Tax and fiscal incentives exert strong actual and signaling effects. Performance on the **Tax and Fiscal Policy** sub-index supports the top-line findings of the Doing Good Index, speaking to fiscal policy's importance in fostering the social sector. Tax incentives not only exert a direct pull on charitable giving, but in Asia where philanthropists and corporations often work in tandem with government, they can serve as an effective clarion call.

Measures to improve the enabling environment are accessible to all. We do not observe an obvious correlation between economic development^{iv} and an economy's performance on the Doing Good Index. Instead, we find that policies specifically geared

to promoting the social sector and encouraging philanthropic giving are what elevate the top performers.

Different levers can be pulled to drive philanthropic giving. On average, the 15 economies have been more focused on creating a regulatory environment that facilitates and supports philanthropic giving and SDOs (**Regulations**), than on offering tax incentives that will encourage flow of resources to the social sector (**Tax and Fiscal Policy**). By aligning both, economies can chart a path to getting better at doing good.

Sub-index findings

Though there are broad pan-regional lessons to be drawn, 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

Policies enshrine some accountability for SDOs registered as nonprofits. There are policies in place

to encourage more accountability in the social sector: 13 out of 15 economies require registered nonprofits to report annually, while it is optional in Taiwan and Indonesia. Board or staff liability is also present in nearly all economies.

Communication of laws and policies is taking place, but not all SDOs are getting the message. Except for Myanmar, all economies have made laws and regulations pertaining to the social sector readily available. However, almost half of the SDOs surveyed had difficulty understanding relevant laws and policies.

The process of registering SDOs as nonprofits is more efficient in some economies. SDOs in Sri Lanka, Malaysia and Singapore have the lightest administrative load, requiring 1–2 clearances and a relatively short processing time for approval. Most economies avoid placing onerous registration requirements on SDOs.

TAX AND FISCAL POLICY

The Tax and Fiscal Policy sub-index most closely mirrors each economy's overall performance on the Doing Good Index. Most economies offer tax deductions:

ⁱⁱⁱ "Hong Kong," "Taiwan" and "Korea" refer to Hong Kong Special Administrative Region, China; Taiwan, China; and the Republic of Korea.

^{iv} As measured by GDP/capita at current PPP according to the World Bank, 2016.

13 out of 15 economies offer them for individual philanthropic giving, and 14 for corporate giving.

But the rates of tax deduction vary considerably across Asia, from Singapore's 250% to Myanmar's 0%. Eight economies offer rates of 100% or above, including most Southeast Asian economies.

Giving upon death in the form of bequests is not encouraged in many economies. Incentives for bequests are only offered by the governments of Taiwan, Japan, Korea and the Philippines.

SDOs receive tax incentives, too. All economies offer tax exemption for SDOs, with the exception of Indonesia.

ECOSYSTEM

Society is ahead of government, but people still need to give more. This “soft” support for the social delivery sector has not translated into high levels of individual giving, which nearly 70% of SDOs in Asia perceive to be low.

Recruiting talent is hard, and finding skilled staff is even harder. Half of the surveyed SDOs said that it is difficult to recruit general staff, and some 74% said it is difficult to recruit skilled staff.

Having a board is the new normal. The majority of SDOs (86%) have a board, and in seven out of 15 surveyed economies, nearly all SDOs hold regular board meetings.

PROCUREMENT

Asian governments procure social services from around a third of the SDOs in our sample. Economies with the highest portion of surveyed SDOs fulfilling government contracts were China, Pakistan, India and Taiwan.

Economy clusters

After tabulating the results, we found 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.

Conclusion

The Doing Good Index is, at its heart, a body of evidence that can help to illuminate best practices and ways for economies to move forward. There are insights to be gleaned from examining economies comparatively and from findings at the level of each individual economy.

At this inflection point, 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, which can help identify force multipliers that allow Asia to create a better tomorrow for all of us who live here.



The Doing Good Index as a force multiplier

WHAT IS A SOCIAL DELIVERY ORGANIZATION?

We use the term “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 because many organizations include a for-profit or social enterprise income stream. “Nongovernmental organization (NGO)” is not quite right in Asia, where many such organizations are affiliated with government. Lastly, “SDO” is a useful term as it allows us to differentiate from pure advocacy organizations that take on a different role within the Asian context.

SDOs cover a range of organizations engaged in social delivery, from traditional nonprofits, to nonprofits with income streams, to social enterprises, and to operating foundations.

CHAPTER 1

GETTING BETTER AT DOING GOOD IN ASIA

Rising wealth in Asia is one of the biggest economic stories of the 21st century. We are witnessing enormous societal change as hundreds of millions leave behind a life of poverty.

As prominent Asian philanthropists Ratan Tata and Ronnie Chan have written,¹ these changes raise some fundamental questions: What does it mean to be part of a community? What are the responsibilities of those who have toward those who have not? And how do ancient ways of interacting with one another meld with modernity, technology and a cosmopolitan world view? All of these questions are embedded in an evolving notion of philanthropy and other kinds of private giving.

A culture of giving is already deeply rooted in Asia, which has a distinguished history of organized philanthropy for community welfare.² What is relatively new and exciting is a growing interest in the professionalization of the sector and the emergence of SDOs that deliver services and products to meet a societal need. All signals point to an increased number

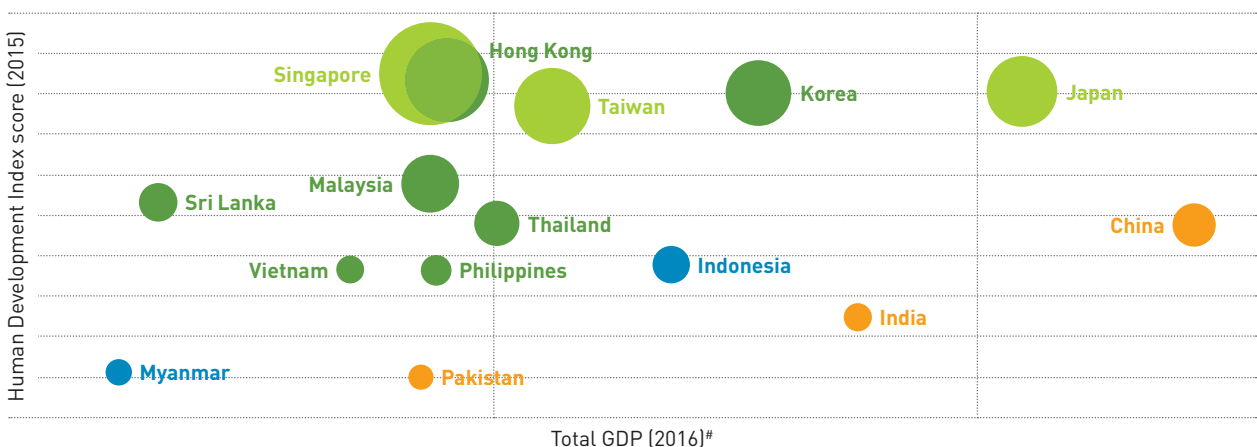
of registered SDOs across Asia, with a clear focus on improving lives.³ The types of SDOs are also evolving to range from traditional nonprofits, to nonprofits with income streams, to social enterprises that seek to be successful businesses which also provide a social good.

The potential of philanthropy to contribute to meaningful change has never been higher but as our previous research has shown,⁴ there is much that governments and SDOs can do to encourage more philanthropic giving among the 637 or so Asia-based billionaires,⁵ the thousands of 100-millionaires and other holders of private wealth.

This means that there is an unprecedented opportunity for philanthropic giving in Asia to leap ahead. Asia can even meet, and surpass, the charitable giving level in the United States: 2% of GDP.⁶ With a combined GDP of US\$25.4 trillion across South Asia, East Asia and the Pacific,⁷ a 2% share would equate to US\$507 billion. Considering that global official development

Socioeconomic development

Size of circle represents GDP per capita at PPP*



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

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

assistance to the entire continent of Asia was US\$45.5 billion in 2015,⁸ the potential impact of Asian resources 11 times as much is clear. Philanthropic giving could also contribute toward the US\$1.4 trillion annual global price tag for achieving the United Nation's Sustainable Development Goals by 2030,⁹ to deliver the improvements in quality of life that they promise.

There is great socioeconomic diversity across the 15 economies we cover: **China, Hong Kong, India, Indonesia, Japan, Korea, Malaysia, Myanmar, Pakistan, Philippines, Singapore, Sri Lanka, Taiwan, Thailand and Vietnam.** They range from high-income to low-income, indicating varied success in directing resources and providing infrastructure support to drive economic development.¹⁰ They also sit at either ends of the Human Development Index, which the United Nations Development Programme uses to measure life expectancy, education, literacy, and standards of living on a scale of 0–1. Myanmar scores the lowest of the 15 economies at 0.556, while Singapore receives good marks with 0.925.¹¹ The region's economic potential and the unmet needs in many parts of it make a compelling case for encouraging philanthropic giving and supporting the growth of the social sector.

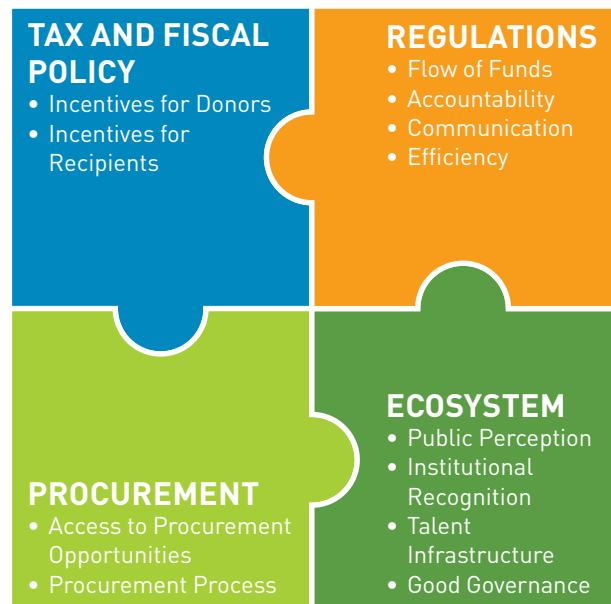
What is the Doing Good Index?

The Doing Good Index is a first-of-its-kind study based around a set of indicators that taken together show the regulatory and institutional infrastructure that enables or impedes philanthropic giving. It examines the fiscal, cultural and social incentives to donate; the regulatory environment that can facilitate or hinder systematic investment; factors affecting the establishment and operations of SDOs; and their ability to access funds.

The index comprises 35 indicators grouped into four areas—sub-indexes—that condition all aspects of the supply and demand for philanthropic giving and thus address our key question.

- > **Regulations** govern the establishment and operations of SDOs. They 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?

Doing Good Index: pieces of the puzzle



- 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 incentive 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 they 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 sector trusted?
 - Does experience flow from the corporate world to the board rooms of SDOs?
 - Is the necessary talent readily available?
- > **Procurement** opportunities for SDOs. If governments encourage SDOs to procure government contracts, 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 easily available, and the approval process efficient and transparent?

The top-line performance for each economy is derived from further aggregation and normalization of these sub-index scores. A more detailed methodology is provided at the end of this report.^v

How was the Doing Good Index constructed?

Inputs for the index were drawn from a survey of 1,579 SDOs and 80 experts in philanthropy policy across Asia. Our sample size allows for robust and reliable findings.^{vi}

Prior to the survey, we gathered a group of 34 research partners and experts in New Delhi, India, in November 2016 to help design the Doing Good Index and verify our framework.^{vii} All participants had experience of studying and working with philanthropists and SDOs in each of the 15 economies. The expert group

reiterated the premise that regulatory and institutional infrastructure is a crucial enabler for individual and corporate donors to move beyond spontaneous or *ad hoc* hand-outs to a wider, more strategic set of investments bent on improving the health and well-being of their communities.

Why the Doing Good Index?

The inaugural Doing Good Index comes at a time when Asian philanthropy is still fairly nascent, government policy is evolving, and the social economy is expanding in old and new ways. The environment within which SDOs and philanthropists operate in Asia is understudied.

We wanted to achieve a step increase in philanthropic giving throughout the region, and the Doing Good Index is our contribution to this ambitious objective in the following ways:

Addressing the trust deficit. Go to any conference on philanthropy in Asia, and the issue of the lack of trust comes up. With a fluctuating regulatory environment, ambiguity around the goals of NGOs, front-page financial scandals, the inability of many organizations to be transparent and accountable, and a historical tendency for the best and the brightest to go to other sectors, it is easy to understand why this might exist among prospective philanthropists. Among other impediments to a thriving social sector, the Doing Good Index identifies those factors that most contribute to the trust deficit and remedies for addressing it.

Creating new data. Philanthropic activity, in a formal sense, has simply not been considered under the purview of national statistical agencies or as a high priority for data collection. In order to populate the index with reliable information, we had to go out and collect it ourselves.

SDO demographics



The median age of SDOs in Asia is 14 years.

75% are younger than 25 years.

25% are younger than 6 years.



The median number of staff in SDOs in Asia is 12 people.

75% have 30 or less staff members.

25% have 5 or less staff members.

Doing Good Index: four clusters

NOT DOING ENOUGH			
 Indonesia	DOING OKAY		
 Myanmar	 China	DOING BETTER	
	 India	 Hong Kong	DOING WELL
	 Pakistan	 Korea	 Japan
		 Malaysia	 Singapore
		 Philippines	 Taiwan
		 Sri Lanka	
		 Thailand	
		 Vietnam	

Why clusters and not outright rankings? Though there are broad pan-regional lessons that can be drawn from the Doing Good Index, the real lessons lie in the sub-indexes: in understanding the specific measures that economies have taken to catalyze philanthropic giving and promote the development of SDOs. For this, the Doing Good Index hopes to drive a conversation on what an economy is doing well, what it can do better and what can be

Fortunately, we had already developed relationships with key partners across Asia. These partnerships allowed us to create a valuable data set for the Doing Good Index, which can be used to understand the landscape for philanthropic giving and the changes happening within it. Serving a dual purpose, the data can also be used by our partners themselves to inform their own work in the local context.

Pointing the way to a more vibrant social sector. The Doing Good Index should be taken as 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. 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.

Doing Good Index: broad trends

The performance of the economies in the Doing Good Index falls into four clusters, each of which can be thought of in terms of the distance left to travel toward a conducive environment for doing good. These clusters are: **Doing Well, Doing Better, Doing Okay, and Not Doing Enough.**

learned from others. In subsequent chapters that cover each sub-index, we spotlight practices and goalposts that can help all economies close the distance.

No economy has yet reached its full potential. It is also important to note that our index was constructed with a top score of 5 (lowest of 0). No economy scored higher than 4, meaning that while some have done well, there is ample room for improvement across the board.

While each economy has unique characteristics, some common themes emerge:

- 1. People are engaged, policy to follow.** Most economies across Asia perform best on how society nurtures the social sector, through encouragement in the form of awards, engagement between the corporate and social sectors, perceptions of SDOs, and more — in short, the ecosystem for SDOs. With the average **Ecosystem** score for Asia being the highest across the four sub-indexes, it is clear that people are engaged and ready for latent resource potential to be unlocked through regulatory and fiscal policy change.
- 2. Tax and fiscal incentives exert a strong actual and signaling effects.** Performance on the **Tax and Fiscal**

^v Please refer to the Appendix.

^{vi} It is extremely challenging to poll high and ultra-high-net-worth individuals in the 15 economies covered with sufficient degree of reliability and numbers that would allow for statistical significance. SDOs and experts serve as reliable proxies for informing our indicators, which our previous work had identified as critical to philanthropic decision-making.

^{vii} See Acknowledgements for a list of our Doing Good Index country partners.

Policy sub-index almost exactly mirrors performance on the Doing Good Index, speaking to fiscal policy's importance in fostering the social sector. Tax incentives not only exert a direct pull on charitable giving, they also signal government approval of systematic giving and the public benefit of accredited social delivery organizations. In Asia, where philanthropists and corporations often work in tandem with government,¹² this can serve as an effective clarion call.

3. Measures to improve the enabling environment are accessible to all. We find that policies specifically geared to promoting the social sector and encouraging philanthropic giving are what elevate top performers, not economic development.^{viii}

4. Different levers can be pulled to drive philanthropic giving. Economies across Asia have been more focused on creating a regulatory environment that facilitates and supports philanthropic giving and SDOs (**Regulations**), than on offering tax incentives that will encourage flow of resources to the social sector (**Tax and Fiscal Policy**). By aligning both, it becomes easier to get better at doing good.

^{viii} As measured by GDP/capita at current PPP according to the World Bank, 2016.

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 resources. 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.

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

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.

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, with the potential to accrue significant amounts of funding.

Corporate social responsibility (CSR): The host of activities that companies take on 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.
- "Do-it-yourself" philanthropy: utilization of corporate systems and expertise to address a community need without necessarily working through a third-party SDO.

CHAPTER 2

REGULATIONS

Ease of Doing Good

Key findings

The process of registering an SDO as a nonprofit is more efficient in some economies. It takes as few as 1–2 clearances in some and as many as 10 in others.

Registering an SDO as a nonprofit is quicker in some economies. It takes less than one month in some places and as long as a year in one economy.

Governments are communicating laws and holding policy consultations across Asia, but not all SDOs are getting the message. Most economies make relevant laws and regulations readily available. However, almost half the SDOs surveyed had difficulty understanding them.

Fundraising restrictions vary. Most economies allow unfettered fundraising, but some require approvals and clearances for the inflow of foreign funding. In others, SDOs are required to attain permissions for local fundraising initiatives.

Policies enshrine some accountability for SDOs registered as nonprofits. Most economies require registered nonprofits to report annually. Individual liability for board members and senior staff is also imposed in nearly all economies.

Enforcement and compliance go hand in hand. In economies where enforcement of laws and regulations is perceived to be effective by SDOs, the majority of those surveyed said that the typical SDO is less likely to bypass the law.

Singapore, Sri Lanka and Malaysia are the best performers on the Regulations sub-index, sharing common characteristics across administrative efficiency and communication in the social sector.

Indicators in the Regulations sub-index

EFFICIENCY

- Number of registration clearances
- Time of registration clearances
- Single window facility

COMMUNICATION

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

FLOW OF FUNDS

- Number of foreign funding clearances
- Time of 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

The Regulations sub-index

As our previous work has shown, a dearth of trust in the social sector can hamper private investment into it.¹³ At its best, regulation can work to overcome this deficit by increasing transparency, promoting competition, and ensuring efficient distribution of charitable resources.^{14, 15}

However, what characterizes “good” regulation is hardly black and white. Instances of abuse and fraud in the social sector have led to calls for better efforts to provide transparency and accountability.

Regulation is important because governments must prevent money laundering, misappropriation of philanthropic funds, and misuse of avenues of charitable giving to evade taxes. At the same time, regulation can become a drain on organizational resources if it becomes excessive. It can create barriers for philanthropists to give and impede SDOs from doing good work. “Good” regulation, in this sense, is a delicate balancing act.¹⁷

The Regulations sub-index evaluates laws and policies pertaining to philanthropic activity to examine

some of the practicalities around what makes the giving and receiving of social investments easier:

Efficiency

Indicators in this section look at the complexity of the registration process. To reduce red tape and unnecessary friction for SDOs, procedures for registering and operating an SDO need to be transparent and efficient. A quick and simple registration process evens out the playing field and opens the social sector to more entrants.

Communication

We look at how effectively governments communicate with the social sector. Indicators include the public availability of information on laws and the ease of understanding them, as well as the mechanisms and infrastructure that allow governments and SDOs to collaborate.

Flow of funds

Indicators in this section consider additional clearances and reporting required for foreign and domestic grant-making and fundraising. Unfettered flow of social investment allows philanthropists to fund projects and institutions they choose regardless of location. It also removes barriers to raising sufficient funds for SDOs, increasing the quality and scale of their work.

Accountability

To unleash private social investment, there needs to be a high degree of trust in the social sector, and regulations can foster this through formal reporting requirements and governance rules to hold SDOs and their board members accountable. A number of economies have recently seen legal reforms on the nonprofit sector, spurred by different factors including a general desire to improve the accountability of organizations. We examine the ease of registering an SDO, legal reporting requirements, liability of board members, and importantly, the extent to which laws and regulations are enforced.

Efficiency

Some economies make it easier than others for nonprofits to set up shop. Sri Lanka and Malaysia require only one clearance for aspiring nonprofit founders.

Singapore follows immediately with two. For the most part, economies avoid placing onerous registration requirements on SDOs and require four or fewer clearances, the exceptions being China and Thailand, which require ten clearances each.

In terms of time taken, it takes a month or less in China and the ASEAN economies of Thailand, Indonesia, Singapore, the Philippines and Malaysia to complete registration. The process is a little longer in Myanmar, Pakistan and India, taking between five to six months. The slowest registration process is in Hong Kong, where SDOs and experts reported that it takes an entire year for an SDO to register for charitable status.

The economies that have a single window facility for nonprofit registration include Singapore, Sri Lanka, China, Indonesia, Japan, Taiwan and Thailand. A “single-window facility” can improve efficiency for organizations, reducing the administrative burden when engaging with the government. For these economies, the top two functions of this facility were “facilitating the registration and operation of SDOs” and “monitoring the activities of SDOs.”

Communication

At least one piece of the puzzle lies in a government’s ability to effectively communicate rules and requirements. On this front, Asian economies have made some strides. Communication of laws and policies is taking place, as are policy consultations, but our findings indicate that not all SDOs are getting the message.

The majority of governments are making regulations publicly available. Except for Myanmar, all economies have made laws and regulations pertaining to the social sector readily available, according to the SDOs surveyed. As easy as it is to take this finding for granted, it shows some level of commitment by governments to communicating and engaging with SDOs.

Still, almost half the SDOs surveyed had difficulty understanding relevant laws and policies. SDOs generally do not know how much information is required and how long the process of registration will take. In 11 out of 15 economies, they state an average number of required clearances higher than the official requirement.^{ix} In seven of these, they state an average registration time higher than the official time by 1-3 months.^x Taiwanese SDOs

^{ix} Some of this could be due to extra requirements put in place by local government bodies or ministries overseeing areas that some SDOs operate in.

^x Source: CAPS expert survey.

REGULATIONS AT A GLANCE

14/15 economies have publicly available laws

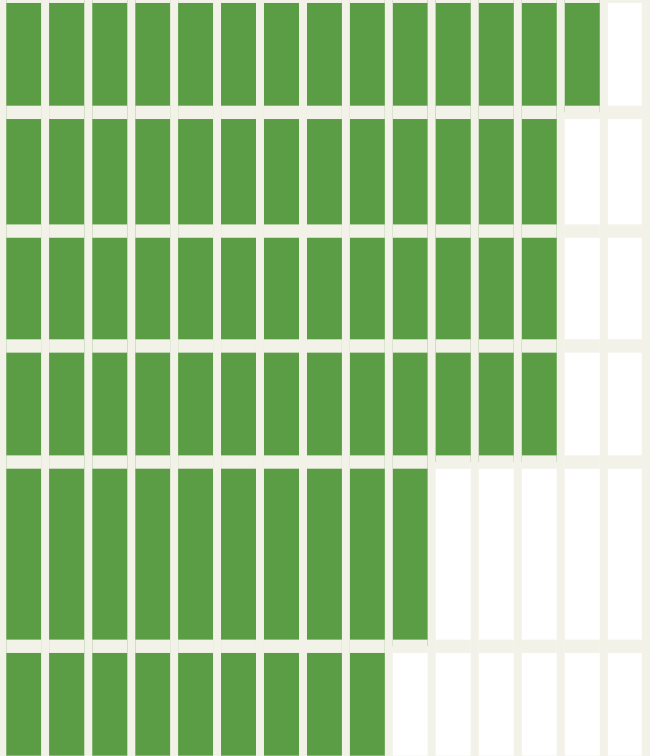
13/15 economies require 4 or less clearances to register an SDO

13/15 economies hold board or senior staff members legally liable

13/15 economies require disclosure of an annual report

10/15 economies place no inhibitors on receipt of foreign funding. Of the 5 that have inhibitors, the majority of organizations in only one economy are aware of them

9/15 economies have no significant restrictions on domestic fundraising



40%

of organizations find relevant laws difficult to understand

64%

of organizations indicate that governments enforce the law on nonprofits

seem well-informed; almost all are aligned with the official registration time.

Close to 40% of respondents felt that the relevant laws and policies were relatively difficult to understand. In Japan and Korea this figure jumps to almost 75%, which may well reflect a high level of bureaucratic and regulatory complexity. SDOs in Taiwan, Singapore and Hong Kong for the most part concurred that regulations are easy to understand, signaling that they have kept regulations relatively streamlined and straightforward.

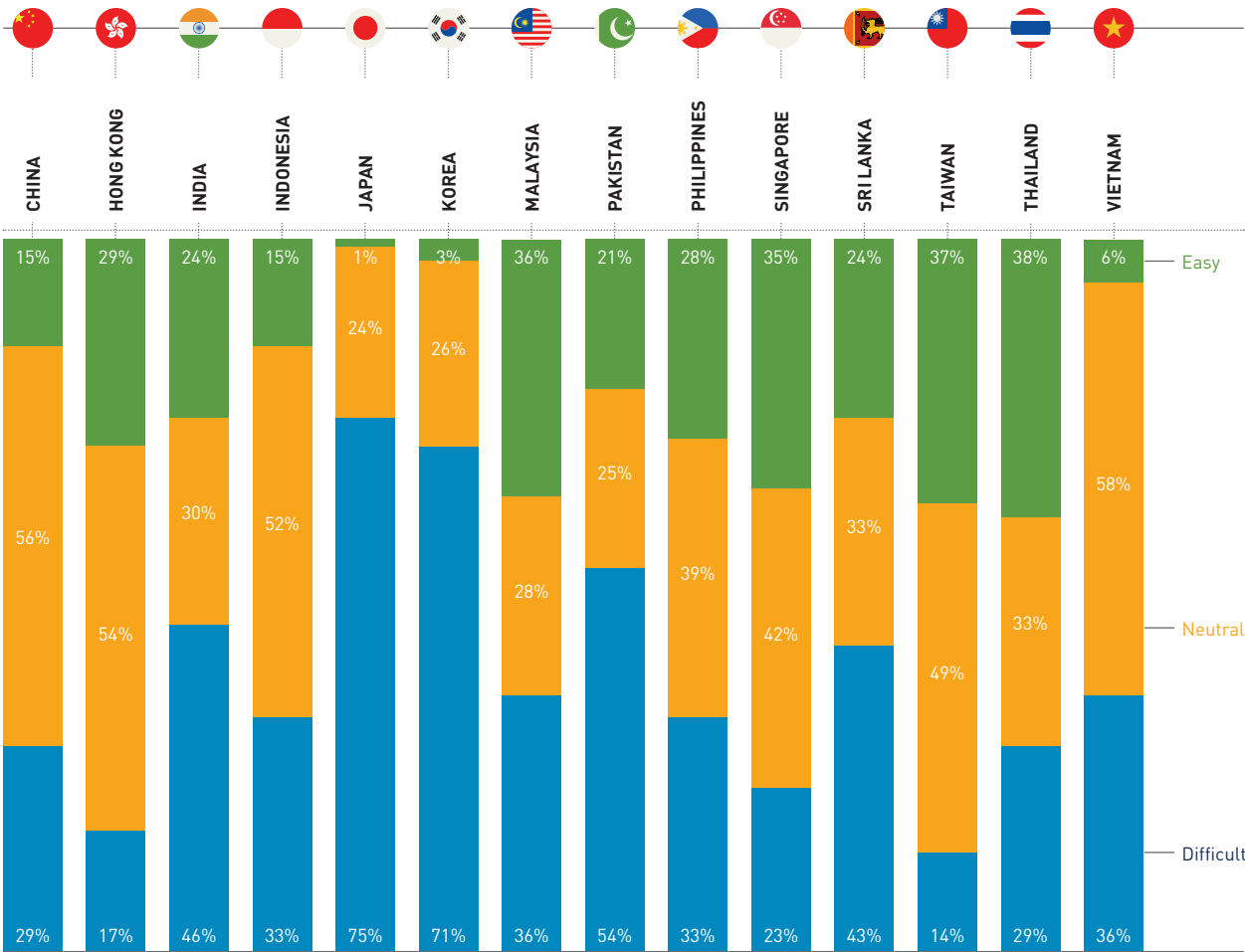
In economies where approvals and clearances were required for the receipt of foreign funds, only a minority of SDOs were aware of the rules. Only in China did a majority of SDOs indicate that they were cognizant of these. This may be because these laws are quite new and

have received a great deal of media attention.

Nearly half (47%) of all respondents indicated that SDOs were occasionally involved in policy-making. This is important because communication should not be a one-way street, and soliciting the social sector's participation in policy consultation lends a voice to the organizations that work in this sector. Although not a panacea for all regulation challenges, it is a best practice in making laws functional and understandable. Indonesia, the Philippines and Sri Lanka, where up to a third of the SDOs said they were regularly involved in policy consultations, set the bar high for Asia.

Flow of funds
The benefits of unleashing philanthropic funds for Asia

Ease of understanding laws



Note: Data for Myanmar was removed on account of challenges with data collection and transfer for this question.

JAPAN AND KOREA: WHERE IT CAN BE CONFUSING TO DO GOOD

Japan and Korea are the only Asian economies in the Doing Good Index that are OECD members. Despite being advanced economies, they have complex and at times convoluted regulations governing the social sector.

Almost 75% of organizations in Korea and Japan thought that relevant laws and policies are difficult to understand. SDOs in both countries were confused about the existence of a single window facility (Japan has one, and Korea does not). Perhaps surprisingly, 63% of Japanese SDOs polled stated that laws are rarely enforced.

The decentralized nature of the government's role in managing the nonprofit sector is key to understanding the legal puzzle in Japan and Korea.

The word “nonprofit” goes beyond the literal sense in the Japanese context. For much of its modern history, Japan's social sector was overseen by different sets of regulations and government bodies.¹⁸ Prior to 2006 reforms that established an independent centralized commission, the Japanese government had enacted multiple laws to give organizations different types of legal personalities.

Examples range from “religious corporations” and “social welfare corporations” to “medical corporations.” These organizations answer to different accounting standards and different government agencies, adding a layer of complexity.

In Korea, in-country experts have approximated that there are around 35 government entities—both local and central—that oversee the charitable sector. Like Japan, there are multiple incorporation methods for nonprofits, and various government bodies oversee different types of such organizations, making it a complex landscape for SDOs to navigate.

could be transformative for the social sector. But the path is not straightforward in any economy. There is growing expectation placed on governments throughout the world to increase transparency around the flow of philanthropic funds and to prevent misuse of funding channels. At the same time, the social sector continues to rely on both domestic and foreign donations as critical sources of revenue. The policy challenge lies in reducing opportunities for abuse, without creating unnecessary friction for donors and SDOs in the legitimate giving and receiving of private social investment.

Philanthropic funds flow in and out of Asian economies. Ten economies do not require that registered nonprofits seek clearances for the receipt of foreign funds. All economies, with the exception of Sri Lanka, allow for donations to be sent overseas, although experts reported that four economies—China, India, Pakistan and Thailand—place a monetary limit on sending donations abroad.

Nearly one-third of SDOs surveyed receive some form of foreign funding. Across our entire sample, an average 22% of an SDO's budget comes from international donors, half of which is from private foreign foundations.

In Vietnam, Sri Lanka, the Philippines, Thailand, Myanmar, Pakistan, India and Indonesia, more organizations are reliant on foreign donors than elsewhere. More than 50% of surveyed SDOs in these economies benefited from foreign funding, followed by 39% for China.

Still, some economies have put inhibitors on the inflow of foreign funds. Five Asian economies—China, India, Pakistan, Indonesia and Vietnam—require registered nonprofits to seek permissions for receipt of foreign funds, with SDOs in these economies required to file clearances or to report to government agencies. This trend has been termed “philanthropic protectionism” by some scholars, referring to measures taken related to funds flowing to domestic SDOs from abroad. These could include requiring government approval for receiving foreign funds, capping the amount of foreign funds received, requiring routing of funds through government-controlled entities, and restricting activities that can be undertaken with foreign funding.

In some cases, changes in policies and laws around the receipt of foreign funds have led to greater uncertainty and had a chilling effect on foreign donations. In particular, experts surveyed indicated

PUTTING INHIBITORS ON THE FLOW OF FOREIGN FUNDS

India's Foreign Contribution (Regulation) Act of 2010 requires organizations to report all receipts of foreign funds to the central government within thirty days of receipt. On top of this basic reporting, Indian nonprofits are required to file descriptive annual reports that explain the amount, source, use, and intended purpose of the foreign funding received.

Indonesia introduced a regulation in 2008 that prohibits foreign funding being utilized for activities that cause “social anxiety.”

Pakistani nonprofits are required to apply for a certificate from the Securities and Exchange Commission of Pakistan if planning to receive more than Rs50 million (approximately US\$0.5 million) value of foreign funding, and internationally based organizations are also required to undergo a similar additional registration regardless of funding amount.

China began implementation of the Overseas NGO Management Law in January 2017, which brings organizations that are

lawfully established overseas under a separate regulatory framework from Chinese charities, with unique reporting and accountability requirements under the auspices of the Ministry of Public Security.

Vietnam, in late 2016, refrained from enacting a recently redrafted Association Law that would have banned Vietnamese organizations from associating with foreign NGOs or receiving foreign funding. The future of this law is still unclear.

a higher degree of uncertainty around waiting times for approval across these five economies. In China, nonprofits have to wait anywhere between 30–180 days to receive approval, while in Indonesia, organizations must apply for and receive foreign funds on a project-only basis. In both cases, this reduces the organizations' ability to plan ahead.

Changes in laws governing foreign funds can also precipitate a drop in funds as donors and recipients recalibrate. This is observable in our data: 26% of SDOs receiving foreign funding saw a reduction in those funds following changes in laws. Organizations in the education and health sectors in China and India, which rely on foreign sources for up to half their budgets, are more sensitive to this drop and may need to scale back or look for alternative funding sources. Additionally, some smaller organizations choose to forego foreign contributions due to their inability to comply with additional administrative requirements.

Domestic fundraising also requires clearance and reporting in some parts of Asia. Six economies have put in place laws around the receipt of domestic funds: SDOs in China, Taiwan, Singapore, Korea, Vietnam and the Philippines are required to attain permissions for

some local fundraising initiatives. A large number of Singaporean SDOs felt that they faced more scrutiny in the task of raising domestic funds, perhaps as result of measures put into place to deter fraudulent fundraising.

Accountability

Regulations that enshrine greater accountability within the social sector have a role to play in bridging the trust deficit and managing organizational risk. Legal reporting requirements and governance rules can provide checks and balances to raise donor confidence in SDOs and can drive greater organizational and financial transparency. But again, there is a delicate balance to strike to ensure that these requirements do not serve as a barrier to entry for smaller SDOs, many of which have evolved organically with limited resources. This opens the door for each economy to develop a nuanced, and sometimes staggered, approach to reporting requirements.

SDOs must comply with reporting and record-keeping requirements in nearly all economies, although Taiwan and Indonesia make it optional. There are policies in place across much of Asia to encourage more accountability in the social sector: 13 out of 15 economies

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

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

require registered nonprofits to report annually. In 9 out of 15 economies, the law requires organizations to retain key internal documents (most likely for auditing purposes); 12 require minutes of board meetings; 6 require organizations to have code of conduct policies for staff; and 7 require organizations to have a conflict-of-interest policy. Of the 15 economies, Singapore has the highest number of mandatory reporting requirements in Asia.

In most economies, liable persons are designated within an SDO. Policies that hold either the board of directors or senior staff to be legally liable for organizational actions are in place in all economies, with the exception of Pakistan and Taiwan. Vietnam only holds staff liable, while China holds only the board liable. Without adequate liability mechanisms, incentives for putting checks and balances in place are weaker for these four economies.

Nearly two-thirds of all SDOs surveyed held the view that laws pertaining to the nonprofit sector are generally enforced. In the 11 out of 15 economies where the majority of SDOs surveyed perceived the laws to be enforced, organizations indicated they are less likely to bypass government regulations.

CHAPTER 3

TAX AND FISCAL POLICY

Incentives for Doing Good

Key findings

The Tax and Fiscal Policy sub-index most closely mirrors each economy’s overall performance on the Doing Good Index. Tax incentives for donors and recipients of philanthropic funds drive performance on this sub-index, and most economies offer these in the form of tax deductions. Only two economies lack tax deductions.

But the rates of tax deduction vary considerably across Asia, ranging from 250% to 0%. Eight economies offer rates of 100% or above.

Rates are not the only important measure; limits matter as well. Most economies place limits on the proportion of income that is eligible for tax deductions.

Giving upon death in the form of bequests is not encouraged in many economies. Only four offer these types of incentives.

SDOs receive tax incentives, too. All economies offer tax exemption for SDOs, with the exception of one.

Many Asian governments support the social sector through direct grants, except Japan and the Philippines. In most economies, more than 38% of SDOs receive either direct or indirect grants.

Singapore, Taiwan and Japan are the top three performers in this sub-index. All offer incentives for donors and recipients. Singapore registers an impressive 250% rate of deduction for individuals and corporations, while Taiwan and Japan are bolstered by tax deductions and incentives for incorporating charitable giving into estate planning.

The Tax and Fiscal Policy sub-index

Historically, Asian countries have a tradition of giving rooted in communal or familial obligation.²⁴ But governments have also emerged as important influencers of private social investment through their fiscal policies. The Tax and Fiscal Policy sub-index looks at the available fiscal incentives for both donors and recipients of philanthropic funds.

Tax incentives for donors

Indicators in this sub-index include rates of tax deduction and limits on them, incentives for bequests and mandated

corporate giving. The signaling effect of tax incentives for giving is consequential for economies across Asia, where many corporations and philanthropists have demonstrated an inclination to work cooperatively with the government to improve livelihoods.²⁵ This manifests itself in philanthropists and corporations paying close attention to government messaging and even working together in collaborative partnerships. In this context, where the public sector signals its support for charitable giving through fiscal incentives, philanthropists and corporations will be greatly incentivized to act.

Indicators in the Tax and Fiscal sub-index

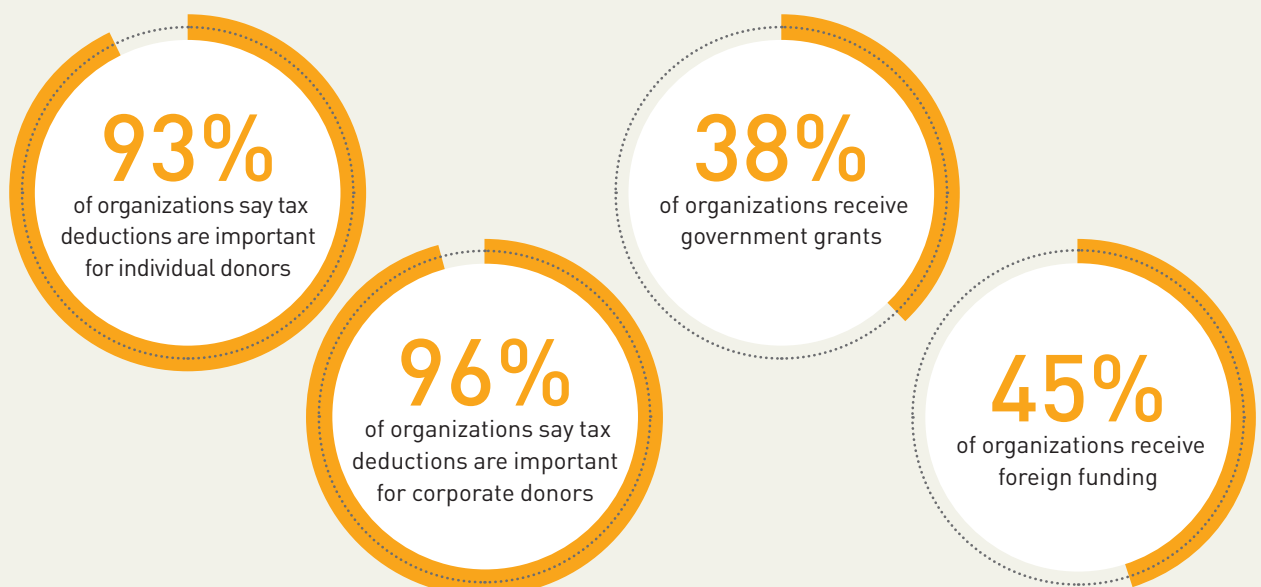
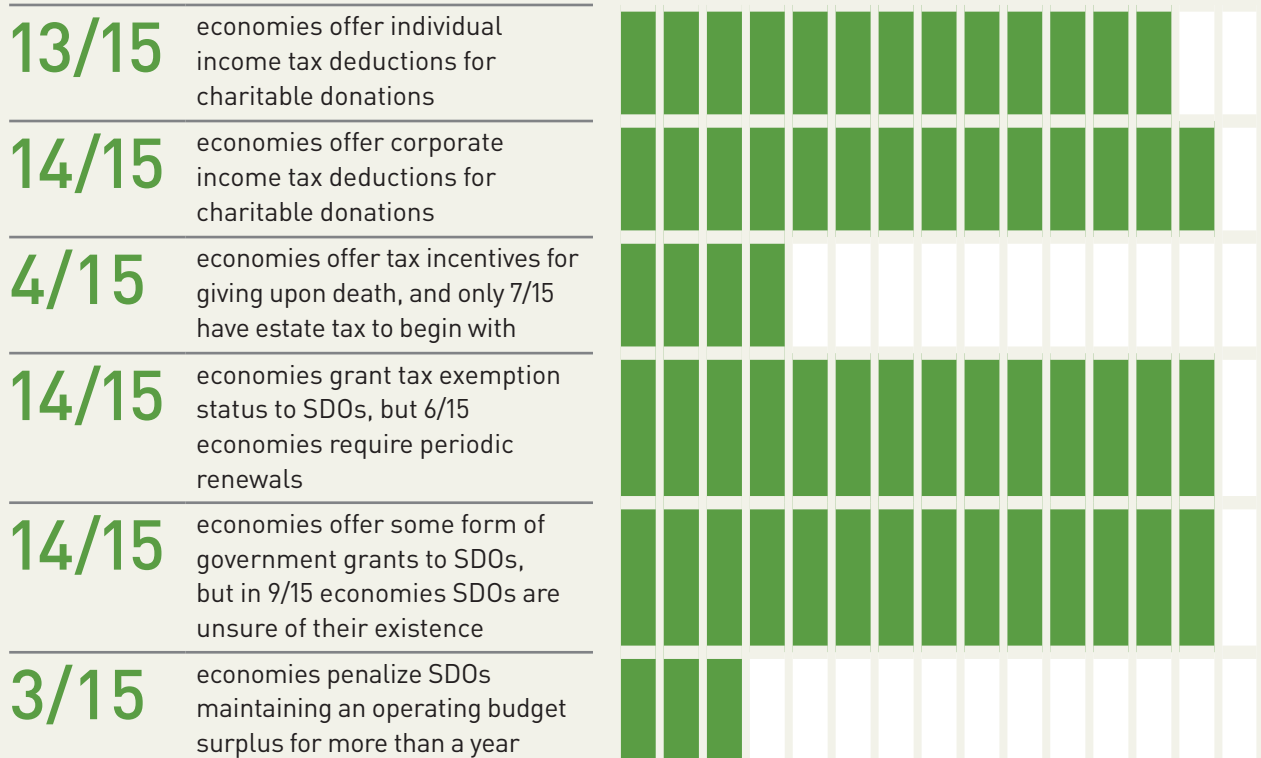
INCENTIVES FOR DONORS

- Tax incentives
 - 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

TAX AND FISCAL POLICY AT A GLANCE



Tax deductions, in particular, exert an effective pull on private social investment from individuals and corporations in three different ways.^{xi} Firstly, they serve as a clear signal that the government values philanthropic giving in society. Further, tax deductions incentivize individuals and corporations to give directly by potentially reducing the donor's tax burden. Finally, they help donors overcome any disincentive to give from the reduction of disposable income through taxation.

Tax incentives for recipients

Indicators considered here include tax exemption for SDOs and the availability of government grants that support the charitable sector. We also examine the effect of a penalty on operating surplus.

The Tax and Fiscal Policy sub-index most closely mirrors each economy's overall performance on the Doing Good Index. This suggests that tax incentives for donors and recipients of philanthropic funds drive performance on this index.

Incentives for donors

Most economies offer tax incentives for donors in the form of tax deductions. 13 out of 15 economies offer tax deductions for individual philanthropic giving, and 14 offer them for corporate giving. Individual and corporate rates of deduction mirror each other for most economies; evidence that governments in Asia take a consistent approach to tax incentives for individuals and corporations.

But the rates of tax deduction vary considerably across Asia, from Singapore's 250% rate of tax deductions to Myanmar's 0%. Eight economies offer at least a 100% rate of deduction, signaling strong government support for charitable giving. What is especially encouraging to note is that many resource-constrained economies, including the Philippines, Sri Lanka, Thailand, Vietnam and Malaysia, have 100% tax deduction for individuals and corporations.

India, Hong Kong, Korea, Pakistan and China offer individual tax deduction rates in the range of 15–50%, and corporate rates of 10–50%. Korea's rates are, in fact, the second lowest in Asia, placing it just above Myanmar, which has zero deductions.

^{xi} Tax deduction: for every dollar that you give to charity, how much of your income is tax deductible? A 100% rate of tax deduction means that for every \$1 donated to charity, your taxable income is reduced by \$1.

^{xii} A 10% limit on tax deductions means that these deductions can only be applied to up to 10% of declared income.

Indonesia currently has no tax deduction for individuals, although it offers a corporate rate of tax deduction at 100%. Myanmar offers no tax deduction of any kind. Both economies have a longer way to go in setting up robust tax infrastructures to incentivize giving because they have either one or both of the most important pillars of enabling fiscal policy missing: tax deductions for donors and tax exemption for SDOs.

Rates are not the only important number; limits are as well. Twelve out of 15 economies place limits on the proportion of income that is eligible for tax deductions. Only three economies, Pakistan, Singapore and Vietnam, allow 100% of individual income to be tax deductible. On the other end of the spectrum, Malaysia only allows 7%, followed by Thailand, the Philippines and India at 10%.

Tax deductions are an important tool for encouraging giving, but they are not enough in themselves. Even a high rate of deduction can be offset by a low limit on deductions.^{xii} Encouragingly, governments have a toolkit to work with, and there is space here to adjust the approach to the nuances of each individual economy. The Doing Good Index indicates that this is beginning to happen across Asia.

The importance of tax deductions is recognized widely

Tax deduction rates for charitable donations

Economy	For individuals (%)	For corporations (%)
 Singapore	250	250
 Taiwan	100	100
 Thailand	100	100
 Malaysia	100	100
 Japan	100	100
 Philippines	100	100
 Sri Lanka	100	100
 Vietnam	100	100
 India	50	50
 Hong Kong	35	35
 Pakistan	30	20
 China	30	12
 Korea	15	10
 Indonesia	0	100
 Myanmar	0	0

in the region. The overwhelming majority of SDOs in our survey, around 95%, consider them important as means of catalyzing individual and corporate donors to give.

Around half the economies make it relatively easy to claim these tax deductions. More than three-quarters of SDOs in Singapore, Hong Kong, Taiwan and Korea felt it was easy. India (69%) and Malaysia (65%) also make it relatively easy. Japan's procedures were seen to be less so, perhaps due to more complicated tax coding and calculation.

The importance of tax deductions cannot be over-emphasized. Studies offer empirical evidence that tax deductions are an effective incentive for unlocking philanthropic capital.²⁶ And there is evidence that this effect extends beyond society's wealthiest. In the United States, just under half of all charitable donations come from people who earn less than US\$100,000 per year.²⁷ Even for households earning just US\$30,000 per year, there is significant sensitivity to tax incentives for charitable giving.²⁸

If tax deductions can encourage giving across income levels in an economy, they are also "efficient" as a means of incentivizing private social investment in two senses:

Fiscal: Studies tell us that tax price elasticity of giving is generally greater than 1, which means the deduction of any loss in tax revenue for government is compensated for by donations to SDOs delivering charitable services.²⁹ Most types of giving—to poverty alleviation, education, health and combination charities—are in this sense, fiscally efficient.^{xiii}

Social: A tax deduction essentially acts as a subsidy for donors to contribute to the social good. Without this subsidy, a donor will only donate as long as each additional US\$1 provides a matching "warm glow" — their own perception of the value of their social investment. So a US\$1 donation that gives the donor a warm glow equivalent of US\$0.75, but makes the recipient better off by US\$1 will not occur. But a tax deduction — a subsidy of US\$0.25 — would incentivize the donor to make that full dollar contribution.³⁰

Giving upon death through bequests

Korea, Taiwan, Japan and the Philippines have tax incentives for charitable bequests. Of the seven economies that have a death or inheritance tax (including Vietnam, Thailand and Indonesia), only these four allow tax deductions for charitable or public welfare giving.

SINGAPORE: FISCAL INCENTIVES FOR DOING GOOD

Singapore might be the only economy in the world to offer a 250% rate of tax deduction for charitable donations to individual and corporate donors. This is more than double that of any other economy in Asia in our sample. Even better, there is no limit on the income eligible for individual or corporate tax deductions. It is encouraging that from 2014 to 2015, when the higher rate of tax deduction was instituted, tax deductible donations jumped by almost 25%.³¹

Singapore also makes it relatively easy to claim tax deduction, according to 88% of SDOs surveyed. It also checks the boxes for other supportive fiscal policies, including tax exemption for SDOs and the availability of direct and indirect government grants for SDOs.

Tax deductions for estate and inheritance taxes send an important message: Philanthropic giving through an individual's estate is a societal good. They also spur, to paraphrase American philanthropist Andrew Carnegie, a people-driven redistribution of wealth by letting resources revert to society through philanthropy, not taxes.³² Studies have found the estate tax, accompanied by a tax deduction for charitable donations, to be a significant determinant of charitable bequests.³³ Interestingly, the literature indicates that a propensity to give increases with age,³⁴ with people older than 64 giving 49% more than those aged 35–54. This unveils an opportunity for Asian economies to put in place targeted incentives for philanthropy for older demographics. Instituting incentives for donors to consider giving as part of the estate plan is one way of doing so.

Mandates for corporate social responsibility

India and Myanmar have introduced laws mandating corporations to allocate funding to CSR purposes. Both countries require 2% of net profits to be reinvested in

^{xiii} Although tax price elasticity is not constant across all types of giving, because people tend to donate to more than one cause, it is widely accepted that elasticity combined across all is most likely greater than 1.

Incentives for giving upon death

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

JAPAN ●

KOREA ●

TAIWAN ●

PHILIPPINES ●

activities classified under this criterion. India is actively implementing this new law, whereas Myanmar has yet to do so.

As one of the first economies in the world to enshrine corporate giving into law, businesses in India are still figuring out the implications of these laws.³⁵ Policymakers have implemented these measures on the premise that this would inject much-needed funds into the social sector, but commentators have warned that the funds could simply flow to established organizations or companies' own foundations. As with

much else associated with doing good, the proof is in the implementation and how policymakers adapt such principles to the unique dynamics of each economy.

Incentives for recipients

SDOs are usually addressing an unmet need for social services and are often operating with limited resources. One way of facilitating efficient use of these lean resources is to exempt SDOs from corporate profits taxes normally levied on the private sector. Again, there is a toolbox for governments to use, based on the unique dynamics of

INDIA: A MANDATE TO DONATE?

Enacted in April 2014, India's Companies Act mandates that businesses with revenue of more than INR 10 billion (US\$155 million) donate a minimum 2% of their net profit to activities that fall under the purview of CSR activities.

In theory, this could bring a considerable amount of funding to many resource-strapped SDOs in India. In 2017, CSR spending of 92 out of the top 100 listed companies has jumped by 10% from INR 62 billion (US\$960 million) in 2016 to INR 74 billion (US\$1.15 billion) in

2017. Education and vocational skills; hunger, poverty, and health care; and rural development are the top three areas that have attracted the most resources consecutively in both 2016 and 2017.³⁶

Observers have warned of the new rules driving forced philanthropy, "tick box" behavior, tokenism or even misconduct or noncompliance.³⁷ In practice, it appears that companies are still grappling with the implementation of the policy in its early days. A survey by

international consulting firm KPMG found that 44 of India's largest 100 companies failed to comply with the 2% law in 2016,³⁸ but that compliance had improved from 2015.³⁹

There is also a concern that unlike established SDOs, many small-sized or young SDOs lack the network and resources to capture the newly available funding. On the flip side, smaller companies with underdeveloped CSR functions may struggle to allocate their spending, at least initially.

each economy. In addition to exemption from corporate profits tax as the minimum first step, other exemptions could include exemption from value-added tax on purchases, property tax, capital gains tax, and various licensing taxes.

Asian governments recognize the value of exempting legitimate SDOs from taxes. SDOs are tax exempt in 14 out of 15 economies. Indonesia is the exception. Along with a lack of tax deductions for individuals, this affects Indonesia's standing in this sub-index considerably. Vietnam, India and Pakistan, countries with half of Indonesia's GNI/capita,^{xiv} have both these incentives in place.

As well as tax exemptions, most governments can and do provide these direct subsidies in Asia. Just under half of SDOs surveyed, around 45%, indicated that they receive direct grants from the government, while 38% receive other indirect grants. In China, the government is a source of funding, through direct or indirect grants, for 66% of organizations sampled. Half of the SDOs in Taiwan, India, Singapore and Hong Kong received this kind of support.

Government funding makes up 16% of SDOs' annual budget on average across our sample. Relative to the size of other funding sources, domestic government grants make up the smallest portion as compared to individual giving and foreign funding on average.

Of the Asian SDOs that receive grants from their government, there is higher dependence on public funding

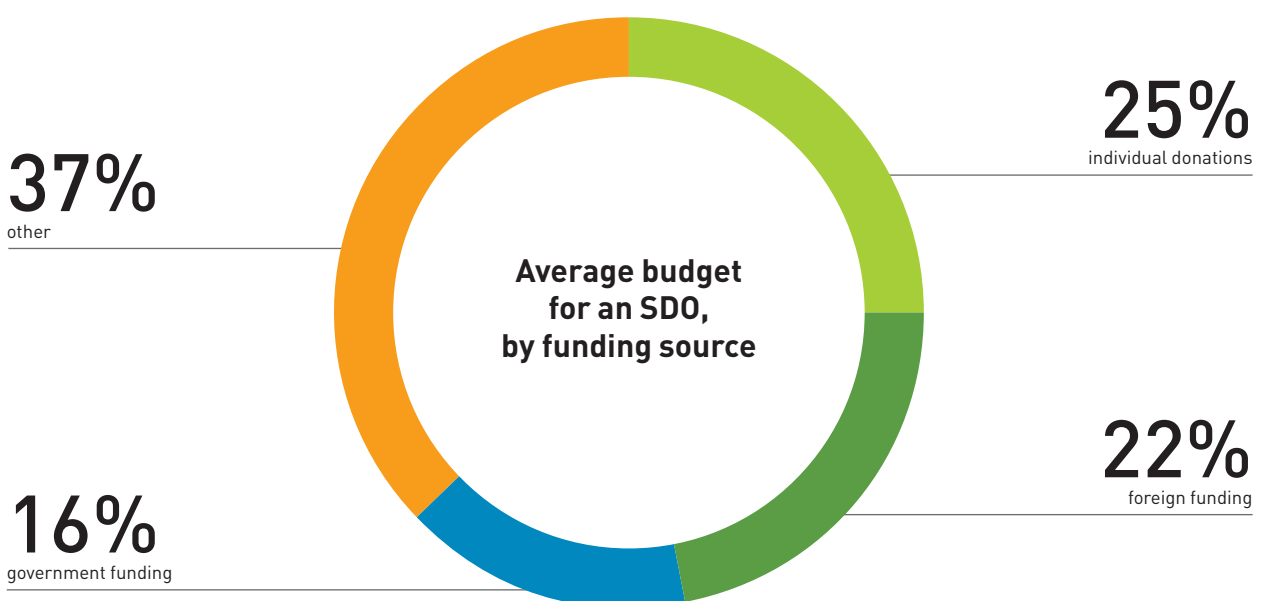
as a revenue stream. On average, about a third of their budget comes from the government, which is actually the largest single source of funds. Breaking this down by economy, this is true for the average SDO receiving government funds in China, Hong Kong, Singapore and Taiwan.

Not all SDOs are aware that opportunities for government support exist. In Indonesia, Vietnam, Sri Lanka, Thailand and Korea, for instance, significant proportions of SDOs are unaware that government grants are available.

There is a penalty on operating surplus for SDOs in Korea, India and Pakistan. This encourages SDOs registered as nonprofits to spend all funds raised in a year within that year. There is also a philosophical argument for SDOs running on funds raised for philanthropic purposes to "avoid accumulating funds that could be used for current program activities," as advised by the Wise Giving Alliance of the Better Business Bureau, a nonprofit organization focused on advancing marketplace trust.⁴⁰

But these rules run counter to the notion that reasonable budget surpluses and operating reserves are signs of prudent financial management for any organization, nonprofit or otherwise. Given the volatility faced by many SDOs in raising funds, a reasonable operating surplus and a margin for error could be a boon in helping them to cope with unanticipated financial shocks.

^{xiv} With PPP.



CHAPTER 4

ECOSYSTEM

Community for Doing Good

Key findings

Society is ahead of government. The most distinctive finding is that Asian economies perform better in the Ecosystem sub-index, which helps us to gauge society’s engagement with the social sector. The results tell us that people are engaged in doing good, whereas government policy lags behind.

But people still need to give more. This “soft” support for the social delivery sector has not necessarily translated into high levels of individual giving, which nearly 70% of SDOs in Asia perceive to be low.

Doing good is being recognized. Awards for philanthropy and nonprofit leadership, and national volunteering programs or giving days are prevalent in many economies.

Recruiting talent is hard, and finding skilled staff is even harder. While half the surveyed SDOs said that it is difficult to recruit general staff, some 74% said it is difficult to recruit skilled staff.

Donors can do more to build capacity. Most SDOs report that donors only sometimes provide assistance for capacity-building, a critical area for professionalization and training in the social sector. There is also an unmet need for board members with corporate experience.

Having a board is the new normal. 86% of SDOs across Asia have a board, and in seven out of 15 surveyed economies, nearly all SDOs practice good governance by holding regular board meetings.

New ways of doing good are on the rise. Crowdfunding as a means of giving and social enterprises as a means of delivering services are flourishing in the region, and there is much excitement around these new forms, approaches and practices.

China, Malaysia and the Philippines are the top performers. The ecosystem for the social sector in these economies stands out. All have events and practices that support doing good, such as awards for philanthropy and corporate social responsibility, volunteering programs, and relevant university and training courses.

Indicators in the Ecosystem sub-index

PUBLIC PERCEPTION

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

INSTITUTIONAL RECOGNITION

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

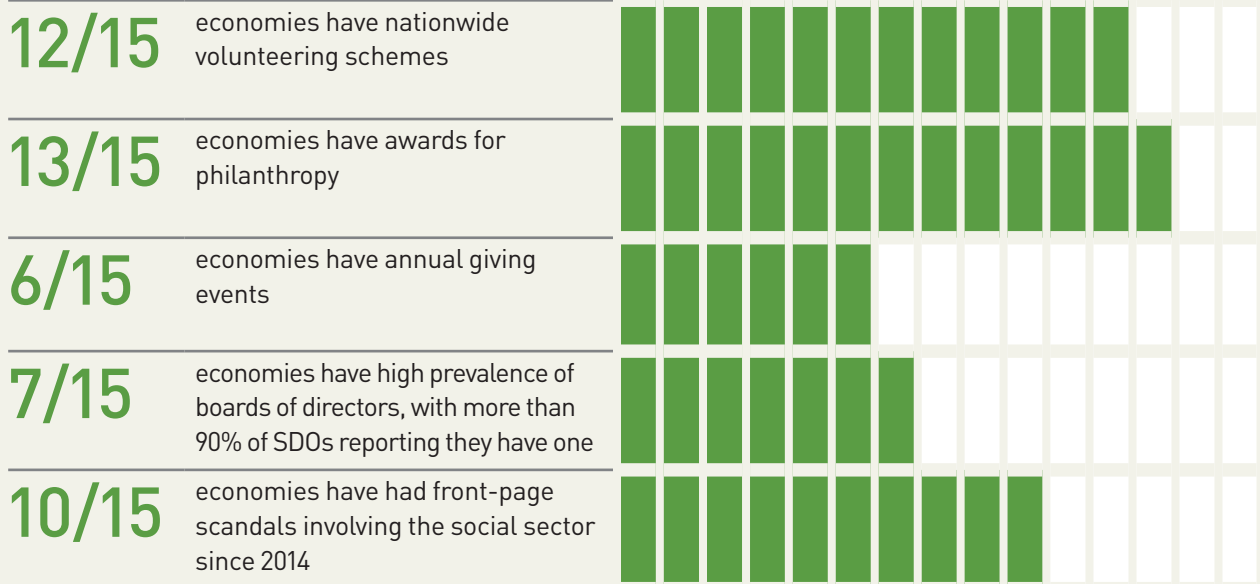
TALENT INFRASTRUCTURE

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

GOOD GOVERNANCE

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

ECOSYSTEM AT A GLANCE



The Ecosystem sub-index

Culture matters when it comes to doing good. Societal embrace of the social sector manifests itself as direct engagement through giving, volunteering and working in it. This engagement creates ripples that reach far beyond their immediate impact. For one, it shows how a country's citizenry is engaged in helping its communities. A social sector with involvement from philanthropists, corporations, governments and the public translates into a vibrant community with numerous activities meant to address shared concerns.

Second, public recognition and rewarding of philanthropists and SDOs lends credibility to the work and reputation of the sector and creates a virtuous circle: a well-respected sector can attract a bigger and better talent pool, leading to increased capacity, amplifying the sector's impact and building trust. These activities also confer public profile and "face," a much-appreciated benefit of engagement. The Ecosystem sub-index maps the supportive environment for giving of philanthropic funds and the delivery of services through four groups of indicators:

Public perception

Indicators in this group gauge the perception of SDOs' trustworthiness; whether it was felt that social sector employees should be compensated the same as private sector employees, and the incidence of front-page scandals involving the social sector. As previously noted, philanthropists across Asia identify a trust deficit as an enormous barrier to giving more.⁴¹ A social sector perceived as trustworthy and free from public scandals has more freedom and flexibility to do its work.

Institutional recognition

The availability of national giving and volunteer programs, awards for philanthropists and giving, and donor assistance for capacity-building are all featured as indicators. Institutional recognition of and engagement with the social sector by businesses and government positively influences public perception of it and brings credibility.

Talent infrastructure

Indicators consider the ease of recruiting staff and finding volunteers. Human capital is as important a resource as philanthropic capital for the social sector to function. The availability of university courses on philanthropy and nonprofit management is also

considered here as a signal of formal training to equip potential talent with requisite skills and knowledge.

Good governance

Indicators in this group consider the prevalence of boards among SDOs and their composition. Boards provide not just oversight, but also professional expertise that resource-strapped SDOs can use.

Involvement of people with corporate experience on the board can encourage the transfer and use of business tools and rigor in the daily operations of SDOs—such as financial forecasting, reporting and measurement and evaluation, among other practices from the corporate world. These types of activities can not only help an organization to improve financial management and tracking of outcomes, but also create more accountability.

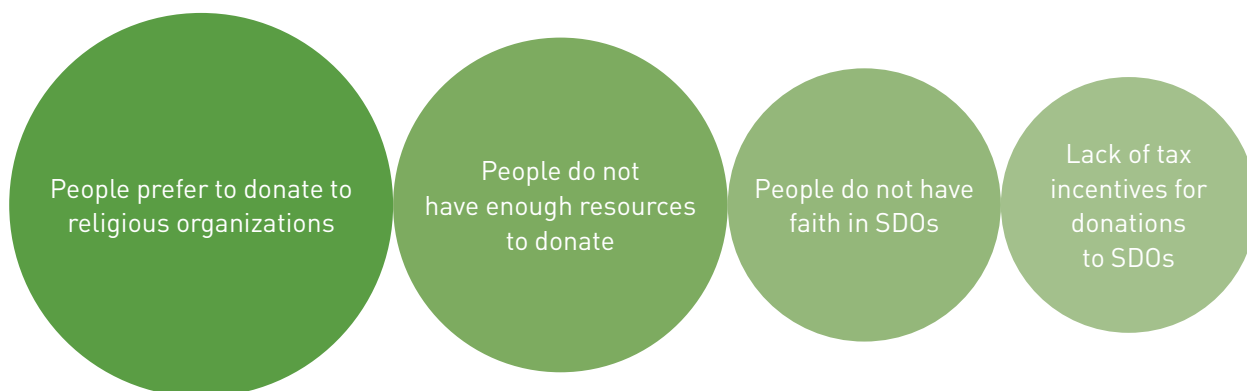
Public perception

Is doing good valued in a society? We look at available signals to understand the esteem with which donors and the social sector are held. We consider the extent to which philanthropy and volunteerism are rewarded and encouraged in society in the form of awards, events and national programs and examine public trust in the social sector.

Almost all (96%) SDOs believe they are at least somewhat trusted by society, and 48% believe they are fully trusted. SDOs' almost unanimous belief that they are trusted to a degree signals that they feel the communities within which they operate have faith in them. This is in contrast to the trust deficit felt by philanthropists. Prominent Asian philanthropists Ratan Tata and the late Washington SyCip have both said that they prefer to give to those they trust.⁴² And it is not anomalous that people can feel cynical or negative toward a segment of society (nonprofits, politicians) but trust those they know personally. When it comes to trustworthiness, the Philippines stands out with three-quarters of SDOs believing they are fully trusted by society, while Korea is on the opposite end of the spectrum with only 19%.

Respondents were optimistic about media coverage of the social sector in Asia, with more than half saying that reporting generally portrays the sector in a positive light. In contrast, 10 out of 15 economies witnessed front-page scandals involving the social sector over the past two years. This has had a tangible impact: a third of SDOs in scandal-hit economies report a drop in funding since 2014.

Top reasons for low individual giving



Economies that have been free of high-profile scandals since 2014—China, Malaysia, Myanmar, the Philippines and Taiwan—can still be affected by the most salacious ones. In China, the ripples from the 2011 scandal in which Guo Meimei, with an unclear affiliation with the Chinese Red Cross, sparked national consternation by flaunting her lavish lifestyle on social media. This ultimately drew scrutiny to misconduct within the Red Cross, including alleged misappropriation of funds meant for victims of the 2008 Sichuan earthquake.⁴³ Two-thirds of Chinese respondents in the Doing Good Index report a drop in funds since, even today.

Around 70% of our respondents indicated that a perception that nonprofit workers should earn less than those in the private sector is widely held by society.

People who are motivated to work in the social sector are driven to some degree by the desire to do good, but are they penalized for this choice? They are, if there is a perception that nonprofit employees should earn less than their for-profit counterparts. This can serve as a major obstacle to recruiting and retaining top talent in the social sector. As we discuss later, recruitment is a challenge for this sector, and this sentiment could be one of the reasons why.

Despite indications that society is enthusiastic about doing good, almost 70% of SDOs feel people do not give enough. The specific reasons vary by each economy, but the most commonly cited reason across Asia is that people prefer to give to religious organizations, which are embedded into the way of life and daily practices in some economies. This may well explain the top-ranking performance of economies such as Myanmar and Indonesia in the World Giving Index,⁴⁴ which polls the

public on acts of generosity.

Compared to other sources of funds, SDO reliance on domestic individual giving across Asia is remarkably low on average. When reporting the share of budgets that is supplied by domestic giving, half the SDOs in surveyed economies receive less than 10% of their annual budget from individual donations. A quarter of SDOs do not receive any individual domestic giving whatsoever.

A large number of survey respondents in Japan, the Philippines and Sri Lanka gave unique responses when asked about the reasons for low level of individual giving. In Japan, a lack of giving culture was the primary reason. In the Philippines and Sri Lanka, communication challenges and lack of public awareness of charities stood out as a consistent theme. Other possible explanations include a lack of resources among the general public, a dearth of tax incentives, and low trust in the social sector.

Institutional recognition

How does one foster a culture of giving? Recognizing good individual and corporate philanthropy and social delivery is worthwhile and important as it gives public credit to those engaged with addressing a social challenge. Public attention creates the added benefit of spotlighting best practices that can then be emulated.

All economies have awards for corporate social responsibility, 13 out of 15 economies have recurrent awards for philanthropy, and 12 also have multiple awards for SDOs. Even better, institutions across the public, private and nonprofit sector offer these awards.

Nationwide giving days and volunteering programs in

Asia are helping to mobilize both philanthropic and human capital into the social sector. Six out of 15 economies have national giving days^{xv} that endorse widespread giving, while 12 economies have national volunteering programs that spur personal connections with causes people care about.^{xvi} Of 1,579 SDOs across Asia, only 12% said they do not utilize the help of volunteers, and about a third felt finding volunteers to be difficult.

Corporations engage in other systematic ways with the social sector in Asia. Around 60% of SDOs worked with corporations in some capacity.^{xvii} Another way corporations support the work of doing good is through company volunteering programs. These programs help companies be socially responsible and give back to the community and are common in 10 out of 15 economies. Nearly half of surveyed SDOs receive volunteers from such programs.^{xviii}

Talent infrastructure

Talent matters in the social sector. Good-quality people carry out good-quality work. In turn, good-quality work brings trust in the sector. Talent infrastructure is key to the success of doing good.

The social sector struggles in this regard. The greatest recruitment challenge lies in finding skilled workers, which almost 74% of SDOs find difficult or very difficult. This figure is even higher for Asia's most developed economies: Singapore, Japan, Hong Kong, Taiwan and Korea, possibly because the opportunity cost of a relatively lower-paid job in the nonprofit sector is higher for skilled workers in these economies. A preference for stable, socially respected jobs in professional services is another possible explanation. The challenge for governments is how to incentivize its top talent to work in the social sector.

Retention of skilled staff is difficult across Asia, and 71% of SDOs surveyed also perceived this to be difficult. Not only do people move out of the social sector, there is high turnover within the sector as employees search for higher compensation.^{xix, 45} A separate survey of 244

nonprofit organizations in India found that recruitment of senior leaders is the most challenging due to lack of internal resources and a limited talent pool.⁴⁶ Without a vibrant talent infrastructure, improving capacity and professionalism in the social sector will prove challenging.

Recruiting general staff and finding volunteers is a bit easier. Half the SDOs found it relatively easy to recruit and retain general staff. Two-thirds found it relatively easy to find volunteers, reflecting that the spirit and culture of volunteering in Asia is generally alive and well.

Only 28% of the SDOs in our survey consistently receive capacity-building support from their donors. This finding highlights that SDOs can be more strategic and efficient in talent management, but that philanthropists and donors are yet to widely recognize and support the value of talent recruitment and retention. Many SDOs are financially constrained from investing in talent development because grants are given exclusively for program management and rarely for capacity-building.⁴⁷

Almost all economies offer university courses on nonprofit management or philanthropy. Training opportunities for professionals wanting to work in the social sector are critical for a robust talent infrastructure. 14 out of 15 economies, the exception being Myanmar, recognize this.

Good governance

Nearly a decade ago, observers noted a cultural shift among Asian nonprofit organizations toward more formalized governance mechanisms, particularly in the formation of a board of directors and executive management structures.⁴⁸ The role of the board can be valuable both as a governance mechanism and as a catalyst for professionalization, and our findings suggest that this is being recognized across the region.

Data from our survey confirms that having a board is the new normal in the social sector. Across Asia, 86% of SDOs reported having a board. In four economies—Japan, Taiwan, the Philippines and Thailand—all (100%)

^{xv} These are Malaysia, China, Japan, Korea, Vietnam, Singapore and Thailand.

^{xvi} Across the surveyed economies, those with the fewest events or activities of government signaling support to charitable works are Indonesia, Sri Lanka, and the Philippines.

^{xvii} In Singapore, China, the Philippines and Hong Kong, this proportion rises to more than 75%. Japan is at the other end of the spectrum with 30%.

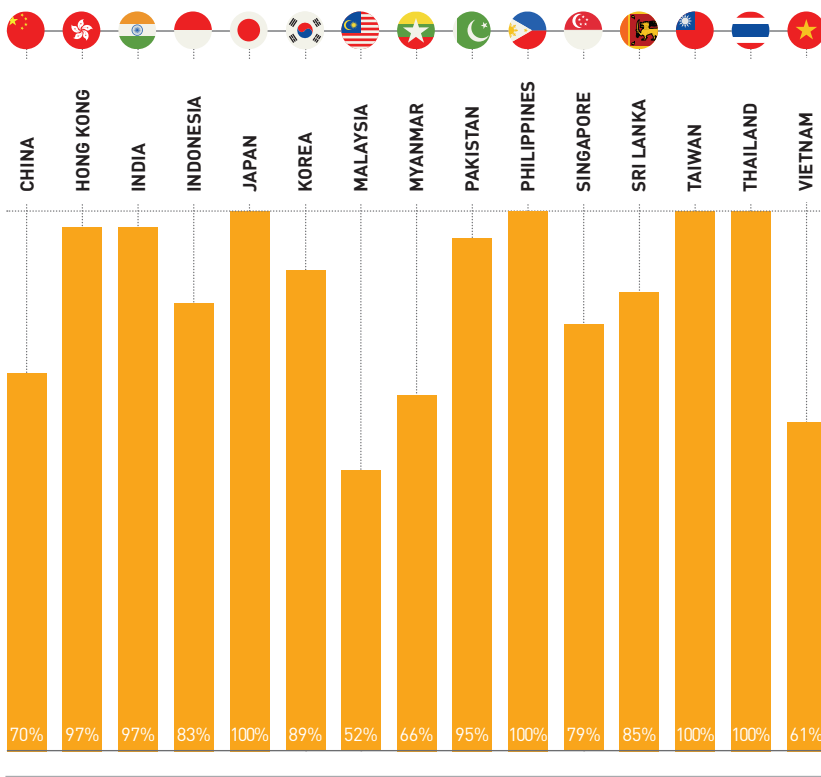
^{xviii} 98% of respondents said that the volunteers were somewhat helpful, helpful, or very helpful.

^{xix} Another study found that 64% of nonprofit organizations in Asia only used their job as a springboard for higher salaried positions.

^{xx} Studies of nonprofit board members and their contributions have found that board members with professional skills on average make up the majority of members on audit, investment, and finance committees, all critical decision-making or monitoring bodies for due diligence and upholding of fiduciary duties.

^{xxi} There is the strongest positive correlation between percent of board members who have corporate background and budget size for small and large budget size SDOs. This is a Pearson's correlation coefficient value of 0.2522 with an n value of 670 pairs. For small, medium and large SDOs the correlation coefficient is 0.1963 for a sample of 1005 pairs. Both correlation tests have a 99% level of confidence on a t test for significance.

Percentage of SDOs with a board



reported having a board. A further three economies—Hong Kong, Pakistan and India—are just shy of 100%. In China, 70% of SDOs report having boards, while in Myanmar, Vietnam and Malaysia, 50–60% do so.

A progressive professionalization of the social sector is also signaled by the presence of individuals with a corporate background sitting on SDO boards. 79% of SDOs across Asia report having at least one board member with a corporate background. Within the boards of these particular SDOs, corporate members make up 31% of the board, on average.

Most SDOs (78%) find the contribution of these board members to be valuable. Corporate board members can bring with them the best practices of corporate governance to the

social sector. Audit, oversight and operations are a few of the many ways that they make an impact.^{xx, 49} With a more proactive role, they can also assist in the management of an organization through their business expertise and knowledge.

There is a statistically significant positive correlation between the portion of a board with a corporate background and an organization's annual budget.^{xxi} This may be because corporate board members can leverage their experience in business development and personal relationships to help raise funds or are even donors themselves. On the other hand, it may be the case that board members are attracted to the more prestigious, established SDOs. Ruth Shapiro talks about the existence of “super-star NGOs” in Asian economies that have become the darlings of the local elite.⁵⁰ Whatever the motivation or the direction of causality, the

experience of the SDOs surveyed leaves little doubt as to the many benefits of having corporate board members.

Recruitment of board members is a challenge. In 11 out of 15 economies, the majority of SDOs find it difficult

to recruit people with corporate experience to their boards. In fact, across Asia a total of 60% of SDOs find it extremely difficult to recruit such board members. This is particularly clear in Malaysia, Vietnam, China and Myanmar, where the portion of board members with corporate experience on average is lowest.

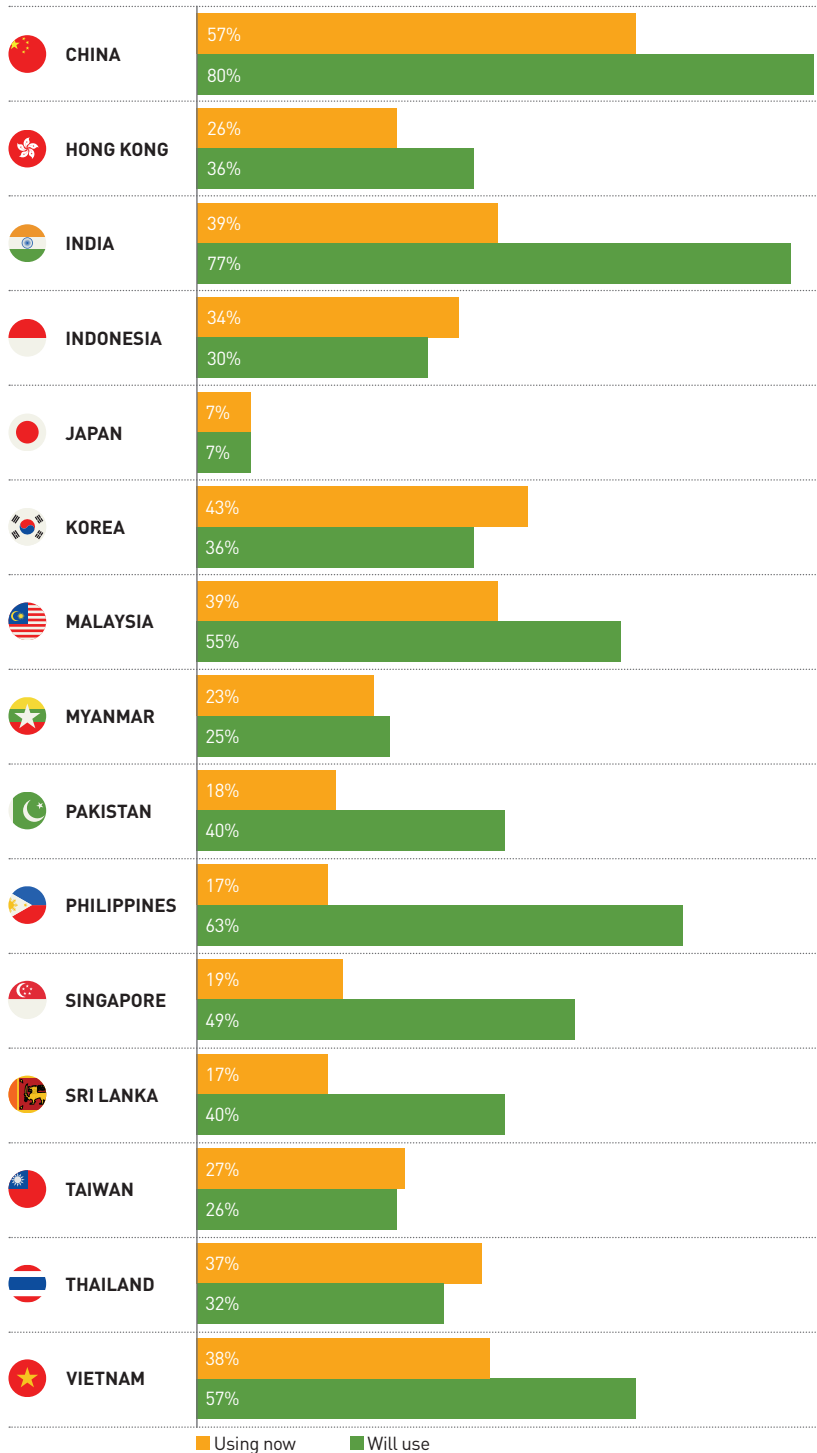
The challenges involved in recruiting business professionals to SDO boards vary from one economy to the next and may include a lack of appetite for the accountability risk among business people, misaligned expectations on compensation,

Board recruitment

60% of SDOs find it difficult to recruit business professionals for their boards

Crowdfunding: now and in the future

Across the 15 surveyed economies in Asia, 31% of all SDOs reported using crowdfunding as a fundraising tool currently, and 46% reported an intention to use it in the near future.



or even the absence of a corporate culture that encourages employees in this regard.

Economies most in need of more participation from business professionals are India and Vietnam, where as many as 41% and 31% of SDOs respectively lack business professionals on their board. As a result of India's recent corporate social responsibility law, it is possible that interest and participation of private-sector professionals in SDOs could increase, as companies are required to become more engaged in supporting charitable works and social delivery.

Nearly half of all SDOs surveyed across Asia have board members with relationships to society's elite. This proportion increases to two-thirds in Thailand, Taiwan, China, the Philippines and Indonesia. The connection of board members to the elite is on its own a good measure of the relevance of social relationships to operating SDOs.

As an observation, we found that as many as 40% of SDOs have current or former government officials on their boards of directors.

The importance of the government as a stakeholder in society is clear, but the presence of current or former government officials on SDO boards can cut both ways. On one hand, it could facilitate efficient access to pivotal resources in an economy where relationships matter. On the other hand, it could lead to conflict of interest and excessive government oversight and control. The truth is likely to differ for each economy, even down to a case-by-case basis. Though the presence of government-affiliated individuals on SDO boards has not been included as an indicator, this is an area to watch with interest in the region.

THE NEXT WAVE OF DOING GOOD: CROWDFUNDING AND SOCIAL ENTERPRISES

As interest in doing good has grown across the region, innovative models have arisen. Two of the most promising have been in the form of crowdfunding and social enterprises.

Crowdfunding is on the rise across Asia. Tapping into the rise of smart technology, crowdfunding has become a quick, easy, and relatively low-cost way to collect donations from the public. One example of this in practice is a national giving event organized by Tencent, the technology conglomerate behind the popular WeChat application, which catalyzed 6.8 million social media users in China to donate a total of US\$44 million.⁵¹

Across Asia, 31% of all SDOs reported having used crowdfunding, and 46% reported they plan to do so in the near future. The popularity

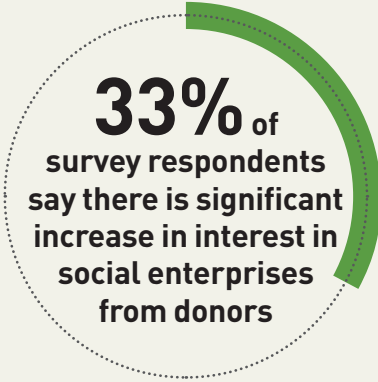
of crowdfunding in Asia cuts across SDOs of all sizes and ages. Looking to the future, the next big waves of SDOs jumping on the crowdfunding bandwagon may be in China and India where three-quarters of SDOs

advised that they intended to use crowdfunding platforms soon, and in the Philippines where two-thirds indicated the same.

Interest in social enterprises and impact investing is also growing. Overall, 89% of SDOs indicated that their donors have some degree of interest in social enterprises, with a third saying there is significant interest. Some Asian governments, such as Hong Kong, Singapore and Korea, are also throwing their weight behind social entrepreneurship through dedicated incubator and development funds.⁵²

Though these findings have not been included in the inaugural index, we have surveyed SDOs and experts to identify key trends and figures for tracking in the future.

Interest in social enterprises



33% of survey respondents say there is significant increase in interest in social enterprises from donors

BUILDING TRUST AND TRANSPARENCY: CERTIFICATION AGENCIES

In the social sector, the rise of self-regulation models has been a response to the pervasive trust deficit⁵³ and in some Asian economies, an effort to improve transparency and accountability. Certification agencies have grown from a motivation to professionalize the sector and enhance understanding and trust of SDOs by the public and governments.⁵⁴

Starting up in Asia from the 1990s, these third-party initiatives have sprung up in multiple economies. In addition to establishing national norms for the

social sector, some certification entities may provide due diligence services for donors and host documents on their websites such as registration documents, audit reports, and board member names and affiliations in an effort to improve sector accountability and transparency.⁵⁵

In economies where the nonprofit sector relies on donations from individuals, observers have noted how the work of these “charity watchdog” entities have helped in building public trust.⁵⁶

- In the Philippines and in

Pakistan, self-regulation entities of this type have been granted authority to issue tax exemption status for nonprofits and thus the ability to issue tax deduction receipts for donors.⁵⁷

- The Singapore Commissioner of Charities demonstrates another approach, offering all nonprofits accountability and transparency guidelines requesting that each organization self-evaluate its practices according to a checklist on an annual basis, with a shortened seven-point list for the smallest organizations.⁵⁸

CHAPTER 5

PROCUREMENT

Partnership for Doing Good

Key findings

Asian governments procure social services from almost a third (32%) of the SDOs in our sample.

SDOs have mixed views on the procurement process. Only a quarter of SDOs that the government had contracted with felt it had been easy to access information about tenders. Only 30% of SDOs felt the process was transparent.

Taiwan, Vietnam and Thailand are the three top-performing economies in the Procurement sub-index. Taiwan and Vietnam are pulled up by special incentives offered to SDOs to participate in the procurement process, while Thailand does relatively well on the ease of accessing relevant information.

The Procurement sub-index

For governments, engaging SDOs in the delivery of social services taps into relevant, hands-on expertise; proximity to and understanding of people’s needs; and potential cost efficiencies. Some governments in Asia have a vibrant history of collaborating with SDOs through grants and service contracts to deliver social services. In Korea, the government is source of an estimated 24%⁵⁹ of annual funding for nonprofits that provide social services for the elderly and disadvantaged in return.⁶⁰ The Hong Kong government’s Social Welfare Department contributed 22% of its budget⁶¹ to funding SDOs in 2015.^{xxii, 62}

For SDOs, government procurement is a means of generating revenue through delivering services to and on behalf of government. For donors to these organizations, procurement presents a pathway for these SDOs to supplement donations with recurring income. But the ability of SDOs to access this opportunity is contingent on whether they are eligible, and even incentivized, to participate in government procurement programs.

We gauge this by measuring perceptions of ease of the procurement process. The Procurement sub-index considers

Indicators in the Procurement sub-index

ACCESS TO PROCUREMENT OPPORTUNITIES
• Eligibility for Requests for Proposals (RFPs) • Incentives for SDOs
PROCUREMENT PROCESS
• Access to information, transparency and ease of process

the prevalence and process of procurement for the 15 Asian economies in the Doing Good Index.

Access to procurement opportunities

Some Asian governments procure more than others.

Economies with the highest portion of SDOs fulfilling government contracts were China (64%), Pakistan (52%), Myanmar (48%), India and Taiwan (both at 45%). Vietnam had the lowest proportion (6%).

SDOs are not categorically restricted from participating in competition for public procurement bids. When it comes to accessibility, however, 47% of respondents overall were unaware that a centralized platform for accessing procurement opportunities existed, suggesting a disconnect between the social sector and the government on these types of opportunities.^{xxiii}

Only two economies clearly offer extra incentives to SDOs for applying for government procurement opportunities. Taiwan offers priority procurement and low-interest loans, and Vietnam offers subsidized access to state assets and some tax exemption.^{xxiv, 63}

^{xxii} There is further, although older, evidence of this in Salamon & Sokolowski, 2004 and Salamon, Sokolowski, Anheier, List, & Toepler, 1999. In Japan (1995 data), 45% of the revenue of nonprofits predominantly working in health, education and social services came from the government. In India the share was cited as 36%.

^{xxiii} 12 out of 15 economies offer such a portal. China, Indonesia and Sri Lanka are the exceptions.

^{xxiv} According to the OECD, the Korean government makes the same incentives available to SDOs as to small to medium sized enterprises (SMEs), but there was no evidence of awareness about them in our sample. These measures include splitting large procurements into multiple procurements to make the scale more feasible for smaller service providers, placement on favoured individual product direct sale lists, being given a large advance payment upon a successful bid, and even setting quotas for a minimum number of procurements that must be done with SMEs or nonprofits.

PROCUREMENT AT A GLANCE

12/15 economies have a government or centralized platform for accessing procurement opportunities



32%

of surveyed organizations have been contracted by the government to deliver social services

47%

of organizations are not aware of the existence of a government platform for accessing procurement opportunities

24%

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

70%

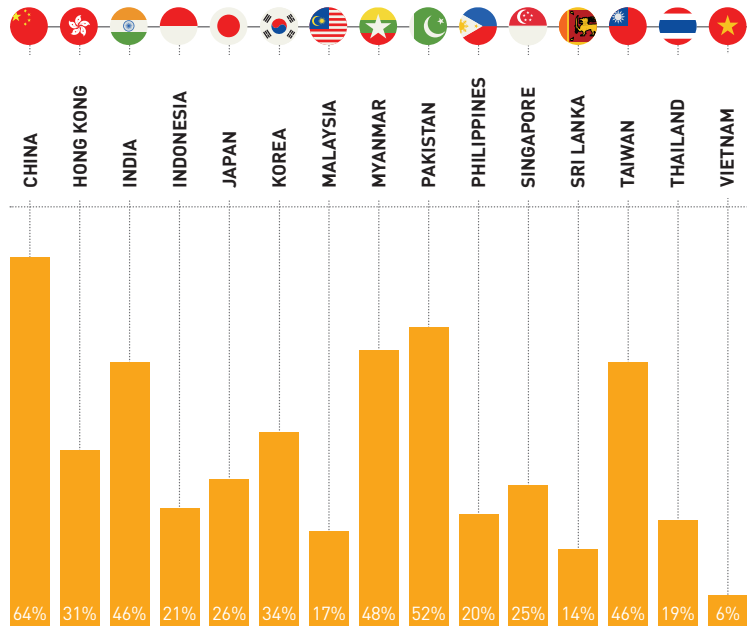
of SDOs with government contracts believe the bid approval process is not transparent or somewhat transparent. Only 30% believe it to be transparent.

Procurement process

Across Asia, when asked about the ease of accessing government requests for proposals or tenders, only 24% of SDOs said information was easy to access. In India, China, Korea and Sri Lanka, more than 40% of SDOs in each economy said that information was difficult to access.

The procurement process was perceived to be transparent in many Asian economies, but to greatly varying degrees. More than 50% of SDOs that the government had procured with in Taiwan, Singapore and Thailand respectively stated that the public procurement process was transparent or very transparent. But in Hong Kong and Sri Lanka, more than 30% said the public procurement process was “not transparent,” followed by India, Malaysia and Pakistan.

Percentage of SDOs with government contracts



PROCUREMENT AND INNOVATION

Procurement has led to innovation in some economies, allowing governments to do things in new ways and extend its capacity.

- Contracting out to social delivery organizations presents an opportunity to try innovative approaches which can grow social impact and offer unique cost-efficiencies, especially for governments facing difficult fiscal barriers.⁶⁴ China has been forward-thinking on this front, for example, funding SDOs to pilot projects and then incorporating learnings into scaled-up government programs when models have proven effective.⁶⁵
- Across China, local governments have created incubators for nonprofit organizations and social enterprises. In these incubators, such as the Social Innovation Centre in Shunde District, Foshan City, the local government provides rent subsidies and seed funding, and government staff even provide assistance with registration for nonprofit and social enterprise start-ups.⁶⁶

PROCUREMENT AND DIPLOMACY

In some economies, governments have supported and financed local organizations going abroad in ways that help achieve foreign diplomacy objectives.

- Japanese organizations have been partners in foreign aid programs. For example, a program called the Japan Platform has provided funding to Japanese SDOs to deliver humanitarian assistance to numerous countries in Asia and Africa on behalf of government ministries.⁶⁷
- SDOs in Taiwan have also supplemented the role of the government on the international stage by helping to deliver overseas development aid and emergency response services following the 2004 earthquake and tsunami in the Indian Ocean, the earthquake in China's Sichuan province in 2008, and the 2011 earthquake and tsunami disasters in Japan.⁶⁸

CHAPTER 6

DOING GOOD IN ASIA: WHERE WE STAND

The overall performance of the 15 economies in the Doing Good Index fell into four clusters, each of which can be thought of in terms of the distance left to travel toward a conducive environment for doing good: **Doing Well**, **Doing Better**, **Doing Okay**, and **Not Doing Enough**. These groupings indicate that while all economies have deployed some of the practices conducive to the environment for philanthropic giving, none have reached the pinnacle, and there are areas for improvement in all cases.^{xxx}

Doing Well: Japan, Singapore and Taiwan

All three economies score higher than the Asia average across all four sub-indexes.

Good tax and fiscal policies have encouraged philanthropy in these economies. Singapore, Taiwan and Japan have done markedly well in introducing appropriate tax and fiscal incentives to support charitable giving and social investment. Some, especially Singapore, have introduced these policies relatively recently. In Singapore, when tax deductions jumped to 300% in 2015—allowing donors to deduct from taxable income three times the amount they gave—tax deductible donations increased by almost 25%.⁶⁹ The longer-term impact is yet to be gauged, but the government has signaled clear support for the social sector with these changes.

Singapore and Taiwan demonstrate regulations and administrative processes that are easier for SDOs to navigate and understand than in other economies. Taiwan also supports SDOs through its public procurement practices: it contracts its own domestic SDOs to provide emergency response assistance internationally on the government's behalf.⁷⁰ By doing so, the Taiwanese government also signals a high level of trust in the social sector.

The majority of SDOs agreed that nonprofit law is consistently enforced in these economies. Likewise, public trust in SDOs and the nonprofit sector is highest among the economies in this cluster. Thus, the bottom line here is that the trust deficit is less of an issue in these three economies.

Japan: Donors and SDOs are faced with a complex regulatory environment. There is a strong culture of business participation in the governance of SDOs, with the majority of boards having some corporate representation. Tax deductions are available for individuals and corporations, but are limited to a proportion of income.

Singapore: The city-state has the highest rate of tax deductions for philanthropic giving in the region, although there are no incentives offered for donors around bequests. SDOs face little friction in registering and setting up, but the recruitment of skilled talent to the social sector is perceived to be challenging.

^{xxx} The Doing Good Index was constructed with a top score of 5 (lowest of 0). No economy scored higher than 4.

Doing Good Index: four clusters

NOT DOING ENOUGH			
 Indonesia	DOING OKAY		
 Myanmar	 China	DOING BETTER	
	 India	 Hong Kong	DOING WELL
	 Pakistan	 Korea	 Japan
		 Malaysia	 Singapore
		 Philippines	 Taiwan
		 Sri Lanka	
		 Thailand	
		 Vietnam	

Taiwan: There are incentives for philanthropists to give bequests. There is a history of the government procuring with the social sector, and specific incentives are available. Neither board directors nor senior staff of SDOs are held accountable for liability.

Doing Better: Hong Kong, Korea, Malaysia, Philippines, Sri Lanka, Thailand and Vietnam

Economies in this category performed relatively well on establishing a regulatory environment that facilitates the accessibility and ease of understanding laws. What distinguishes the economies in this cluster is an almost uniformly weaker performance in the Tax and Fiscal Policy sub-index compared to Japan, Singapore and Taiwan.

The performance of some economies in this category are pulled down by tax and fiscal policies. Hong Kong and Korea were the only high-income economies in the index to have an individual tax deduction for charitable donations that is less than 100%. All five of the other economies in this cluster are more resource-constrained, yet have a 100% rate of individual tax deduction.

Hong Kong: While regulations are easy to understand, SDOs face a one-year wait to receive charitable status. Tax deduction rates for giving are relatively low in Hong Kong, compared to the rest of the region.

Korea: Tax deductions for individual and corporate donors are relatively low in Korea, but incentives for bequests are available. SDOs perceive difficulties in understanding regulations, while there is a penalty for those that maintain an operating surplus.

Malaysia: The path to establishing an SDO is relatively straightforward with few clearances and shorter wait times, but perceived involvement in the policy process is low. Donors can claim tax deductions on income in Malaysia—but at a single-digit rate for individuals.

Philippines: Philanthropic funds flow freely to the Philippines, and there are incentives available for donor bequests. Though tax deductions are available, the portion of eligible income for individual giving is low.

Sri Lanka: Philanthropy funds flow freely, and tax

deductions are available for donors, although the portion of eligible income for individual giving is capped. Establishing an SDO as a nonprofit is relatively straightforward, with single window clearance available.

Thailand: Tax deductions for philanthropic giving are available, but at a relatively low rate for individuals. There is some friction to establishing and operating an SDO in Thailand due to a high number of clearances and reporting requirements.

Vietnam: While tax deductions are available for donors in Vietnam, they are not as easy to claim as experienced in other economies. SDOs reported a relative ease in finding skilled staff and are specifically incentivized to seek government procurement opportunities.

Doing Okay: China, India and Pakistan

The economies in this cluster are typified by change in terms of the policy environment for both the supply and demand of philanthropic giving. India and China have both recently enacted sweeping sets of reforms targeting international NGOs and funding and domestic philanthropy. India put in place the Foreign Contribution (Regulation) Act in 2010, which originally focused on international support for political parties but has expanded to include many SDO activities. In 2013, a law was revised to require companies with revenues of more than INR 10 billion (approximately US\$154 million) to dedicate 2% after taxes to corporate social responsibility through approved organizations.

China has put in place an international NGO law and a domestic charity law in the last two years. In both China's and India's cases, the goals are to put international financial support and those receiving it under more scrutiny while incentivizing domestic social investment. As all of these laws are relatively new, it is not possible to see if the intended outcomes will materialize. It will be useful to track changes over time to gauge the efficacy of these laws.

These economies were pulled down due to lower rates applied to tax deductions for individuals and corporations. India, Pakistan and China offer individual tax deduction rates in the range of 30–50% and corporate rates of 12–50%.

China: Tax deductions are available to both corporate and individual donors, but at relatively low rates for the

region. Some clearances are required for the receipt of foreign philanthropic funds and for establishing SDOs as nonprofits. Recruiting both general and skilled staff in the social sector is thought to be good.

India: Business investment into corporate social responsibility is mandated by law in India. Tax deductions are available for corporations and individuals, but there are limits. Clearances are required for the receipt of foreign funds for philanthropy.

Pakistan: Tax deductions are available for philanthropic giving, but they are low for both individual and corporate donors. SDOs face longer wait times to register as nonprofits and are penalized for incurring an operating surplus, but the experience of recruiting general and skilled staff is relatively positive.

Not Doing Enough: Indonesia and Myanmar

The regulatory and institutional infrastructure for philanthropy is still developing in Indonesia and Myanmar.

The laws, their enforcement and the institutions in this sector are quite weak and in some cases non-existent. Myanmar, especially, is undergoing great political transition and building the social sector anew. Without these, it is more likely that people will make small donations to individuals and organizations they perceive as needy or with whom they have a religious affiliation.

Each year, the Charities Aid Foundation in the United Kingdom releases the World Giving Index,⁷¹ which looks at charitable behavior in 120 countries. In 2017, as in many prior years, Myanmar and Indonesia top the list. Why would these two economies do so well on the World Giving Index and make up the most challenged cluster in the Doing Good Index? This relationship makes sense, considering that the World Giving Index measures how likely an individual would be to donate or assist a stranger on an *ad hoc* basis, rather than to make strategic donations for which the Doing Good Index considers the enabling environment.

In both Myanmar and Indonesia, there are considerable policy gaps. Indonesia does not offer tax deductions for individual donations to charity or tax exemption for SDOs. Myanmar does not offer

tax deductions to individuals or corporations. These economies' performance on the Tax and Fiscal Policy sub-index is significantly below average.

The dependence on foreign funds and low rates of government funding are more significant than in other clusters. Overall, foreign funding makes up 39% of funding for all surveyed SDOs in Indonesia and Myanmar on average. This compares to the Asia-wide average of 22% from foreign sources.

Indonesia: There are no tax deductions available to individual philanthropists, but businesses are eligible. There are no tax exemptions available for SDOs, although they report a relative ease in finding general and skilled talent.

Myanmar: There are no tax deductions available for either individual or corporate donors in Myanmar, but there are mandated corporate social responsibility requirements for businesses. SDOs experience a lack of clarity in understanding new regulations.

CHAPTER 7

CONCLUSION: THE OPPORTUNITY AHEAD



The Doing Good Index as a force multiplier

Social capital refers to the ability of individuals to cooperate through relationships, and the importance of this commodity cannot be underestimated in Asia. The historical and cultural emphasis on relationships, coupled with few historical alternatives for conducting due diligence, means that there has been a heavy reliance on social capital in this part of the world. This is especially the case when it comes to philanthropic giving.

Our conversations with donors and our prior study of high-performing SDOs in the region lead us to this observation: Asian philanthropists have tended to support projects and initiatives aligned with their own governments' development goals.⁷² If we accept this premise, there is a strong case for policymakers to make local giving as easy as possible. Philanthropists from the private sector can bring not only financial resources, but also valuable technical skills and know-how to the table. With that comes a degree of influence and cultural authority that can only help achieve shared economic, environmental and social goals.

With the rise of wealth and disposable income, Asia has seen a surge of interest in philanthropy and other types of social investment. To address today's complex challenges, no single sector can go it alone, and governments, the social sector and citizens alike have begun to open the door to private

social investment. The Doing Good Index highlights the factors that are allowing individuals and companies to engage in effective philanthropy and those that could be obstructing it. At its heart, it is a body of evidence that can help to illuminate best practices and ways for economies to move forward.

Our top-line findings are clear: while each economy has initiated some measures conducive to philanthropic giving and the development of the social sector, there is more that can be done to improve the enabling environment for doing good. No single economy has tapped into its full potential, and there is room for improvement in all cases. In some cases, there are relatively simple "fixes," such as better communication with SDOs and clarification of regulations, that could have an important effect. Others, such as the reform of tax and fiscal policies, will require a longer-term effort on the part of policymakers and stakeholders. But these could be game-changers in unleashing private social investment.

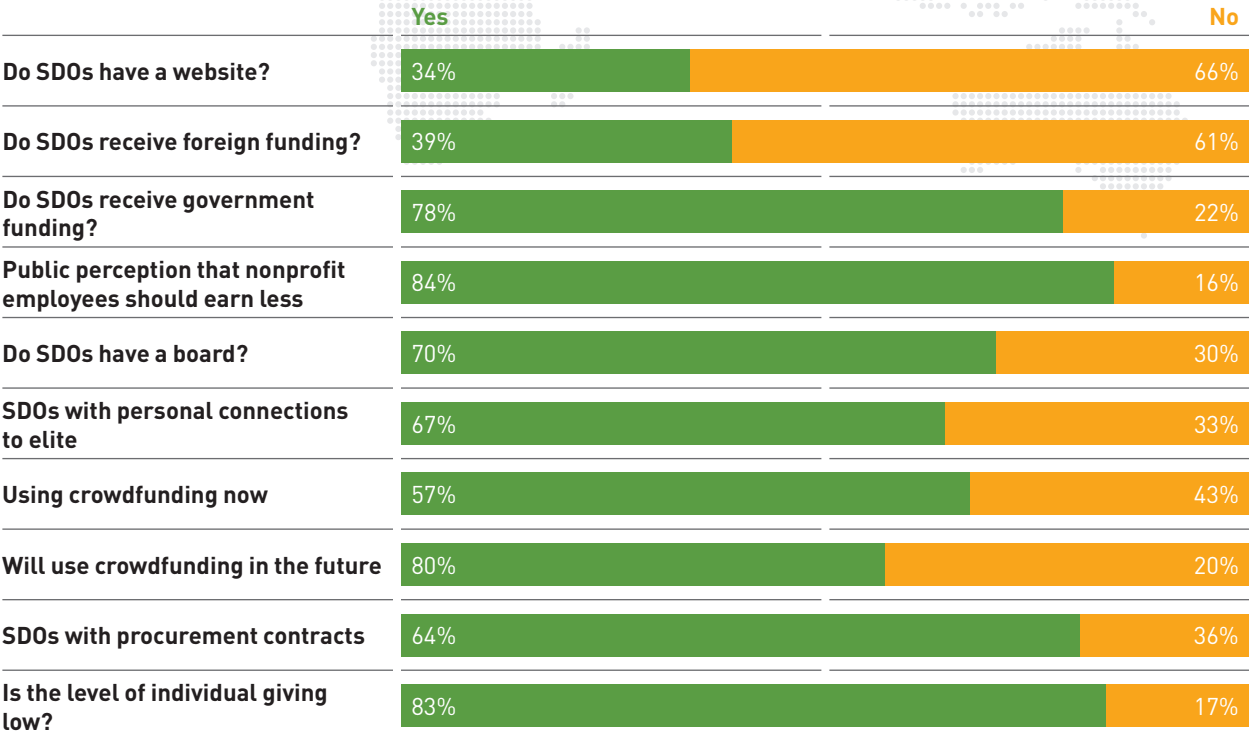
If the best-suited policies and practices can be coupled with civic engagement, we can create powerful force multipliers for philanthropy in Asia. The Centre for Asian Philanthropy and Society is excited to be working with our network of regional partners as well as reaching out to the respective governments and philanthropists to create a better tomorrow for all of us who live here.

ECONOMY SNAPSHOTS

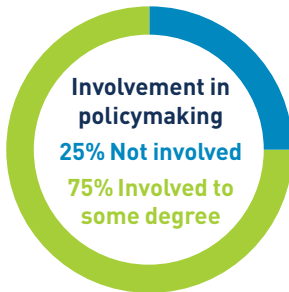
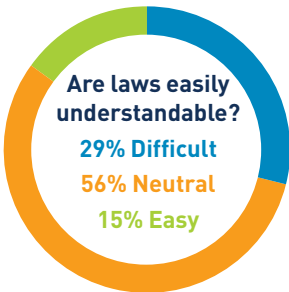
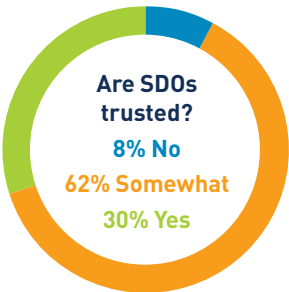
The following economy snapshots are a selection of insightful data findings from the survey administered to 1,579 social delivery organizations (SDOs) across Asia.



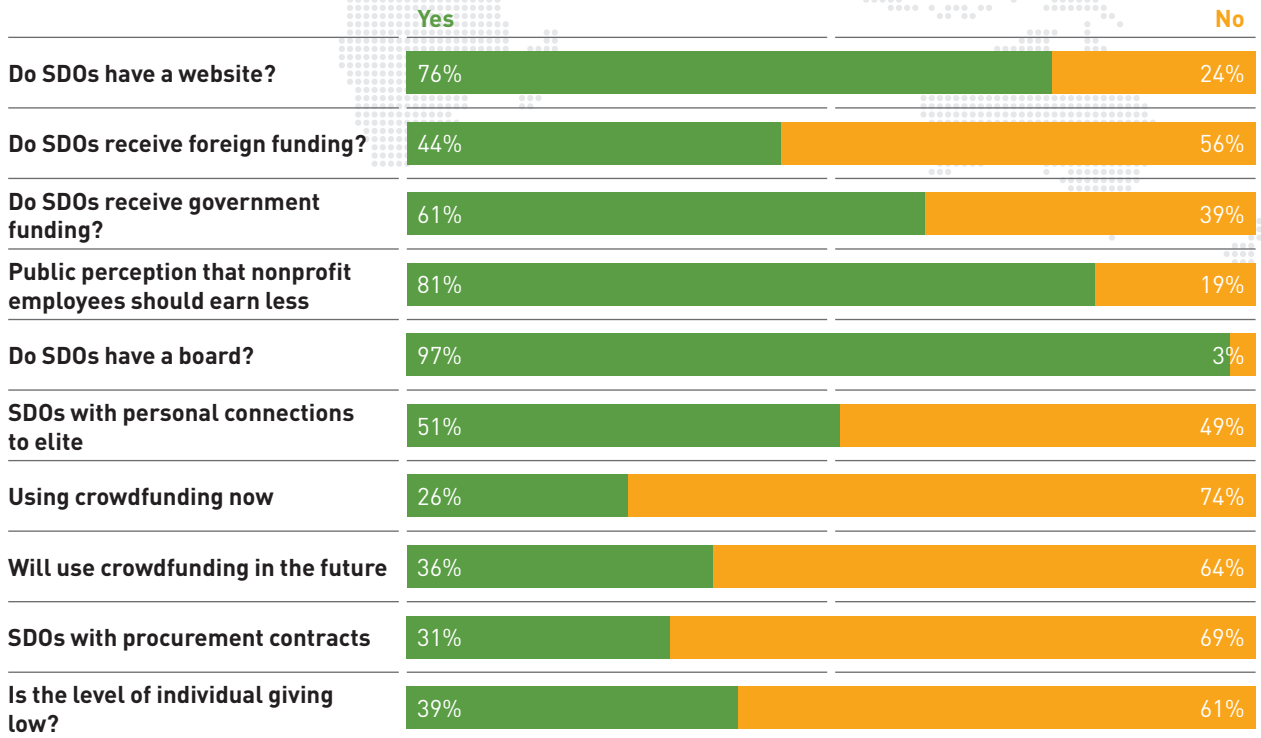
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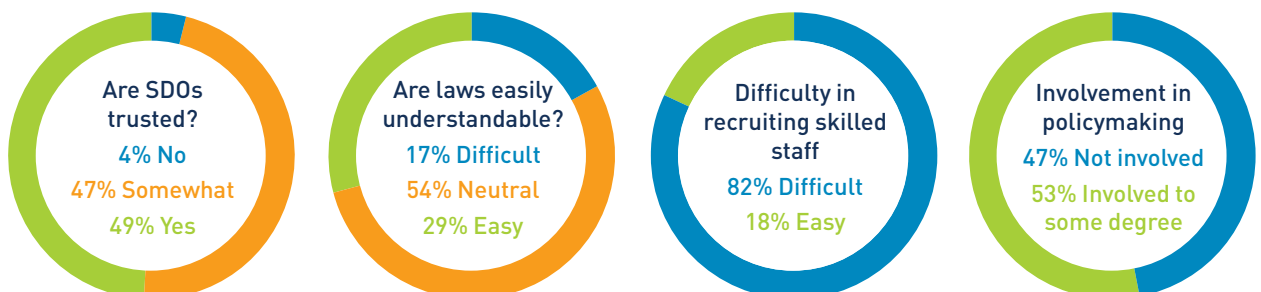
	Top reason	Second reason
Reasons for low level of individual donations to SDOs	People do not have faith in SDOs	Lack of tax incentives for donations to SDOs



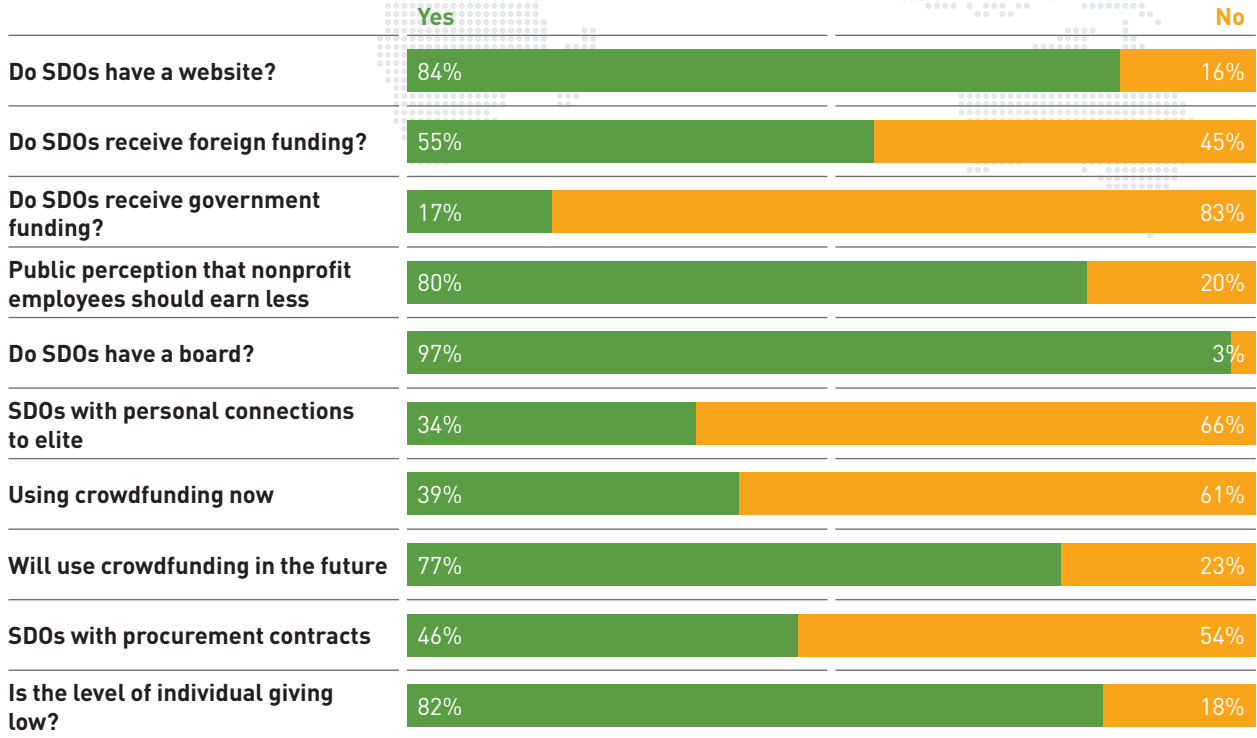
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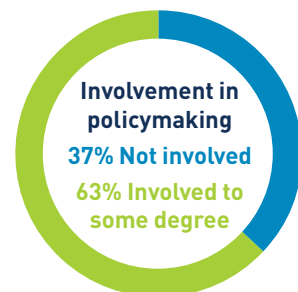
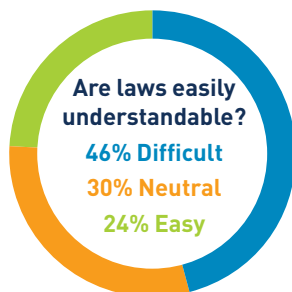
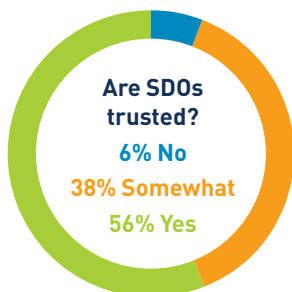
	Top reason	Second reason
Reasons for low level of individual donations to SDOs	People do not have faith in SDOs	Other



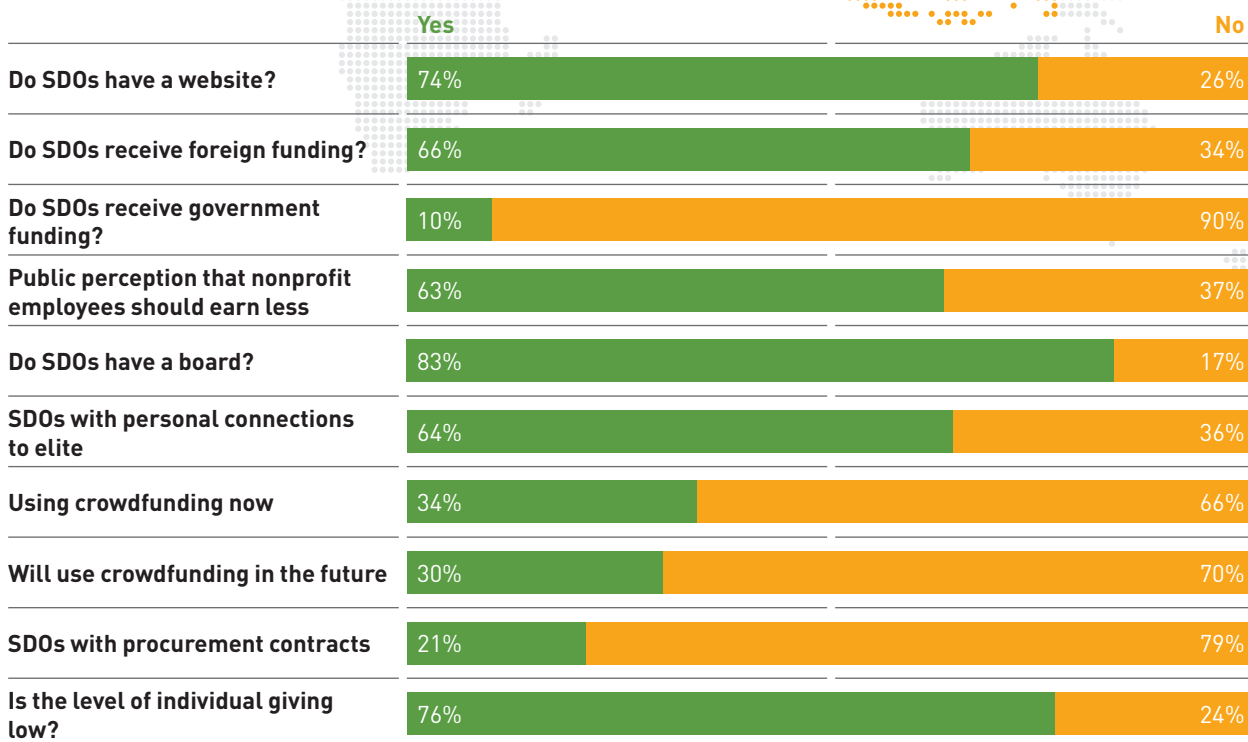
INDIA



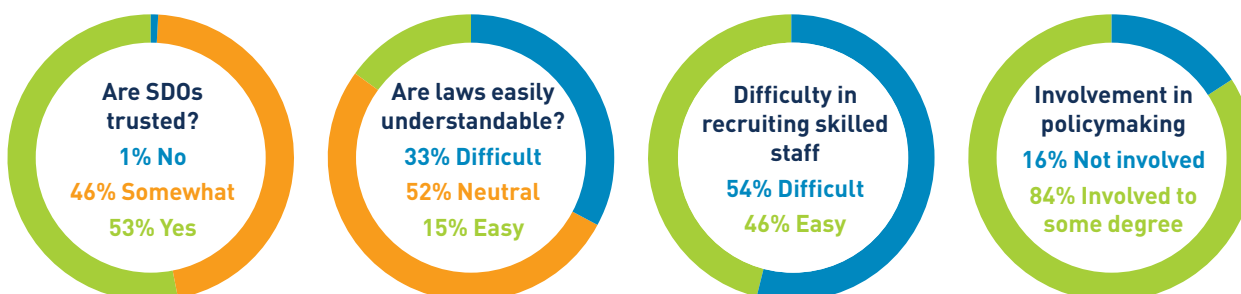
	Top reason	Second reason
Reasons for low level of individual donations to SDOs	People prefer to donate to religious organizations	People don't have enough resources to donate



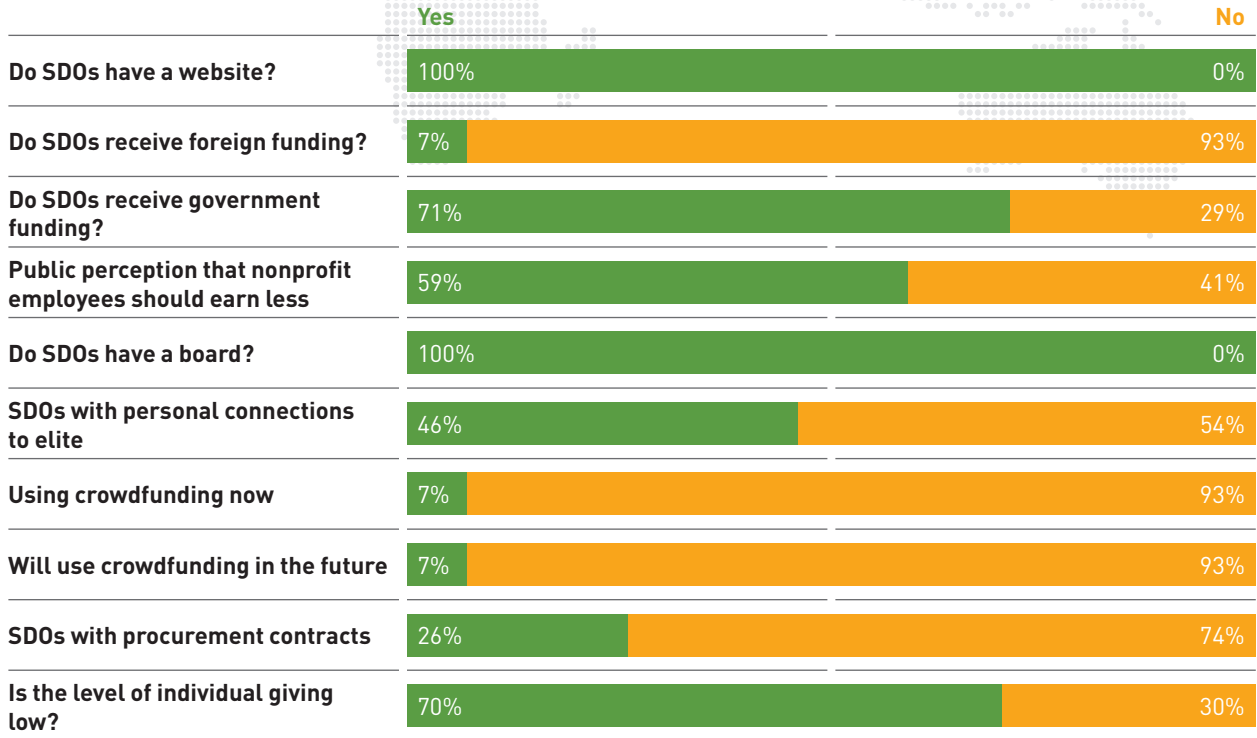
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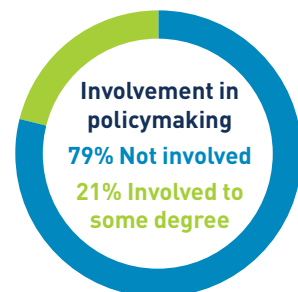
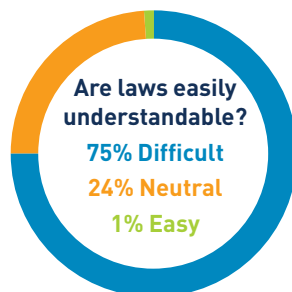
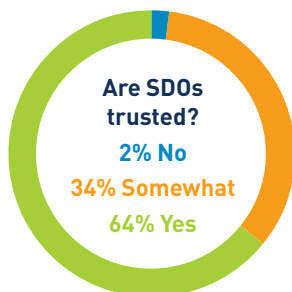
	Top reason	Second reason
Reasons for low level of individual donations to SDOs	People prefer to donate to religious organizations	Lack of tax incentives for donations to SDOs



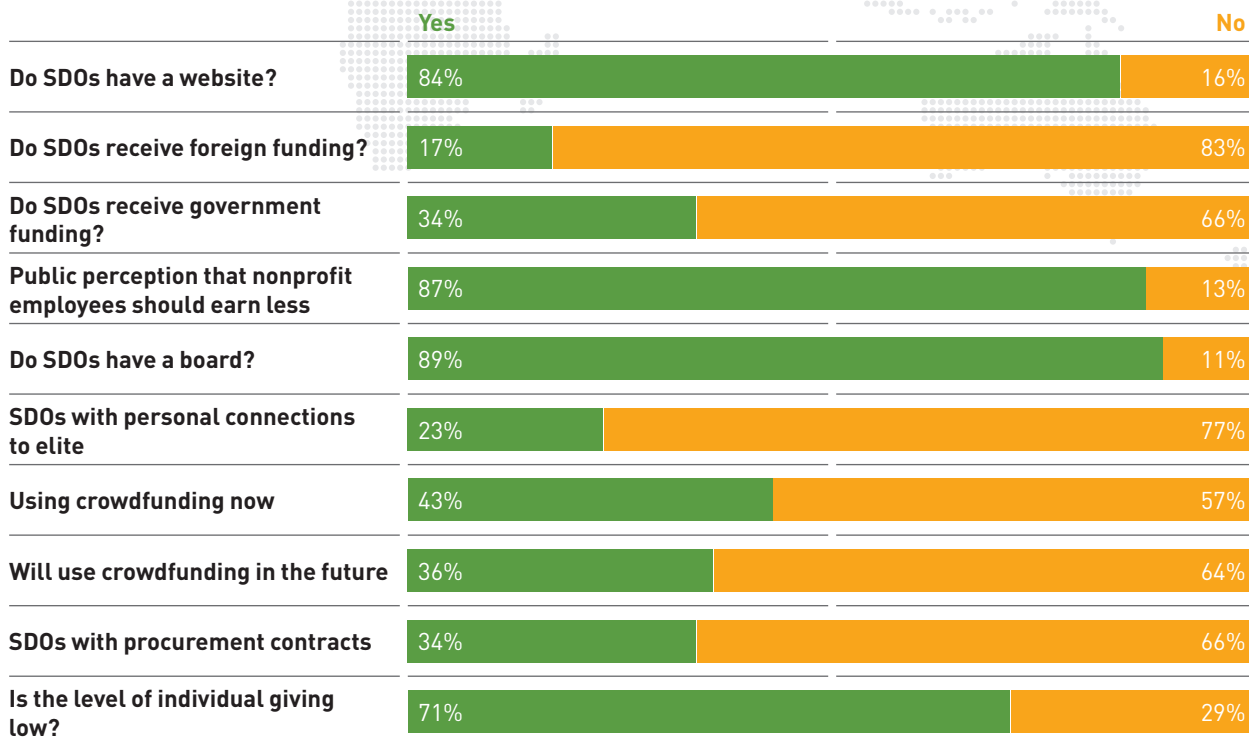
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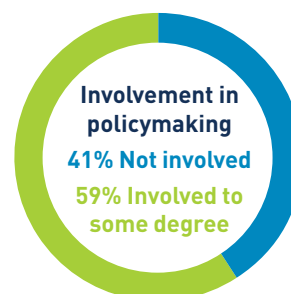
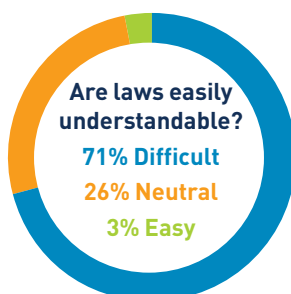
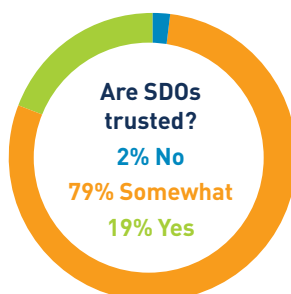
	Top reason	Second reason
Reasons for low level of individual donations to SDOs	Lack of donating culture	People don't have enough resources to donate



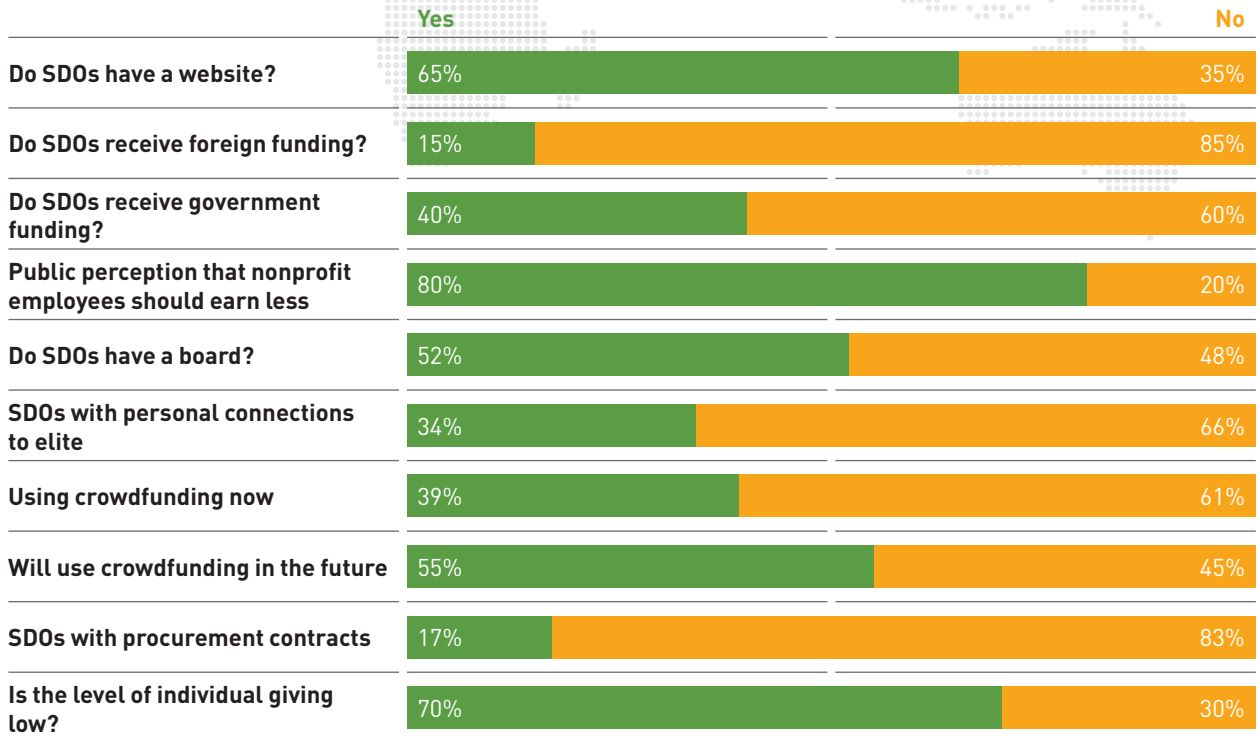
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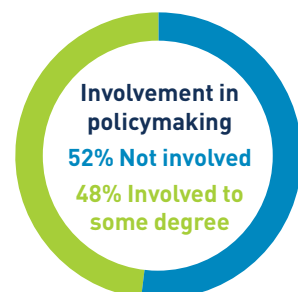
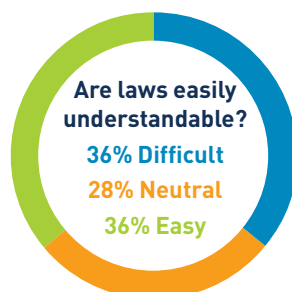
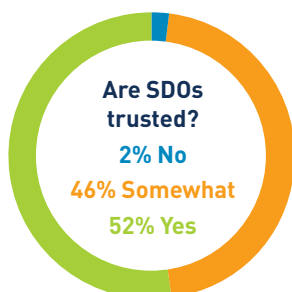
	Top reason	Second reason
Reasons for low level of individual donations to SDOs	Lack of tax incentives for donations to SDOs	People do not have faith in SDOs



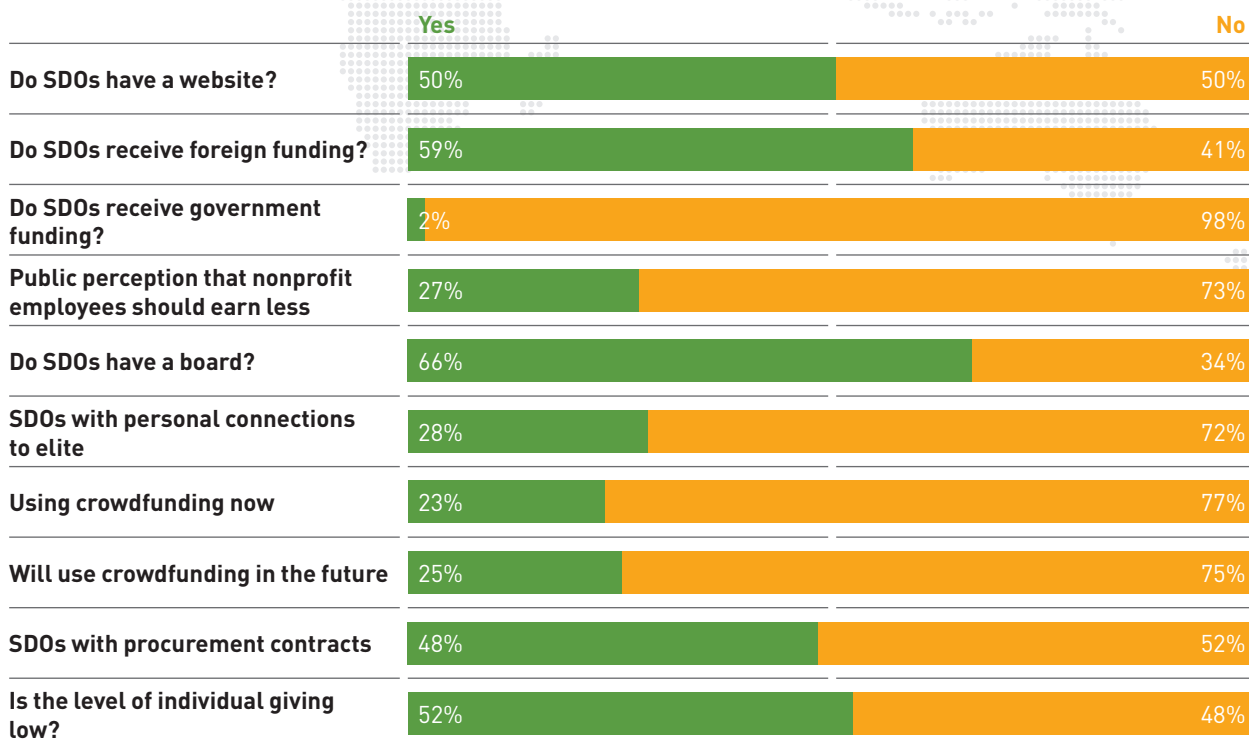
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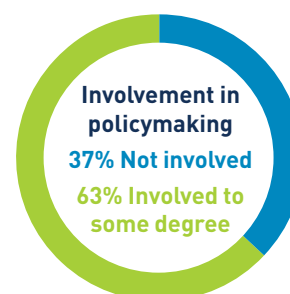
	Top reason	Second reason
Reasons for low level of individual donations to SDOs	People don't have enough resources to donate	People prefer to donate to religious organizations



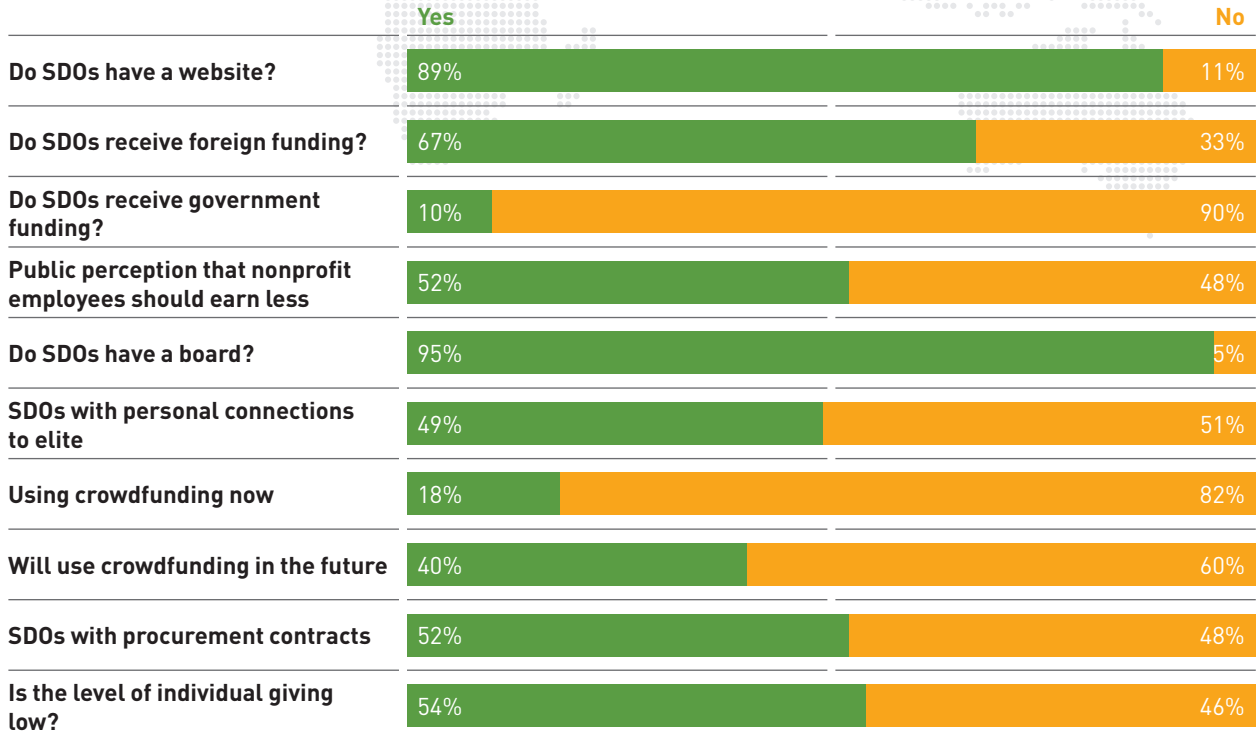
MYANMAR



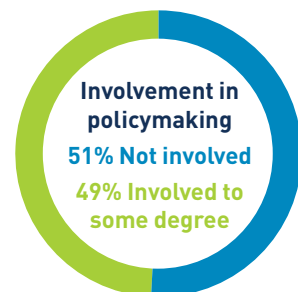
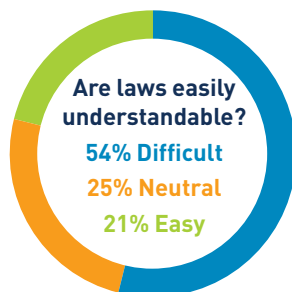
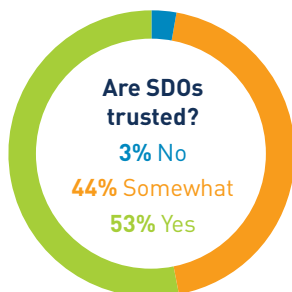
	Top reason	Second reason
Reasons for low level of individual donations to SDOs	People prefer to donate to religious organizations	People don't have enough resources to donate



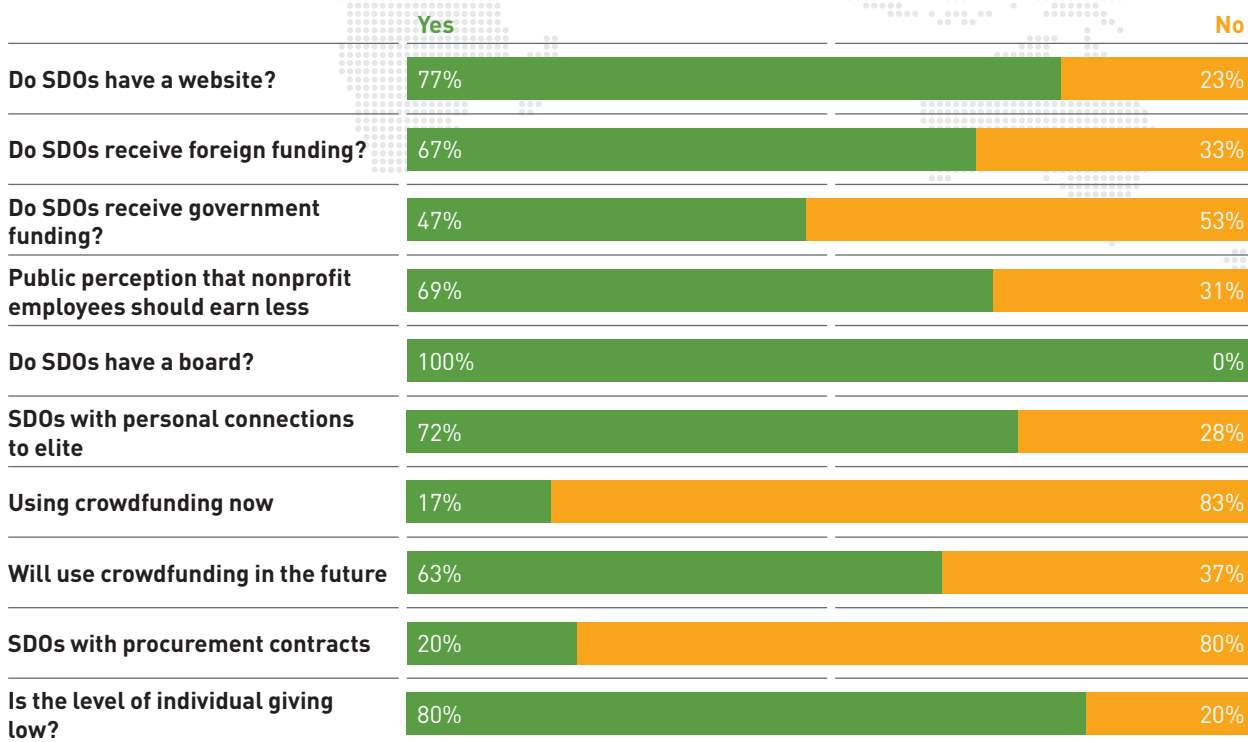
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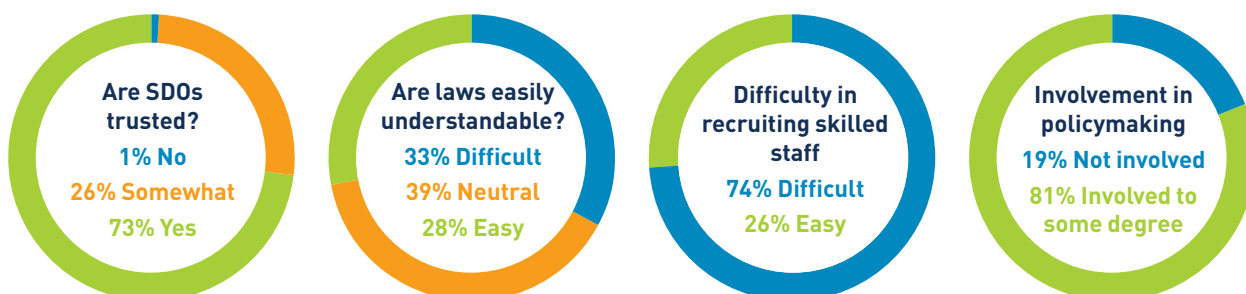
	Top reason	Second reason
Reasons for low level of individual donations to SDOs	People don't have enough resources to donate	People prefer to donate to religious organizations



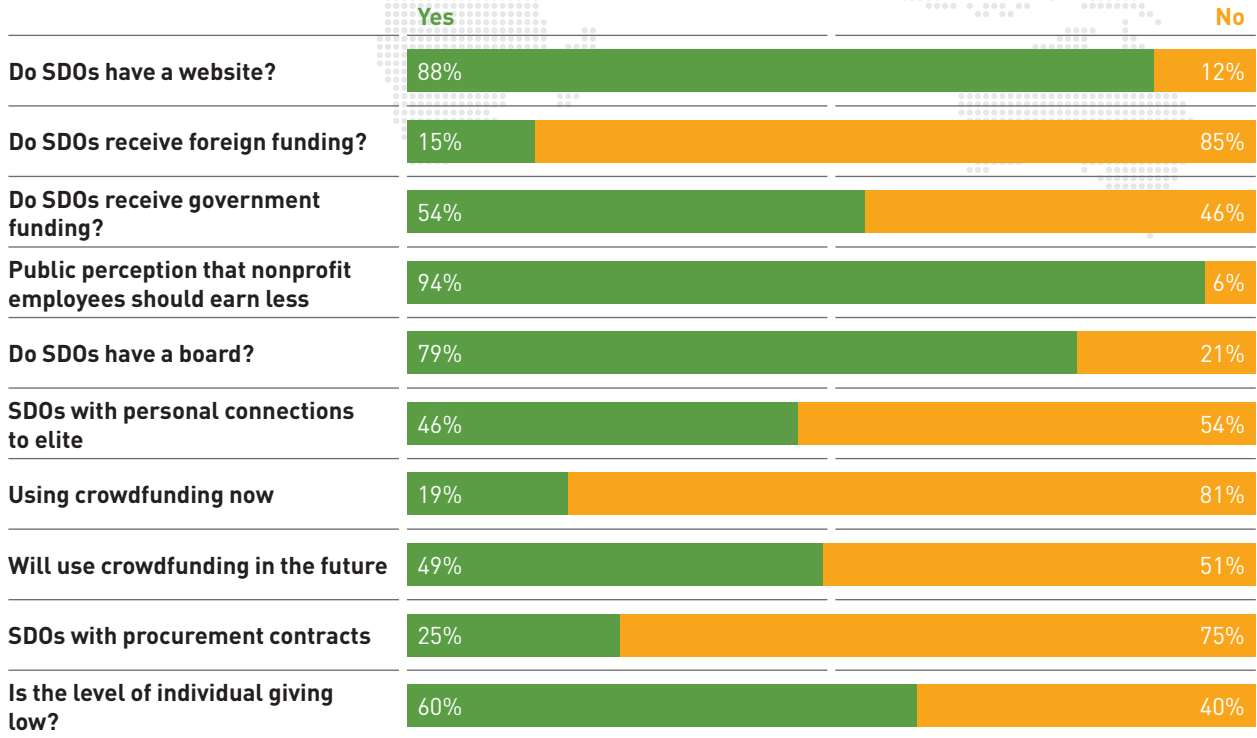
PHILIPPINES



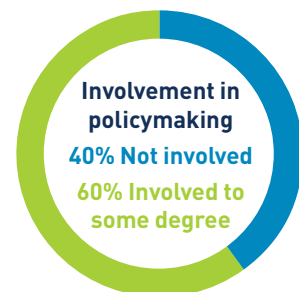
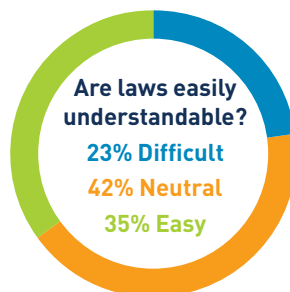
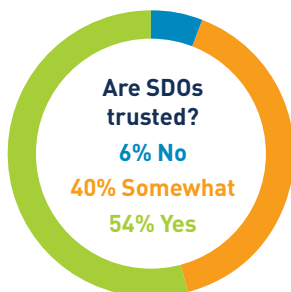
	Top reason	Second reason
Reasons for low level of individual donations to SDOs	People don't have enough resources to donate	People prefer to donate to religious organizations



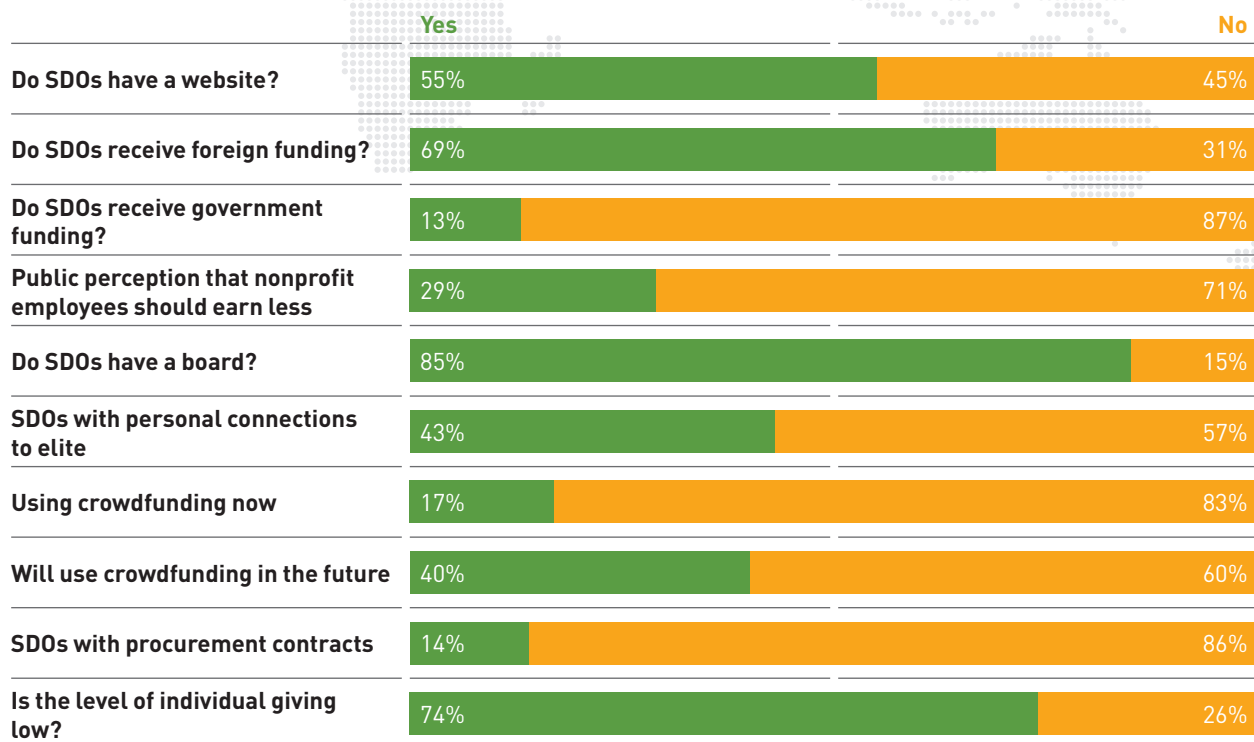
SINGAPORE



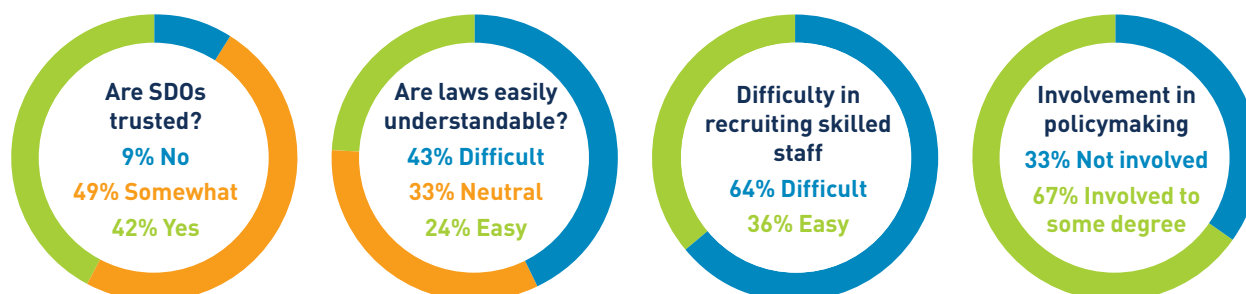
	Top reason	Second reason
Reasons for low level of individual donations to SDOs	People prefer to donate to religious organizations	People don't have enough resources to donate



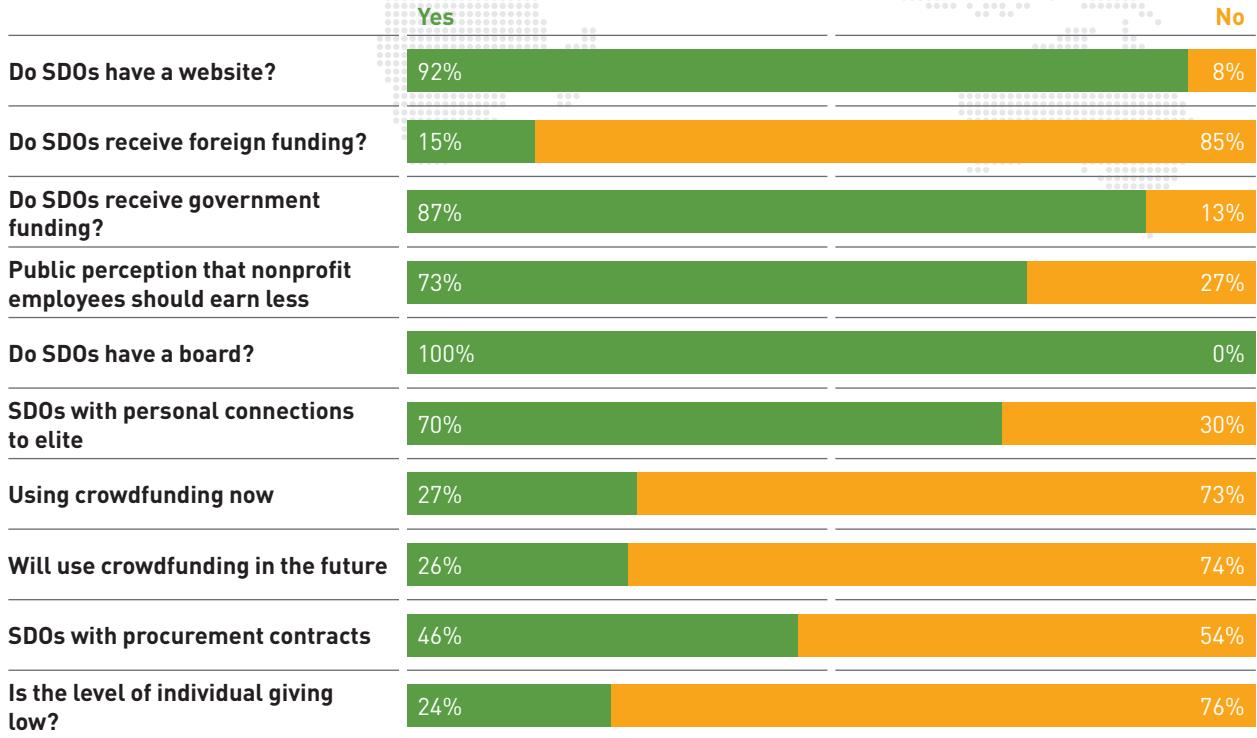
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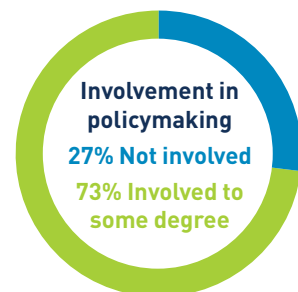
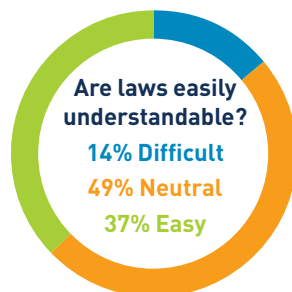
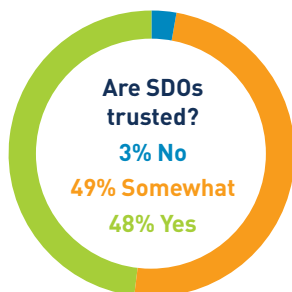
	Top reason	Second reason
Reasons for low level of individual donations to SDOs	People prefer to donate to religious organizations	Lack of tax incentives for donations to SDOs



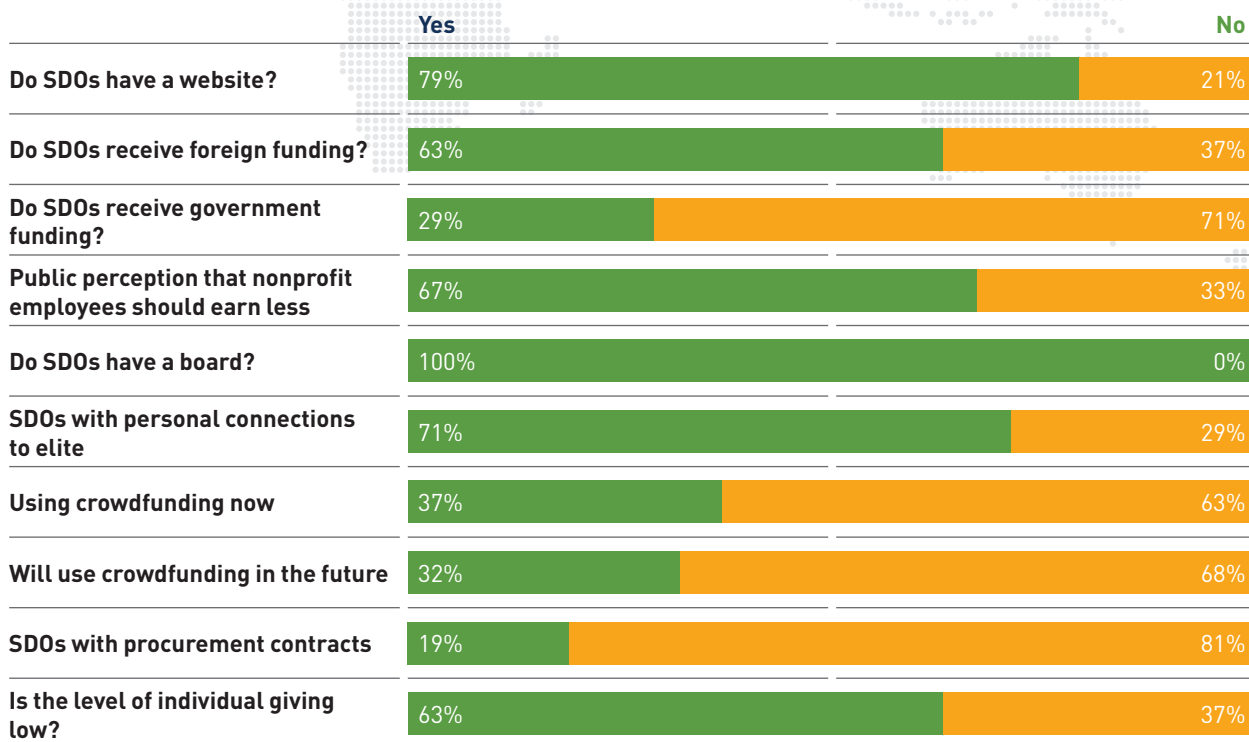
TAIWAN



	Top reason	Second reason
Reasons for low level of individual donations to SDOs	People prefer to donate to religious organizations	People do not have faith in SDOs



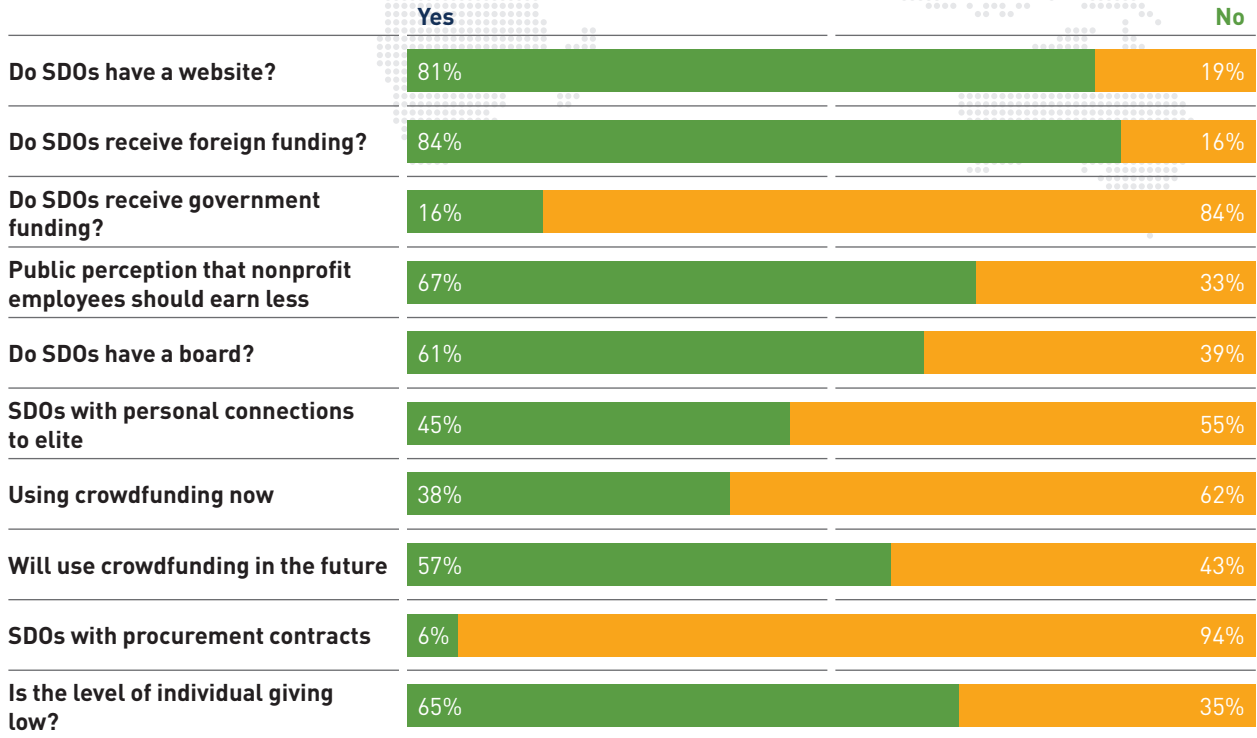
THAILAND



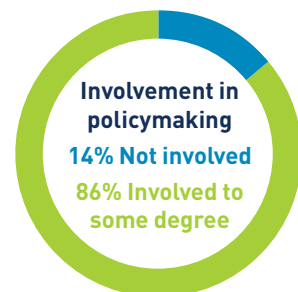
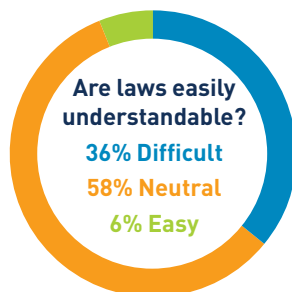
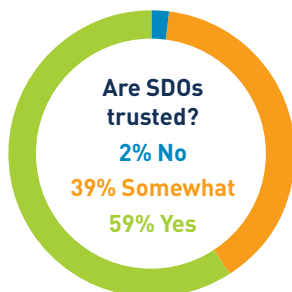
	Top reason	Second reason
Reasons for low level of individual donations to SDOs	People prefer to donate to religious organizations	Lack of tax incentives for donations to SDOs



VIETNAM



	Top reason	Second reason
Reasons for low level of individual donations to SDOs	People don't have enough resources to donate	People do not have faith in SDOs



APPENDIX: METHODOLOGY AND DATA SOURCES ^{xxvi}

The Doing Good Index is a composite index involving aggregation of different indicators. However, the aggregation needed careful work to harmonize data formats. As a first step towards the construction of composite indicators, we reformatted responses to make the data unidirectional and then went on to convert each indicator to a common scale of 0 to 5.

System for Standardization of the Indicators' Scale

Our raw data contains measures of different types and scales, including binary indicators to variously scaled continuous variables. In order to avoid scale bias, we transformed all indicators to a continuous common scale which is simple, transparent and also preserves variation in the data. We transformed our data on a scale of 0 to 5, using the following formula.

$$\text{Indicator}_{ik} = \left(\frac{X_{ik}}{\text{Max}[X_j]} \right) 5$$

X = raw value of indicator, *i* stands for *i*th indicator; *k* stands for economy. *Max* [*X_j*] is the maximum value of the *i*th indicator across the economies in the sample.

Weighting System

Assigning weight is a crucial aspect of index construction, as weight denotes the relative importance of a particular indicator. We organized a roundtable workshop with the experts of philanthropic sectors from all the countries covered in this study and asked them to assign weights to each indicator. The process of assigning weights was completed in two steps. First, experts were asked to assign 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 mentioned above.

Aggregation

The Doing Good Index was constructed using a linear aggregation process. The aggregation was done in two

steps. First, separate sub-indexes were constructed for Regulations, Tax and Fiscal Policy, Ecosystem and Procurement by aggregating the relevant indicators. Later, these four sub-indexes were aggregated to construct the overall Doing Good Index. The aggregation for the sub-indexes was done using the following formula:

$$\text{SubIndex}_{ik} = \sum W_i X_{ik}$$

W = indicator weight; X = 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 = sub-index weight; I = sub-index and *i* goes from 1 to n.

Data Sources

Data on indicators required for this study are not readily available from any secondary source. Therefore, we conducted two different surveys to compile the required data.

An expert survey was conducted to collect the data on policy-related indicators. Multiple experts per economy were brought together and required to fill out the survey after arriving at a consensus on each question. Data collected from experts was further cross-checked and verified by local partners in each economy as well as by the research team.

A comprehensive SDO survey was conducted in each economy from April–June 2017 using an online survey platform. The survey was conducted in collaboration with local partners in each economy, who were responsible for administration and monitoring. A minimum sample size for each country was calculated

^{xxvi} This appendix was produced by the Indian Council for Research on International Economic Relations with some editing from CAPS.

accepting a 90% confidence level with a 7.5% margin of error. However, the response rate in Hong Kong, Taiwan, Indonesia, Myanmar, Singapore, Thailand and Vietnam was lower than expected, and the minimum sample size for these economies was revised downward by accepting a 10% margin of error. All countries except Singapore were able to achieve the revised sample size. The response rate continued to be a problem in Singapore and eventually a 12% margin of error was accepted for it. The final sample size or number of SDOs surveyed in each country is given below.

Sample size

Economy	Number of surveyed SDOs
 China	122
 Hong Kong	72
 India	204
 Indonesia	80
 Japan	121
 Korea	140
 Malaysia	122
 Myanmar	64
 Pakistan	123
 Philippines	137
 Singapore	48
 Sri Lanka	112
 Taiwan	79
 Thailand	70
 Vietnam	85

List of partner organizations

Country	Partner
 China	China Foundation Center Institute for Philanthropy at Tsinghua University Nonprofit Incubator (NPI)
 Hong Kong	Hong Kong Council of Social Service Faculty of Social Sciences at The University of Hong Kong
 India	Centre for Advancement of Philanthropy Indian Council for Research on International Economic Relations (ICRIER) GuideStar India
 Indonesia	Company-Community Partnerships for Health in Indonesia (CCPHI) Paramadina University
 Japan	The Japan Association of Charitable Organizations (JACO) The Toyota Foundation
 Korea	The Beautiful Foundation
 Malaysia	myHarapan - Youth Trust Foundation Yayasan Hasanah
 Myanmar	Myanmar Survey Research
 Pakistan	Sustainable Development Policy Institute Pakistan Centre for Philanthropy
 Philippines	Ramon Magsaysay Award Foundation Association of Foundations
 Singapore	Institute for Societal Leadership at Singapore Management University
 Sri Lanka	Institute of Policy Studies
 Taiwan	Nanhua University National Chengchi University
 Thailand	National Institute of Development Administration C asean
 Vietnam	Research Center for Management and Sustainable Development (MSD) Development and Policies Research Center (DEPOCEN)

ENDNOTES

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¹³ Shapiro, R. A., Mirchandani, M., & Jang, H. (2018). *Pragmatic Philanthropy: Asian Charity Explained*. Palgrave Macmillan.

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