DOING GOOD INDEX 2022

Assessing the Health and Well-being of Asia's Social Sector

Centre for Asian Philanthropy and Society
doing GOOD

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ACKNOWLEDGMENTS

The third iteration of the *Doing Good Index*™ and our continued efforts to research the social sector in Asia would not have been possible without the generosity of our supporters from Asia and across the globe. We would like to thank the following donors whose support over the last two years has enabled us to engage with partners, research and write the *Doing Good Index 2022*: Husodo Angkosubroto, Nirvana Chaudhary and the Chaudhary Foundation, Ronnie C. Chan and Hang Lung Properties, Tae-won Chey and the SK Group, the Ford Foundation, the Bill & Melinda Gates Foundation, Jamshyd N. Godrej and the Godrej Trusts, Gizela M. Gonzalez, Cherie Nursalim, Thierry Porté, Arif P. Rachmat and PT Triputra Investindo Arya, Stephen Riady and the OUE Group, Thapana Sirivadhanabhkakdi and Thai Beverage Public Company Ltd., Chartsiri Sophonpanich and Bangkok Bank Public Company Ltd., Teresita Sy-Coson and SM Investments Corporation, TCL Charity Foundation, Daniel M. Tsai, C.C. Tung, the Yidan Prize Foundation, and Jamie and Elizabeth Zobel de Ayala.

We are sincerely grateful to our partners in 18 economies without whom we could not have collected the relevant data or understood the nuances within each economy. Our partners are: Centre for Policy Dialogue (CPD); Cooperation Committee for Cambodia (CCC); The NGO Forum on Cambodia; Non-Profit Incubator (NPI); Institute for Philanthropy, Tsinghua University (IPTU); Asian Charity Services (ACS); GuideStar India; Centre for Advancement of Philanthropy (CAP); Centre for Asian Philanthropy India (CAPI); Company-Community Partnerships for Health in Indonesia (CCPHI); Japan NPO Center (JNPOC); The Beautiful Foundation; The Asan Nanum Foundation; myHarapan—Youth Trust Foundation; Myanmar Centre for Responsible Business (MCRB); Yever; Chaudhary Foundation; Pakistan Centre for Philanthropy (PCP); Sustainable Development Policy Institute (SDPI); Association of Foundations (AF); Empact; Institute of Policy Studies of Sri Lanka (IPS); Center for the Third Sector, National Chengchi University; SEAMEO Regional Centre for Sufficiency Economy Philosophy for Sustainability (SEAMEO SEPS), School of Global Studies, Thammasat University; and Management and Sustainable Development Institute (MSD).

We would also like to express our appreciation to the 2,239 organizations that took the time to complete our survey and the 126 experts who participated in our interviews. Their voices were key to our understanding of the challenges and opportunities for private social investment across Asia.

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

EXECUTIVE SUMMARY

Asia is a hub for innovation, creativity and ingenuity. We have witnessed the region's extraordinary economic growth in recent decades, spurring considerable progress in raising the health and well-being of millions. This growth has put Asia on the world stage, highlighting its role as a global player. But, in the past three years, the Covid-19 pandemic has caused significant setbacks. Inequalities have been exacerbated, and hard-won progress has been undone. More than two-thirds of those newly forced into poverty live in South Asia, East Asia and the Pacific.[1] And in order to achieve the United Nations Sustainable Development Goals (SDGs) by 2030, the Organisation for Economic Co-operation and Development (OECD) estimates that the existing financing gap of US$1.5 trillion annually, could increase by up to 70% as a result of the pandemic.[2,3]

Despite historical headwinds, Asia's social sector has demonstrated its capacity as a trusted partner for sustainable development, working with governments, companies and philanthropists to build back better.[i] Yet Asian philanthropy is still largely held back from reaching its full potential by a trust deficit and underlying structural conditions. The *Doing Good Index*, now in its third iteration, showcases how this can be changed.

The *Doing Good Index* provides evidence-based findings on how economies in Asia are or are not enabling the public, private and social sectors to work together to address our common problems and contribute to continued economic and social vitality.[ii] Our data-driven insights aim to help philanthropists, policymakers, researchers, social delivery organizations (SDOs) and engaged citizens to understand what levers can be pulled to best increase and enhance philanthropic giving in their economies.

Despite the unique characteristics of each economy, some pan-regional themes can be identified in 2022:

- **Most economies lack a clear and consistent set of policies to allow the social sector to thrive.** Finding the balance between regulations that support transparency and accountability on one hand and onerous government control and oversight on the other is a challenge, with a happy medium yet to be found in many localities.
- **Funding to the social sector is in flux.** The emerging economies within this *Index* have historically relied heavily on foreign funding. Since our 2018 edition, the *Doing Good Index* has tracked an overall decrease in foreign funding across Asia, deepening in 2022. Few economies have successfully leveraged domestic and government funding to fill the funding gap.
- **Despite the challenges, the *Doing Good Index* shows that society cares.** People and companies are engaged and are working together to address shared challenges. The average score on the Ecosystem sub-index for Asia is the highest among all four sub-indices. Personal and corporate commitment to our communities will continue to be an essential part of any sustainable solution. At the same time, all sectors—individuals, SDOs, companies and government—can and must do more. The social sector faces serious talent, capacity and funding shortages that can be mitigated by companies and government providing more funding, procurement opportunities and skills transfer.

The right policies and incentives can maximize both the amount *and* impact of social investment in the social sector. We consider the role of both institutions and individuals as actors in this process and shine a light on the diverse forms that giving can take—philanthropy, impact investment, and corporate social responsibility (CSR), to name a few. And the potential is there. As much

[i] When we use the term "social sector", we are referring to all individuals, companies and organizations that demand or supply resources to address social needs.
[ii] The term "economies" refers to 16 countries (Bangladesh, Cambodia, China, India, Indonesia, Japan, Korea, Malaysia, Myanmar, Nepal, Pakistan, the Philippines, Sri Lanka, Thailand and Vietnam); the Hong Kong Special Administrative Region (HKSAR), China; and Taiwan, China.

as **US$701 billion per year could be unlocked** if Asia—home to almost a quarter of the world's billionaires—were to match the United States in terms of philanthropic spend by donating the equivalent of 2% of its gross domestic product (GDP).[4] This would amount to almost 14 times the net foreign aid flowing to the region.[5,,6,7]

The mobilization of philanthropic capital to the social sector empowers governments to accelerate inclusive and sustainable development. What's more, the *Doing Good Index* illustrates that this pathway is accessible to all economies, regardless of socioeconomic status.

Since the inaugural 2018 edition, our methods have evolved, and our scope has widened. In 2022 we **surveyed 2,239 SDOs and interviewed 126 experts across 17 Asian economies**.[iii,iv] Separate from the Index, we have included a section on the state of the social sector in Myanmar.[v]

In mapping the landscape of social investment, **the study examines four sub-indices: Regulations, Tax and Fiscal Policy, Ecosystem, and Procurement**. The *Doing Good Index* clusters economies into four groups in order to describe whether they are on track to create a conducive environment for doing good: **Doing Well, Doing Better, Doing Okay, and Not Doing Enough**. Encouragingly, all economies in our study have deployed practices to spur private social investment. Some have made rapid progress in recent years, while others have stagnated. All have room for continued improvement, and no economy has reached the "gold standard" of Doing Excellent.

This iteration of the *Doing Good Index* also includes a section on the **impact of Covid-19 on the social sector** and affirms three key developments triggered by the pandemic. First, the pandemic forced an immediate and united response from individuals, companies and governments. Responses tended to be much localized, informal and, at times, impromptu in order to react to local needs. Second, Asian governments' responses varied greatly, in many cases putting in place new and often conflicting policies. In some economies, pandemic restrictions were used as a cover for increased encroachments on freedoms. Finally, the pandemic greatly accelerated existing trends, including income disparity and unequal access to essential resources. Addressing these inequalities and inequities requires a thriving social sector, yet most of Asia's SDOs are held back by fluctuating regulations, funding shortfalls and lack of talent.

As the Covid-19 crisis begins to abate, the strengths of the government, corporate and social sectors need to be harnessed to rehabilitate and rebuild. Synergies among the sectors are imperative. Unfettered access to philanthropic funding and allowing donors and recipients to be nimble in their interventions can contribute to a rapid and effective response.

WHY THE DOING GOOD INDEX?

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

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

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

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

[iii] These economies are: Bangladesh, Cambodia, China, Hong Kong, India, Indonesia, Japan, Korea, Malaysia, Nepal, Pakistan, the Philippines, Singapore, Sri Lanka, Taiwan, Thailand and Vietnam.

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

[v] Due to the challenging situation on the ground, Myanmar was unable to take part in the 2022 iteration of the *Doing Good Index*.

Sub-index findings

The sub-indices help to illustrate specific measures that economies have taken to maximize the potential of private social investment.

Regulations

- The ease of setting up and operating an SDO varies across the region. Governments in all 17 economies make social sector laws publicly available, but fluctuating regulations, bureaucratic hurdles and inconsistent enforcement are common challenges for SDOs.
- Changes in laws governing the receipt of foreign funding in more than half of the economies are putting pressure on organizations hoping to attract money from abroad. This is particularly concerning for low- and middle-income economies where foreign funding remains an important source of income for SDOs.
- Reporting requirements to encourage transparency and accountability in the social sector are in place across the region, with all 17 economies mandating at least one reporting measure and 15 requiring four or more. But in some economies, reporting requirements are voluntary, and records are often not made publicly available.
- Governments are engaging the social sector in policy consultations, but sporadically. While government consultation with the sector is becoming increasingly common, it remains largely informal and infrequent, with almost a third of SDOs in Asia reporting not being involved in policy discussions at all.

Tax and fiscal policy

- Tax incentives for donors and recipients of philanthropic funds drive performance on this sub-index. As in 2018 and 2020, performance on the Tax and Fiscal Policy sub-index most closely mirrors overall performance on the *Doing Good Index*. All 17 economies offer tax deductions for philanthropic donations by corporates, and all but one offer the same for donations by individuals.
- Rates of tax deductions vary widely, from zero to 250%. Twelve economies offer rates of 100% or higher for charitable donations from individuals, and 15 offer the same for donations by corporates. But 15 economies restrict tax deductions to a proportion of income or profits, thereby dampening their incentivizing effect.
- Incentives for giving upon death in the form of charitable bequests are yet to be leveraged in the region. Seven economies have a death or inheritance tax, four of which offer incentives for charitable bequests.
- In most economies, the government provides fiscal support to the sector through grants. 44% of surveyed SDOs in Asia report receiving government grants, but this typically makes up just 12%, by proportion, of an SDO's funding sources.
- Corporate social responsibility (CSR) and environmental, social and governance (ESG) reporting requirements are helping drive corporate funding to the sector. Eight economies have government or listing policies requiring companies to engage in CSR, and eight stock exchanges in Asia require ESG reporting.

Ecosystem

- Society continues to be supportive of the sector. Governments, companies and the public recognize, volunteer at, and fund SDOs. With the spike in demand for its services due to the pandemic, the social sector stepped up to meet the challenge.
- Public perception of SDOs is generally positive and SDOs feel generally trusted by society. In addition to a robust regulatory framework, trust in the social sector can be built through direct interaction between the public and social delivery organizations through volunteering and giving. Concurrently, public scandals can erode trust and have a negative effect on funding.
- Despite evidence of public support for the social sector, further giving is needed. While funding from individuals and foundations makes up 39%, by proportion, of an Asian SDO's budget, 76% of organizations find the level of giving low.
- After funding, one of the most pressing issues facing Asian SDOs is attracting and retaining talent. More than half of the organizations surveyed struggle with staffing, a trend that has accelerated since 2020. Persisting perceptions that nonprofit employees should earn less than their corporate counterparts, donor unwillingness to fund salaries and the need for

capacity building are all contributing factors.

- The private sector is engaged with the social sector, motivated by the increasing adoption of a "profit with purpose" mentality. Companies are facing increasing calls to consider benefits not only for shareholders but for all stakeholders. Beyond funding, companies provide in-kind support, pro-bono technical and professional services, and volunteers.
- SDOs are collaborating with each other to amplify impact. Before the pandemic, three-quarters of SDOs collaborated with other SDOs to deliver services, improve capacity and advocate their causes. Covid-19 accelerated this, highlighting both the opportunity and need to find synergies with SDOs, companies and government.

The Doing Good Index as a force multiplier

Procurement

- Governments in Asia procure services from SDOs, but there is room for growth. 30% of organizations surveyed reported receiving income from government procurement in the last financial year, up from 26% in 2020.
- Procurement makes up, on average, 9% of an SDO's budget by proportion, but regional differences are significant. In China, government procurement makes up 55%, by proportion, of an SDOs budget. Targeted incentives can encourage and facilitate SDO participation in the procurement process but remain underutilized in Asia.
- The procurement process remains challenging. 64% of SDOs found it difficult to access information about government contracts. Despite this, transparency of the procurement process is on the rise in the region.

Conclusion

An ongoing pandemic, active conflict in Europe and heightened political tensions across Asia have darkened the skies in 2022. The continued resilience of the social sector is a beacon of hope. SDOs continue to work with vulnerable communities to provide extra support and care, often in partnership with companies and government agencies, increasingly at the local level. Now, more than ever, we need evidence-based insights and data-driven findings to chart the course towards recovery and revitalization.

Funding is the lifeblood of the social sector, enabling SDOs to function, offer services and deliver on their vision. The current crisis has increased awareness of the importance of giving operational support and unrestricted funding to organizations. Yet, access to these forms of funding remains far from the norm in Asia and capacity building is consistently overlooked or denied by donors.

Meanwhile, the flow of foreign funding to the region's social sectors is on the decline. SDOs are regrouping

WHAT IS A SOCIAL DELIVERY ORGANIZATION?

CAPS uses the term "social delivery organization" (SDO) to refer to entities engaged in providing a product or service that addresses a societal need.

The commonly used term "nonprofit" is not as useful because many organizations include a for-profit or social enterprise income stream. "Nongovernmental organization" is also not quite right in Asia where many such organizations are affiliated with government.

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

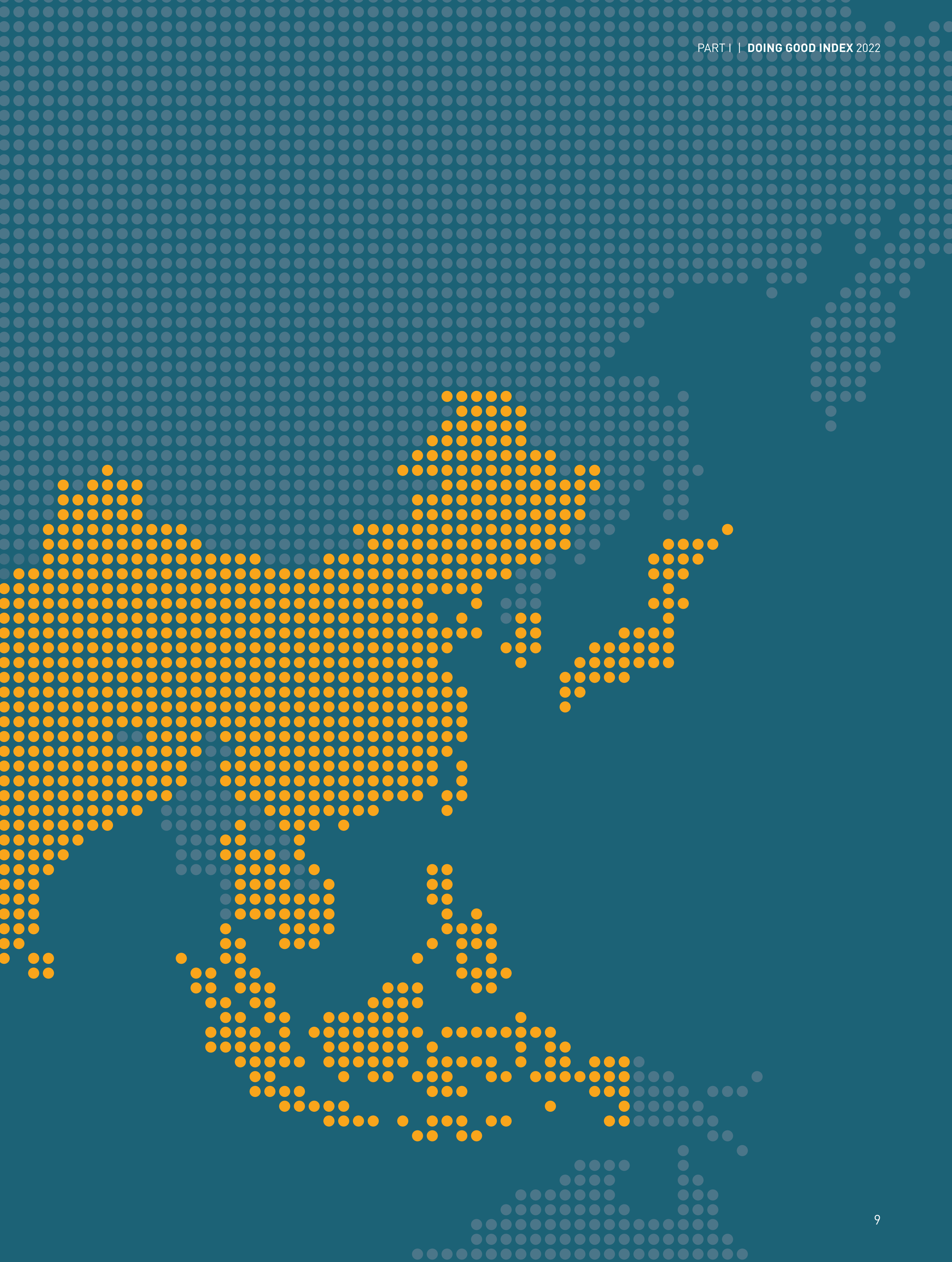
Most of the SDOs surveyed for the *Doing Good Index* are nonprofits, with only 5% identifying as for-profit. Another 8% identify as nonprofit social enterprises or social ventures.

and turning to domestic sources. Some governments in the region are enacting policies to encourage greater philanthropic giving and stepping in to help fill the funding gap. In Asia, where government signals truly matter, the right fiscal policies can demonstrate support for and trust in the social sector, creating ripples of influence.

"Asia for Asia" philanthropy can also do its part. While Covid-19 has pushed millions of people into poverty, Asia Pacific remains one of the fastest growing regions for wealth.[8] This bodes well as the private sector is increasingly being called upon—by government and society alike—to help address growing social and environmental issues.

In producing the *Doing Good Index*, CAPS hopes to assist the region to realize its potential as a global leader in social innovation. We present this report to you as a unique and systematic body of evidence with the aim of unleashing the potential of private social investment in Asia.

PART I: DOING GOOD INDEX 2022



CHAPTER 1

DOING GOOD IN UNHEALTHY TIMES

As unbelievable as it is, we are now in the third year of the pandemic. Since early 2020, the world has been in a Covid-induced holding pattern. We know many are suffering. But in our global effort to deal with the pandemic, we have not fully understood the ramifications of numerous lockdowns and supply chain disruptions, not to mention the real-life toll on livelihoods for those who rely on a daily wage to survive. Now, as we begin to return to some degree of normalcy, we are beginning to see that our world has changed forever, although the extent of this change and its specific contours remain unclear.

In many ways, **the pandemic has exacerbated trends already in place**. Income disparity has increased. More than two-thirds of the people newly forced into poverty by the pandemic are estimated to be in South Asia, East Asia and the Pacific.[9] In January 2021, the World Bank estimated around 119-124 million additional people fell into extreme poverty in 2020, with around 60% living in South Asia.[10] According to the Eurasia Group and the United Nations (UN), due to Covid-19 and the war in Ukraine, more than 800 million people are already food insecure, and of these, more than 44 million people in 38 countries could be pushed into outright famine in 2022.[11] Income disparity has been growing throughout the pandemic, with World Bank data indicating that, while all income groups have been affected, the poorest are less able to recover from the crisis. Furthermore, the pandemic has undone progress made between 2012 and 2017 toward closing the gap between economies.[12]

Developing countries in Asia need to invest US$1.5 trillion annually from 2016 to 2030 to achieve the UN Sustainable Development Goals (SDGs) by 2030.[13] The good news is that there is wealth that can be deployed toward these goals. **Asia hosts 26% of the global rich** and our research shows us there is increased awareness that we need to do more.[14] In recent polls we conducted among ultra-high-net-worth business leaders in Asia, 88% reported their intention to engage in more public-private partnerships for social good, and 90% plan to spend more to address environmental and climate change challenges.[vi,vii] If Asia were to match the United States in terms of philanthropic spend, by donation of the equivalent of 2% of its gross domestic product (GDP), an enormous **US$701 billion per year** can be unleased.[15,16] This is almost **14 times the net foreign aid** flowing to Asia.[17] And around 28% of the estimated costs to achieve the Sustainable Development Goals.[18]

But philanthropy alone cannot solve all our problems. Governments need to drive the kinds of investment needed. The *Doing Good Index* provides ample evidence of how government is enabling and/or disrupting the system. At the same time, we know that the private sector is not only being called upon to do more by society at large, but companies are also realizing that their own financial sustainability rests on the ways they address environmental sustainability and community needs.

Throughout Asia, we see new models and innovative solutions that endeavor to harness the comparative advantages of the private sector, social sector and government to create systemic and impactful solutions and change. Here, too, we see some promising trends. We see **blended finance** models providing new sources of capital throughout the region.[19] We see great interest in **impact investing** and the rise of **social enterprises** bringing business savvy to meeting social challenges.[20] We see the social sector providing much-needed goods and services and pivoting in extraordinary ways under the stress of the pandemic to help the most vulnerable.

What is the Doing Good Index?

We carry out the *Doing Good Index* to determine the factors that enable or impede the flow of private resources to do good. The *Index* provides us with a sort of statistical divining rod, not only for how well

[v] Based on a CAPS survey of ultra-high-net-worth business leaders from 10 Asian economies in December 2020.

[vi] Based on a CAPS survey of ultra-high-net-worth business leaders from 8 Asian economies in March 2022.

the social sector is doing but also for how government chooses to partner with nonprofit organizations, social enterprises and philanthropists to tackle common challenges. It shows us how united we are to address the problems we share and work toward improving our communities for everyone.

At its heart, the *Doing Good Index* is a body of evidence that can help illuminate best practices and ways for economies to move forward. It offers a set of informed views to help philanthropists, policymakers, researchers, social delivery organizations (SDOs) and engaged citizens understand what levers can be pulled to best increase and enhance philanthropic giving in their economies. There are insights to be gleaned from doing a comparative examination and from findings on each individual economy.

17 Economies

2239 SDOs surveyed

126 Experts consulted

The *Doing Good Index* examines the regulatory and institutional infrastructure that enables or impedes private resources directed toward doing good. We do this along four sub-indices: **Regulations, Tax and Fiscal Policy, Ecosystem and Procurement**. The findings are evidence-based: derived from survey data collected from 2,239 SDOs and 126 expert interviews across 17 economies. After tabulation, the *Index* categorized the economies into four clusters: **Doing Well, Doing Better, Doing Okay and Not Doing Enough**. In this iteration of the *Index*, we also included questions on the impact of the pandemic as it has been universally experienced as having a profound degree of influence on how our societies are reacting and evolving as a result. For a detailed overview of the methodology and data sources used for the *Index*, please refer to Appendix II.

Doing Good Index: pieces of the puzzle

The Covid pandemic—a force multiplier of societal change

When a natural disaster such as a typhoon or flood occurs, we witness an outpouring of support for the affected areas. Government, companies, SDOs and individual citizens, both local and beyond, rush to provide aid. For some disasters, there can be a backlash against the helter-skelter nature of many people and organizations working to remedy the situation. With Covid-19, the case was different due to the universality of the pandemic. Everyone everywhere was affected.

Our findings affirm that the pandemic triggered three key developments, the ripple effects of which are still not clearly seen. First and most important, **despite the hardships endured, humanity prevailed**. The pandemic forced an immediate and united response, and people, companies and governments stepped up. Due to the global nature of the pandemic, the responses tended to be much more localized, informal, and impromptu.

We also saw how government responded to the pandemic differed among—and even within— economies. In many cases, new and often conflicting policies were put in place. In some economies, governments used Covid restrictions to tamp down on freedoms, which may remain in place long past the threat of the coronavirus.

According to the *Global State of Democracy Report 2021*, 20 countries/regions moved in the direction of autocracy, eight of which are covered by the *Doing Good Index* (Cambodia, China, Hong Kong, India, Indonesia, Myanmar, Sri Lanka and the Philippines).[21] During the pandemic, many democratically elected governments adopted authoritarian tactics, including restriction of free speech, the weakening of the rule of law, and—in the case of Myanmar—the complete end of a democratic regime. And often, these measures enjoyed significant popular support, not surprising in populations frightened by the possibility of illness and death and experiencing significant disruptions to their economic and social well-being. We have also continued to witness uncertainty within several Asian economies on how philanthropy and the social sector more broadly can and should play a key role in addressing community challenges.

And finally, **Covid-19 did not create new trends but greatly accelerated existing ones** in place before the arrival of the coronavirus. Coming out of the pandemic, we see entrenched income inequality, rising poverty and increased food insecurity as well as serious setbacks in educational attainment, which in and of itself produces worrisome knock-on effects.

Attempts to address these pressing social and economic issues will require a flourishing social sector. But the **social sector is held back by fluctuating regulations, funding shortfalls and a lack of talent**. Underlying structural conditions preventing Asia's social sectors from thriving have been brought to the fore. This is why the *Doing Good Index* is needed more than ever: it sounds a clarion call for governments, companies, philanthropists and social sector organizations to unleash resources and work together to meet the region's challenges.

Overall findings of the Doing Good Index 2022

On the whole, the *Doing Good Index 2022* shows a region in flux—a set of economies exhibiting contradictory attitudes toward those engaged in doing good. While Asia is not monolithic and there are important differences between economies, several region-wide findings stand out:

Most economies lack a clear and consistent set of policies to allow the social sector to thrive. Throughout Asia, many governments have put in place regulations and policies which, at times, seem to work against each other. In some economies, new policies are enacted to improve transparency and accountability and/or ease the regulatory burden on SDOs, signaling an increased recognition of the importance of a robust regulatory system. But many governments are also demonstrating a growing wariness of the sector at large through increased regulatory oversight and control. To be fair, finding the balance between regulations that support transparency and accountability on one hand and onerous government control and oversight on the other hand can be a difficult challenge.

As seen throughout this report, governments are sending mixed messages, most likely because they are reacting to a dynamic situation where new funding, new responsibilities and new societal expectations are churning up the environment in which decisions are being made. What is clear is that, in the wake of Covid-19, multiple crises have created an "all hands on deck" scenario. As the pandemic abates, the region is entering a period when the strengths of the government, private and social sectors need to be harnessed, and synergies between the sectors maximized.

Funding to the social sector is in flux. Many economies in the *Doing Good Index* are emerging markets or lower-middle-income countries that have relied heavily on foreign funding in the last few decades. Since beginning the *Doing Good Index* in 2018, we have seen foreign funding decrease across Asia. This year, foreign funding continued to decline in 14 of the 17 economies, leaving a funding vacuum in its wake. Few economies have successfully leveraged domestic and government funding to fill the funding gap.

There is, however, one silver lining: society cares. We see numerous indicators showing people and companies engaged and working together to solve shared challenges. The average score on the Ecosystem sub-index for Asia is the highest among all four sub-indices and most economies (nine of 17) perform best in terms of how society nurtures the social sector. Without a doubt personal and corporate commitment to our communities will continue to be an essential part of any sustainable

Doing Good Index: four clusters*+

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

* Economies in each cluster are arranged alphabetically.
+ "Hong Kong," "Korea" and "Taiwan" refer to the Hong Kong Special Administrative Region, China; the Republic of Korea; and Taiwan, China

solution and, despite developments in the right direction, everyone—people, SDOs, companies and government—can and must do more. The *Doing Good Index 2022* shows that the social sector faces serious talent, capacity and funding shortages. However, these shortages can be mitigated by companies and government providing more funding, procurement opportunities and skills transfer.

Doing Good Index: Where economies stand

The *Doing Good Index* measures performance along four clusters: **Doing Well, Doing Better, Doing Okay, and Not Doing Enough**. Each cluster can be seen to represent the distance left to travel toward a thriving and healthy infrastructure for private social investment. While some top-performing economies are performing well, no economy has reached the "gold standard" of Doing Excellent, pointing to room for improvement across the board.

There is a positive correlation between performance on the *Index* and gross national income (GNI) per capita, with high-income economies tending to perform better. While economic status contributes to performance on the *Index*, this is by no means the ultimate determining factor. Some high-income economies, such as Hong Kong and Japan, are outperformed by less economically advanced economies. What matters more is the enabling environment for giving, not economic status.

Doing Well: Singapore and Taiwan

In 2022, Singapore and Taiwan maintained their positions at the top of the *Index* with the most favorable conditions for private social investment. Nevertheless, there is scope for improvement in both economies.

Key to Singapore and Taiwan's performance on the *Index* is their enabling regulatory framework. Both economies not only allow non-profit organizations, social enterprises and philanthropic capital to operate with relatively little friction but also offer important incentives and encouragement. Both have put in place clear and straightforward regulations that are generally enforced. And both provide a smooth, unrestricted flow of funds to allow critical resources to reach the social sector. The enabling policies, incentives and regulations show how the social sector is valued as a partner in meeting social needs.

Singapore and Taiwan's favorable tax policies to boost philanthropic giving place them at the top of the Tax and Fiscal Policy sub-index. Singapore is the only economy to offer a 250% tax deduction rate for charitable donations and no limit on eligible income. Taiwan is

Economy performance: 2022 vs 2020

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

SDO demographics

16 YEARS
median age of SDOs

40 PEOPLE
average number of staff

57%
of staff is female

TOP 2 AREAS OF WORK
Education
Community development

one of only four economies to encourage charitable bequests through tax incentives. Neither limits charitable tax deductions for certain sectors and the process for claiming tax incentives is straightforward in both economies.

Government procurement is not fully utilized. While SDOs are permitted to respond to government request for proposals (RFPs) in both economies, Taiwan is one of the few economies that offer additional incentives to apply to RFPs. There is room for improvement in the ease and transparency of the procurement process in both economies.

Doing Better: China, Hong Kong, Japan, Korea, Malaysia and the Philippines

The Doing Better cluster comprises six economies. Four of these maintained their position in this category from 2020, while China and Malaysia have moved up from Doing Okay. Economies in the Doing Better cluster performed well in some areas, but could do better in others. The social sector in this category is generally supported and encouraged by government and society, but there are ways in which the path toward robust participation could be smoother.

Most economies in this cluster score above average on the Regulations sub-index as a whole; however, there is considerable variation. Laws and regulations are easier to understand in some economies than in others. Setting up an SDO is quick and easy in several economies, including Malaysia, but it can take up to a year in Hong Kong.

All six economies have relatively favorable tax incentives for charitable giving, although there is room for improvement. China, Hong Kong, Malaysia and the Philippines have a 100% tax incentive rate for individual and corporate donations. But the incentivizing potential is held back by the limit these economies place on the eligible income for these incentives. Korea, Japan and the Philippines are among the few economies that incentivize charitable bequests, while all but Japan and the Philippines have government and/or listing policies requiring companies to engage in corporate social responsibility (CSR).

Performance on the Ecosystem sub-index is varied for those in the Doing Better cluster. China and the Philippines are among the top five performers of this sub-index, while Japan ranks at the bottom. The other three, Hong Kong, Korea and Malaysia, sit in the middle. Japan's performance on this sub-index, driven largely by low levels of trust and difficulty in talent recruitment, is holding it back from Doing Well.

China and Malaysia's move from Doing Okay in 2020 to Doing Better in 2022 is mainly due to regulatory and ecosystem factors. Both economies have seen increased levels of trust and more mandatory reporting requirements. They have also been free from public scandals these past two years. When it comes to regulations, China's Charity Law has made it easier to set up SDOs and has increased transparency.[22]

Doing Okay: Cambodia, India, Indonesia, Nepal, Pakistan, Thailand and Vietnam

The Doing Okay cluster has experienced significant change since 2020. Of the seven economies in this cluster in 2020, only three have remained: India, Indonesia and Thailand.

Almost all economies in the Doing Okay cluster

score below average on both the Tax and Fiscal Policy and Regulations sub-indices. All economies except Cambodia offer tax incentives for charitable giving but limit the income eligible for tax incentives or the applicable sectors. There is also significant variation in the ease of understanding laws, and setting up an SDO is burdensome in several of the economies in this cluster. Most economies restrict the free flow of funds across the border, placing a burden on SDOs by making the receipt of funds from abroad difficult, and at times impossible.

Performance on the Ecosystem and Procurement sub-indices is mixed. Cambodia, Vietnam and Thailand score above average on the Ecosystem sub-index, while the performance of the rest is weaker. Performance of these economies on the Procurement sub-index is equally mixed: Pakistan and Vietnam are in the top five; Cambodia, India, Indonesia and Nepal sit in the middle; while Thailand trails at the bottom. SDOs in all economies can respond to government RFPs, but there is room for improvement in most economies in terms of making information about opportunities readily available and ensuring a fair and transparent process.

Cambodia and Nepal moved up from Not Doing Enough in 2020 to Doing Okay in 2022. Cambodia's improved performance can be attributed to a maturing regulatory framework and ecosystem. Rules and regulations are made publicly available and more commonly enforced. The lack of public scandals and recognition of the social sector through awards and donor support have also helped push Cambodia's overall performance. Nepal, on the other hand, improved on the Tax and Fiscal Policy and Procurement sub-indices. Securing government procurement contracts and claiming tax incentives for charitable giving has become easier in Nepal. Government grants have also become more readily available for SDOs.

Pakistan and Vietnam dropped from Doing Better in 2020 to Doing Okay in 2022. Pakistan's drop is largely attributable to ecosystem factors: a decrease in trust and increased difficulty recruiting and retaining talent. In Vietnam, the effects of tax incentives are diluted by limiting incentives to certain sectors. Difficulties in claiming tax deductions and receiving government grants have also influenced Vietnam's performance on the *Index*. For an in-depth view of Vietnam's regulatory changes, please see page 41.

India's position in the Doing Okay cluster is precarious. India continues to face tighter regulatory oversight, particularly relating to the receipt of foreign funding. Any further tightening of regulations could push India into Not Doing Enough in the future. As India's situation is rather complex, we have included a fuller explanation of the economy's widespread regulatory changes on page 40.

Not Doing Enough: Bangladesh and Sri Lanka

Bangladesh and Sri Lanka make up the Not Doing Enough cluster. Both economies dropped from Doing Okay in 2020 to Not Doing Enough in 2022. The philanthropic environments in the two economies have deteriorated and require improvements along multiple dimensions to help (re)strengthen the infrastructure for private social investment.

Tax and fiscal policies are underdeveloped in Bangladesh and Sri Lanka, positioning both at the bottom of this sub-index. Bangladesh is one of the few economies that couples a low rate of tax incentives with a limit that essentially places a double disincentive on individual giving. In Sri Lanka, the potential of tax incentives is severely diluted by restricting the incentives to donations to two sectors, child and elderly care. Claiming tax incentives is also very difficult in both economies.

Sri Lanka's performance is varied. The regulatory framework in Sri Lanka has not changed much since the previous iteration of the *Index*; in fact, the economy continues to be one of the top performers on the Regulations sub-index. However, continued political and social unrest has had detrimental effects on the social sector ecosystem. Sri Lanka's performance on the Ecosystem sub-index shows a deterioration of societal and corporate support for and engagement with the social sector.

Bangladesh's drop is not the result of any specific set of sub-indicators but rather a slight deterioration across the sub-indices. In 2020, Bangladesh performed close to the cut-off line for Doing Okay, but the challenging circumstances of the pandemic have pushed it down. As the economy is starting to demonstrate post-Covid recovery, we hope that it will be boosted back up to Doing Okay in 2024.

Conclusion

In its third iteration, the *Doing Good Index* offers evidence-based insights into how Asian economies enable private social investment. The insights from the comparative analysis of 17 economies help business leaders, philanthropists and policymakers to see how they can facilitate and increase private capital flows toward the social sector.

In the next chapter, we unpack the theme for the 2022 iteration of the *Doing Good Index*: the impact of Covid-19. We look at the challenges and opportunities the pandemic brought about for Asian SDOs. In Chapter 3, we take a look at SDO funding. We compare changes in SDO funding sources since 2020 and identify trends in and identify opportunities for bridging funding gaps. In Chapters 4 to 7, we dive deeper into each of the four sub-indices. In the final part of the report, we take a closer look at Myanmar. Due to the ongoing political crisis, Myanmar was unable to take part in the *Index*. However, with help from our partners on the ground, we have included a special profile on Myanmar to better understand the impact of the coup d'état and Covid-19 on the economy's social sector and as a result the Burman people.

PRIVATE SOCIAL INVESTMENT: A TYPOLOGY

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

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

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

- Corporate philanthropy—donations or grants usually given to existing accredited SDOs.
- Technology transfer—the deployment of employee skills and experiences to build the capacity of local nonprofit organizations.
- Pro bono goods and services—the provision of goods and services made or offered by a firm to a local group at no cost.
- Volunteering—the creation of opportunities for employees to spend time helping to address a community need.
- "DIY" philanthropy—utilization of corporate systems and expertise to address a community need without necessarily working through a third-party SDO.

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

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

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

CHAPTER 2

THE ACUTE IMPACT OF COVID-19

The Covid-19 pandemic has and continues to shake our world. More than six million deaths and rising, disruptions to education affecting more than 635 million students, 120 million people pushed into extreme poverty, and gender parity set back to 135 years from 99.[23,24,25,26] Covid-19 also proved the adage that we are only as strong as our weakest link. Vulnerable sections of society—many on the front lines of serving others—became infected and spread the coronavirus, often through no fault of their own.

As the Centre for Asian Philanthropy and Society (CAPS) has written about previously, **the social sector was and remains critical to meeting the social and economic challenges posed by the pandemic**.[27] Social delivery and philanthropic organizations proved to be agile and pivoted their services during the crisis. They did what they do best, working with the most vulnerable, providing extra care, often in partnership with companies and government agencies and increasingly at the local level.

Since the pandemic has dominated our world over the past two years, it seemed only fitting that, in addition to the *Doing Good Index*'s regular sets of indicators, we used the survey to get a statistical pulse on how the social sector has been impacted. This chapter tells the story in greater detail but here is the main headline: **SDOs have stepped up in a significant way to help those harmed by the pandemic, but at the same time, fundraising has never been more challenging**. Companies, foundations and private individuals offering philanthropic support also pivoted over the past two years to provide funds for health care directly, often at the cost of other types of programs and services.

According to our respondents, 59% of SDOs directly supported Covid relief efforts, with those in India at 95%, the Philippines 89% and Indonesia 85%, demonstrating just how integral the social sector has been in the pandemic response.

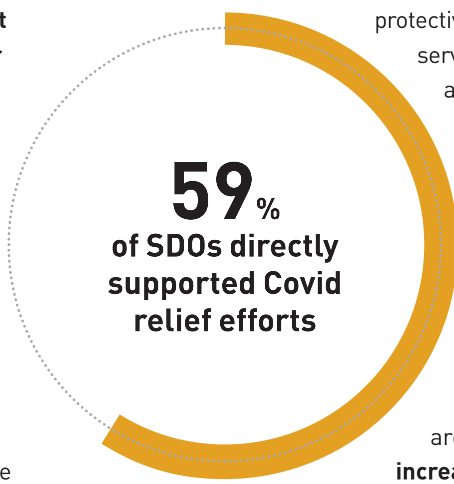
This chapter reveals in granular detail that, while most SDOs proved resilient and remain positive about the future, the short-term impact of the pandemic on their funding, programs and staff has been negative.

Impact of Covid-19 on SDOs and the social sector

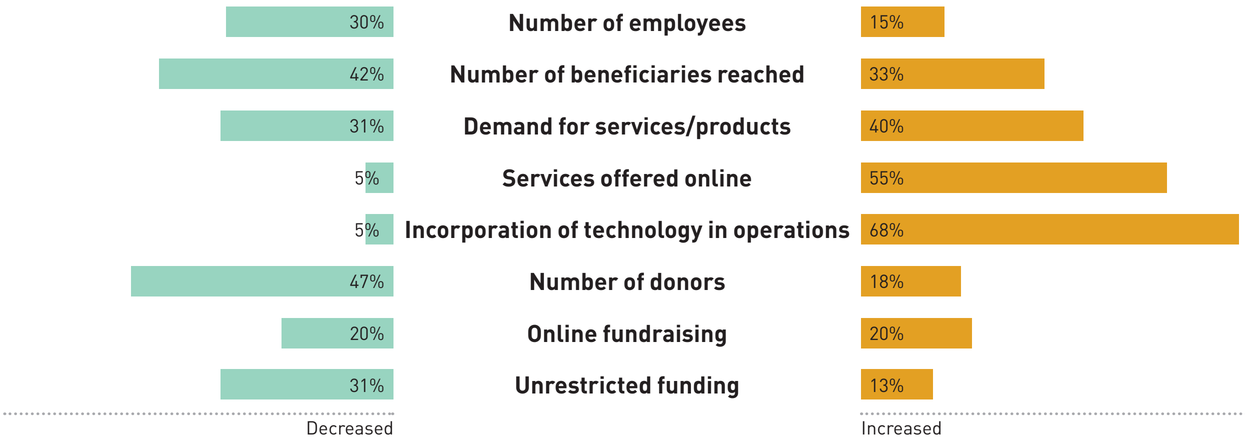
It is difficult to know with any degree of certainty how many SDOs there are in the *Doing Good Index* economies. Across the region, many organizations providing social services are registered as companies due to the complexity of nonprofit certification. Still, our survey data tells us that **the number of organizations stayed roughly the same, demonstrating the resilience of the sector overall**.

There is no doubt that one of the most critical aspects of the health of the social sector is the amount of funding available to SDOs. This fact has been at the core of SDO and expert responses to our survey. We have allocated a separate section on the funding landscape in Chapter 3. When asked about funding, **almost half (47%) of SDOs reported a decline in funding, with 75% reporting a decrease of up to 50%**. This is understandable for several reasons: first, as stated, at the beginning of the pandemic, funders pivoted their support to providing personal protective equipment (PPE) and direct health services; second, many fundraising activities and events were canceled; and third, without the ability to meet and make the case for support, many donors did not fully understand the financial consequences of attenuating their donations. In fact, in almost all economies respondents said that the absolute number of donors has decreased.

Over the past three years around the world, **there has also been increased awareness of the importance**



How has Covid impacted SDOs in Asia?



of operational support and/or unrestricted funding. The situation required donors to understand how project and program goals, activities and deadlines needed to change due to Covid restrictions. In the United States, the Ford Foundation, among many other prominent foundations, moved to offering primarily operational support to their grantees. According to a report by the Center for Effective Philanthropy, 65% of foundation leaders said they will continue to provide more unrestricted support than before the pandemic.[28]

Unfortunately, the easing of project funding restrictions did not become the norm in Asia. In fact, almost a third of SDOs saw a decrease in unrestricted funding. SDOs in Cambodia (52%), Taiwan (48%) and Korea (47%) reported the highest decrease in unrestricted funding. Hong Kong, on the other hand, primarily due to a group of private foundations and the Charities Trust of the Hong Kong Jockey Club, saw the largest increase in funding flexibility.

What about other types of support? Certainly, we have seen a rise in the degree to which the citizenry across Asia understands and appreciates the role of the social sector. Some governments have recognized the need to engage and support SDOs over the past two years. In more than half of the economies, SDOs were included in stimulus relief measures given by the government. These measures included tax cuts, grants, subsidies and job support schemes. In several economies, such as Hong Kong and Japan, stimulus packages for businesses were introduced which also applied to, but were not specifically targeted at, SDOs. As further outlined in the box on page 48, in the Philippines and Malaysia, stimulus packages specifically benefitted SDOs.

When it comes to the impact on staffing, we see a tale of two vectors. In one vector, 30% of the organizations surveyed saw the number of employees decrease. This was especially noticeable in Cambodia, where more than half of those surveyed reported cutting their staff size, followed by India, Pakistan and Nepal. In some of these economies, this is as expected as government and private sector support has been and continues to be weak. They have relied on foreign funding, which, in many instances, was redirected during the pandemic.

The other vector can best be viewed through Singapore's experience. For months, Singapore seemed to be dealing with the Covid-19 crisis in fine form and holding the virus at bay. This changed when areas with large migrant worker populations began experiencing cases at high rates. The government leaned heavily on local nonprofits with history and connectivity in these areas and with these groups.[29] Our data shows that 43% of Singaporean SDOs reported an increase in their staffing. For those working with migrant communities, the increase in staff enabled them to take on the crisis affecting the whole city-state. Singapore shows clearly how societies are interconnected and, when it comes to issues like health and climate change, there is no option of taking a less than inclusive approach.

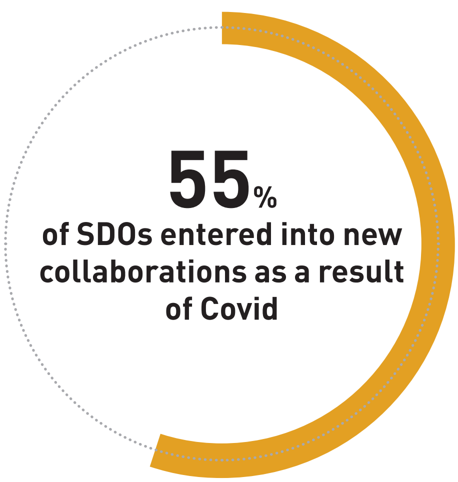
SDOs in two economies, Taiwan at 75% and Japan at 66%, reported that their employee count was not affected. This is not surprising as during our survey period, the impact of Covid was limited, and business continued as usual in these economies. Taiwan was able to curtail mass outbreaks, and in Japan, recognition of the crisis only evolved in recent months.

Many organizations experienced increased demand for their services. This was especially pronounced in India, where 70% of SDOs reported increased demand, and in Hong Kong, where 68% noted an increase. However, the growth in demand was not reflected in the income of SDOs. Of those who saw their income decrease, many also saw their expenditure go up, placing additional pressure on already cash-strapped organizations.

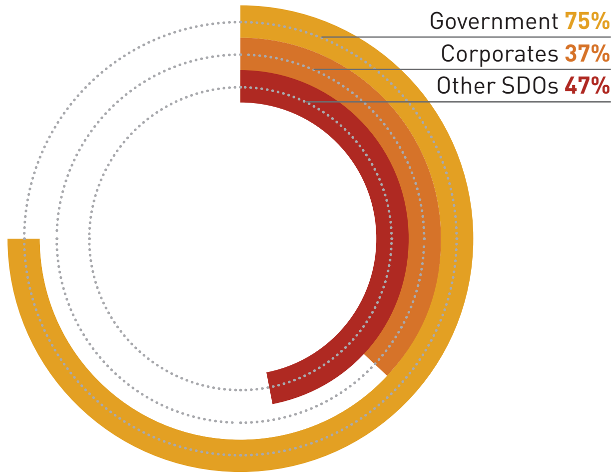
At the same time, one of the most intriguing aspects of the pandemic response was **the increase in the number and types of local collaborative efforts**. Although the degree of SDO's collaborating with each other was already high before the pandemic, as the chart below shows, more than half of the SDOs in our survey entered into new collaborative efforts as a result of the pandemic. Pandemic responsive collaborations were particularly common in Hong Kong, Indonesia and the Philippines, where 80% or more of SDOs collaborated with others.[viii]

What is also interesting to note is the pragmatism of these collaborative efforts. Organizations came together because the need was too great for any single actor to address alone and new partnerships were called for.

The most prevalent types of partnerships for SDOs were with government agencies, with 75%



Who did SDOs collaborate with during Covid?



of respondents entering into collaborations with government at the national, state or local level. Local efforts were the most common. As noted in our *DECODED: Asia's Social Sector Takes on Covid-19* report, almost half of SDOs that entered into collaborations did so with local government.[30] These efforts served to help with the provision of Covid-relief, including the distribution of medical supplies, support packages and food aid, and to help drive vaccination efforts.

There was also noticeable partnering between SDOs and corporations. **In five of the 17 economies surveyed, a majority of SDOs who entered into new partnerships did so with corporations, often to distribute donated Covid supplies and provide informational outreach**. As with the government collaborations, many of these new SDO-corporate partnerships were local efforts at the grassroots level. Meanwhile, in those economies receiving bilateral aid, such as Nepal, Bangladesh, Cambodia and Vietnam, SDOs worked with aid agencies to provide pandemic response services and health supplies. The box on the right provides examples of the types of collaborations and partnerships that sprung up in response to the unprecedented challenge of the pandemic.

Increased use of technology

During the pandemic, many people and organizations in an array of sectors leaned into the use of technology to

[viii] Actual figures are Indonesia 89%, the Philippines 83% and Hong Kong 80%.

COVID-19 COLLABORATIONS

Across Asia, SDOs partnered with other SDOs, companies and government to provide meals, health care supplies and information to those in need. Many of these partnerships sprung up in real time, and were informal and extremely important in helping the most vulnerable weather the storm caused by the pandemic.

Partnering with SDOs

SDOs most commonly worked together with other SDOs. In China, when Covid-19 first hit in Wuhan, the Ginko Partners in Action project mobilized more than 30 organizations to provide necessary pandemic support. Similarly, Nanjichang Food Bank in Taiwan worked with a group of SDOs and companies to deliver food packages and pandemic prevention supplies in Taipei's Wanhua District, which had become a pandemic hotspot.

In India, several formal large-scale collaborations were established to fight the pandemic. For example, more than 60 civil society organizations came together under the banner "Rapid Rural Community Response to Covid-19" (RCRC) to enable quicker response efforts in rural areas. The collaborative has reached more than six million families across 12 states.[31] Another such collaborative is COVIDActionCollab (CAC), consisting of 323 networks and organizations, which continues to provide support to more than 10 million people across India.[32]

Partnering with companies

SDOs also partnered with companies, mostly to support the distribution of food, medical supplies and other necessities to those in need. In Indonesia, the Greeneration Foundation worked in partnership with Coca-Cola Foundation Indonesia to help protect waste pickers and waste operators from exposure to infectious medical waste by providing hygiene kits, personal protective equipment (PPE) and information.[33]

Asian companies also worked together with government, often at the local level. For example, as highlighted in our Public-Private Partnership for Social Good Report, in response to widespread school closures, Tencent Education immediately adapted its online learning platform to support regional education bureaus and schools to ensure continuity in learning when classrooms were closed.[34]

Partnering with government

SDOs also collaborated with government. Philippine Business for Social Progress (PBSP) partnered with the Philippines' Department of Health to re-allocate funds from its ACCESS TB project to purchase medical supplies and equipment to support the Covid-19 response.[ix,x] And during the Covid lockdown in Nepal, the Nepal Human Rights Commission partnered with various civil society and professional organizations to monitor human rights issues, including the effectiveness of government initiatives, the availability of health facilities and people's access to justice.[35] In China, the Han Hong Love Charity Foundation worked with the Hubei Disabled Persons' Federation to provide support to affected people with disabilities.[36]

continue their work or schooling or even just to stay in touch with their friends. Those in the social sector were no exception. SDOs that could provide online services or utilize technology to carry out their offline work adapted accordingly. Those without sufficient technical know-how or requiring in-person interaction experienced a dent in their services.[37]

Our data attests to these trends. Overall, **more than half (55%) of SDOs saw an increase in online services**, with Hong Kong (80%), Singapore (68%) and Nepal (65%) reporting the highest uptick in this regard.

SDOs also incorporated technology in day-to-day operations, with 68% reporting increased use of technology. The economies which saw the most use were

[ix] Philippines Business for Social Progress (PBSP) is the Philippines' largest business-led NGO. It channels corporate resources from its 260+ members to nationwide programs related to health, education, livelihoods and the environment.

[x] The ACCESS TB (Advancing Client-Centered Care and Expanding Sustainable Services for TB) project is a program funded by the Global Fund and implemented through PBSP.

Hong Kong (86%), Indonesia (85%) and Singapore (85%). Utilizing technology in an efficient and suitable manner requires expertise: many organizations needed to spend to build the capacity of their teams to acquire these skill sets. There is an opportunity here for companies to step in. Corporate volunteers can provide crucial professional skills and expertise as well as pro bono training and capacity building.

One somewhat surprising finding is the degree to which SDOs did not expand their online fundraising. As discussed in the following chapter, only 20% of surveyed SDOs reported an increase in online fundraising since the pandemic. With the exception of China, where crowdfunding for social causes has greatly increased in recent years, the rest of Asia has not embraced online fundraising. This will likely change as people and organizations become more familiar with online tools and opportunities.

Needs and support

As noted in the introduction, the pandemic did not introduce any new trends as much as accelerated trends in play. The most significant for the vitality of the social sector as a whole and individual SDOs specifically is the continued plea for additional resources. **Most SDOs were cash-strapped before the pandemic and became even more so during the crisis. If they survive, they are likely to remain in need of more funding in the post-Covid world**. The need for funding is so acute that we have pulled out relevant data for a separate section in Chapter 3.

When queried about top needs for the following 12 months, 73% of respondents said funding. Funding was the most important need for most SDOs in 16 of the 17 economies.

Top 3 needs of SDOs over the next 12 months

Beyond funding, other needs are critical but suggest a positive aspect to the pandemic: the social sector's ability to find innovative solutions to community problems. Why? Because **after funding, SDOs and experts called for upskilling, support with digitization and more collaborations**. Over time, if SDOs can onboard more skills, more technology and more partnerships, they will certainly continue to play an important, even critical, role in helping the most vulnerable in our communities.

But as we discuss further in the ecosystem chapter, to equip themselves properly, organizations must have flexible funding that can be deployed to meet these essential needs. 61% of SDOs in Asia believe that Covid has not made donors more inclined to provide unrestricted funding and cite various reasons why this was the case.

The government is seen as the most critical to the social sector's continued viability. By creating a conducive regulatory environment, providing grants and loans, and offering financial incentives toward giving and procuring services from nonprofit organizations and social enterprises, it is government that can determine whether or not the social sector thrives.

Outlook

As mentioned at the top of this chapter, the social sector has stepped up during the pandemic, with many SDOs pivoting to provide additional care, while often continuing, to the extent possible, to carry out the services they render in normal times. The organizations surveyed reported an improvement in how they are valued in society. 77% believe that the social sector is seen as more important by their communities than before the pandemic.

The main reasons were increased visibility and recognition of the social sector's work on the front lines of Covid-19 response and reaching those in need. There is an expression that one is only as strong as the weakest link. The pandemic illustrates how true this expression is. In Singapore, it was the migrant worker community, with their inadequate health care and cramped living quarters, that became a source of infection. In Hong Kong, it is the elderly who are at the greatest risk and pose the most serious problem for the city as a whole.

56% of SDOs are optimistic about the future of the social sector in their economy

61% of SDOs are optimistic about the future of their organization

We must take care of our most vulnerable as we are all linked and, as the pandemic has shown, we are in this together. This knowledge is mirrored by the data, with 61% of SDOs surveyed saying they feel optimistic about the future of their organization and 56% feeling positive about the social sector in general. Without a doubt, the social sector has been and continues to be an integral partner in the health and well-being of our societies.

CHAPTER 3

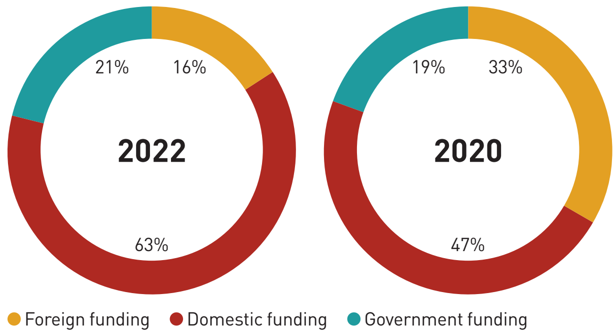
FUNDING

Resources for Doing Good

Funding is the lifeblood of the social sector, enabling social delivery organizations (SDOs) to operate, execute programs and services, and deliver on their mission and vision. Financial support for the sector stems from a variety of sources, domestic and international, including individuals, foundations, corporates and government. The pool of funding available to SDOs is one of the most critical indicators of the health of an economy's social sector. So it seems befitting that in the third iteration of the *Index*, we dedicate a section delving into the funding landscape of Asia's social sectors. We look at the breakdown in SDO funding sources across the region, identify changes and trends, and point to opportunities to increase the flow of capital toward doing good.

Our data makes one thing clear: **the funding landscape for SDOs in Asia has undergone significant change in recent years, and organizations have had to recalibrate**. A crucial driver of this has been the decline in the flow of foreign funding to the region. While the factors influencing this varied by economy, the trend is evident as foreign funding, as a proportion of a surveyed SDO's budget, has halved, from 33% in 2020 to 16% in 2022. The impact of this decline was further exacerbated as donors, compelled by the pandemic, cut back or redirected their funding toward relief efforts. Almost half (47%) of the SDOs saw a decrease in the number of donors, and the same percentage saw their income

Proportion of SDO funding 2022 vs 2020



FUNDING SOURCES

Foreign funding

- **Foreign funding:** funding from foreign foundations (such as Ford Foundation or Bill and Melinda Gates Foundation), bilateral or multilateral agencies (such as the US Agency for International Development (USAID), Australian Agency for International Development (AusAID) or United nations) or foreign individuals.

Domestic funding

- **Funding from local foundations or local individuals, including crowdfunding:** This does not include funding from local corporate foundations; they are part of corporate funding below.
- **Corporate funding:** Funding from corporate foundations or corporate entities (local and foreign). Includes CSR, corporate sponsorship and in-kind donations.
- **Income from sales:** Income earned through the sales of products or services.

Government funding

- **Government grants:** Grants given to SDOs by the government.
- **Government procurement:** Income earned from providing social services commissioned by the government.

decline over the last financial year.

But the social sector is regrouping and turning to domestic sources of support. Some governments in the region are also enacting policies to encourage greater philanthropic giving, and some are even stepping in to help fill the funding gap. Funding from government, as a proportion of an SDO's budget, saw an uptick from 19% in 2020 to 21% in 2022. Some governments, such as China, have significantly increased government funding to the sector through grants and procurement opportunities. There is room for other economies to follow suit and improve both the availability and accessibility of government funding opportunities for SDOs.

"Asia for Asia" philanthropy can also help fill the funding gap. While the Covid-19 pandemic has pushed millions of people in the region into poverty, Asia's philanthropists are well equipped to rise to the challenge. The Asia-Pacific region is poised to host almost a quarter of all ultra-high-net-worth individuals (UHNWIs) by 2025, a 17% increase compared to a decade ago.[38] This presents a unique opportunity to leverage a considerable pool of wealth to tackle systemic challenges through poverty alleviation and environmental protection and by promoting societal resilience. And this rise in domestic funding is already underway. The *Doing Good Index 2022* saw combined funding from domestic sources—individuals and companies—increase from 47% to 63% as a proportion of an SDO's budget between 2020 and 2022.

Foreign funding

Traditionally an important source of funding for Asian SDOs, especially those in emerging markets, foreign funding is declining.[xi] This is evidenced by a drop in both the number of SDOs receiving foreign funding and the share it contributes to an SDO's budget. There are several reasons for this:

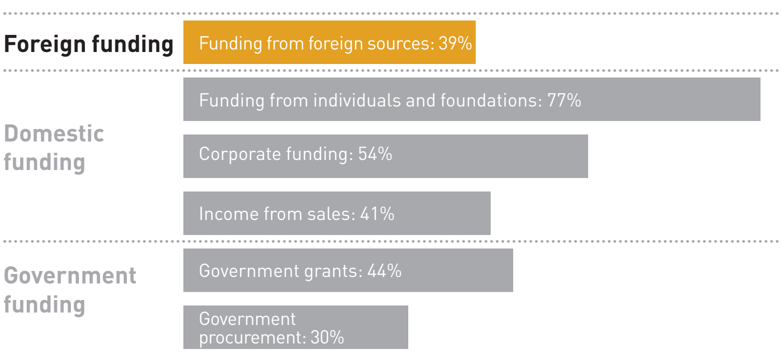
- Local charitable giving being more focused on local community responses in the wake of the pandemic.
- Foreign aid diminishing as a result of increased regional affluence.
- The tightening of regulations on incoming donations.

Eight out of 17 economies place some form of restrictions on the inflow of foreign funding. SDOs are bearing the brunt of this. 20% of organizations surveyed for the *Doing Good Index 2022* reported that the government can best support their organization by making it easier to receive foreign funding.

While the majority of SDOs in some of the more developed economies in Asia receive virtually no foreign funding, those in less developed economies rely more heavily on overseas development aid; and grants from multilateral and bilateral agencies and foreign foundations. This includes Cambodia, Nepal and Vietnam, where foreign funding comprises over 70%, by proportion, of an SDO's budget.[xii]

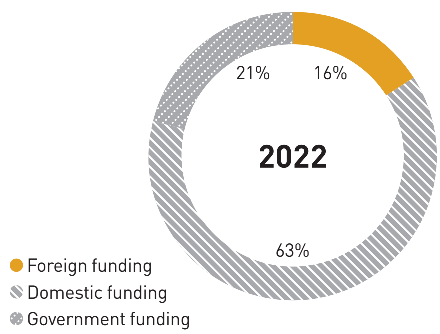
Foreign funding as a proportion of an SDO's budget declined in all but three economies: Cambodia, India

Prevalence of foreign funding*



* % of SDOs receiving each type of funding

Foreign funding as proportion of an SDO's budget*#



* Based on data from the last complete financial cycle at the time of data collection.
# Any discrepancies in percentage totals is due to rounding.

[xi] Foreign funding is funding from foreign foundations, bilateral or multilateral agencies and foreign individuals.
[xii] Actual percentages are Cambodia (88%), Nepal (71%) and Vietnam (71%).

and Nepal. Regardless of the cause, this decline has ramifications for SDOs across the region. Looking ahead, experts in Bangladesh, Nepal, the Philippines, Sri Lanka and Vietnam identified foreign capital as the most critical source of funding for SDOs in their economy over the next two years. Reformulating funding sources takes time: about a fifth (21%) of those surveyed still consider foreign funding to be the most important funding source over the next two years.

Faced with less foreign funding, SDOs in Asia are adapting. Most commonly, organizations experiencing a shortfall in foreign funding are approaching more domestic donors to bridge the funding gap (61%) and/or cutting administrative and overhead costs (58%).

Domestic funding

Funding from individuals and foundations

Domestic funding from individuals and foundations is the main source of income for Asian SDOs.[xiii] On average, 77% of SDOs surveyed for the *Index* receive funding from local individuals and foundations—the highest across the six sources of funding that we examined. This ranges from 50% of SDOs in Cambodia to 97% in Hong Kong.

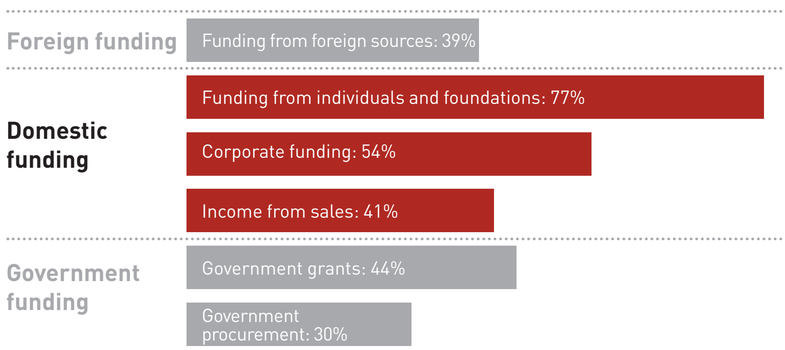
Funding from local individuals and foundations also comprises a significant share of an SDO's budget, constituting 39% by proportion—more than double that of foreign funding, the next largest source. It amounts to the largest share of an SDO's budget in Hong Kong, Sri Lanka and Taiwan, and the smallest in Cambodia, Vietnam and Nepal. Over a third of SDOs surveyed (36%) reported that between 51% and 100% of their income came from domestic funding over the last financial year.

The importance of domestic funding cannot be overstated, with a quarter of SDOs in Asia considering funding from local individuals and foundations to be the most critical for their organization over the next two years.

The flow of funding from these sources has also increased. A third (31%) of SDOs across the region reported that their income from domestic sources has risen over the last financial year compared to the previous year. This was highest in China (65%), Taiwan (42%), Singapore (41%) and Hong Kong (40%). Of those SDOs that saw their domestic funding grow, 64% reported an increase of up to 25%, while just under a fifth (18%) said it went up between 25% and 50%.

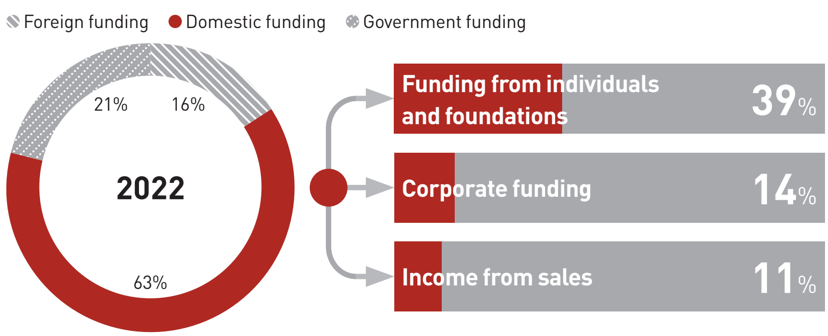
Despite the uptick in funding from individuals and foundations, 76% of SDOs believe the overall level of domestic giving is low, pointing to the need for improvement. This sentiment was highest in Nepal and Cambodia, where 92% and 89% of SDOs, respectively,

Prevalence of domestic funding*



* % of SDOs receiving each type of funding

Domestic funding as proportion of an SDO's budget*#



* Based on data from the last complete financial cycle at the time of data collection.
\# Any discrepancies in percentage totals is due to rounding.

[xiii] Domestic funding is funding from local foundations or local individuals, including crowdfunding. Donations from local corporate foundations are not included; they are part of corporate funding.

believe that domestic funding could be better. The top two reasons identified for low levels of giving across Asia are that people prefer to give directly to beneficiaries and people not having have enough resources to donate.

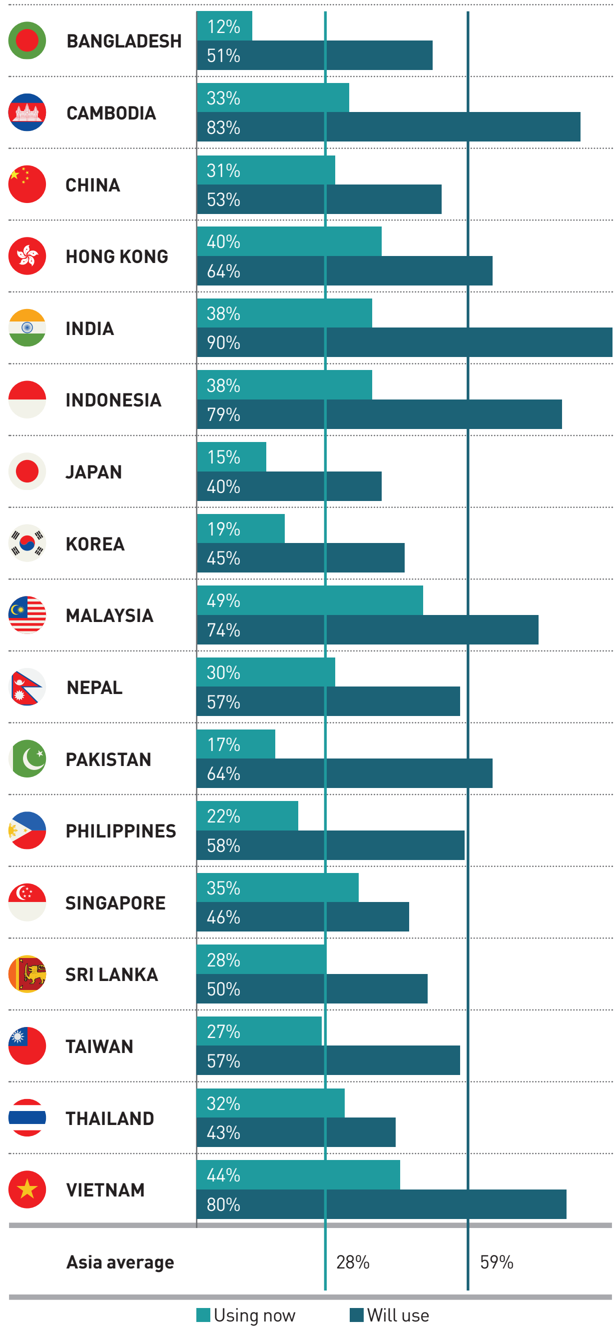
The preference to give directly to those in need may explain why some Asian economies (for example, Indonesia and Thailand) perform well on the *World Giving Index*, a measure of charitable giving and volunteering.[39] Charitable giving is deeply embedded in many Asian cultures but remains distinct from philanthropy, which is a more strategic and institutionalized process of giving, focused on addressing the root cause of the challenge. To achieve long-term and systemic change in Asia, it is imperative for society to develop a better understanding of the need for institutional infrastructure and within this, the value-add of SDOs. It is incumbent for social delivery organizations to better tell their stories and help others in the community understand the contributions they make.

Another means to foster greater giving is by having a nationwide giving day or giving week. This can be driven by corporations (Tencent's 99 Giving Day) or government (Singapore's Giving Week). A nationwide giving day or week shines a light on the social sector and legitimates funding SDOs: 73% of SDOs believe that having a designated week or day can encourage giving. Currently, only seven economies have such events: China, India, Korea, Malaysia, Pakistan, Singapore and Vietnam. Read more about giving days in Chapter 6.

Online fundraising, including crowdfunding, offers an opportunity for SDOs to leverage technology to attract additional funding.[xiv] For many SDOs, Covid-19 further accelerated this trend. 20% of surveyed organizations reported an increase in online fundraising since the start of the pandemic. However, the adoption of online fundraising tools remains slow. While almost 60% of Asian SDOs reported an intention to use crowdfunding in the future, actual uptake remains limited with only 28% of respondents currently using it. Crowdfunding is most common in Malaysia (49%), Vietnam (44%) and Hong Kong (40%) and lowest in Bangladesh (12%), Japan (15%) and Pakistan (17%).

Why this is the case? Despite its popularity in other parts of the world, crowdfunding remains relatively new with many parts of Asia lacking appropriate infrastructure and regulatory oversight. Across the 17 economies covered by the *Index*, crowdfunding is

Crowdfunding: now and in the future



[xiv] Crowdfunding is the practice of leveraging the internet to fund a project or venture by raising small amounts of money from a large number of people.

regulated in just over half. In many economies, the transactional cost of crowdfunding is also high, making for an inefficient fundraising tool. Many SDOs are also struggling with digitalization due to a lack of technical expertise, the cost of equipment and inadequate internet infrastructure.[40] There is an opportunity here for companies to step in and provide financial or non-financial support to build digital capabilities. Nevertheless, despite these challenges, the future of crowdfunding remains promising with the Asian market projected to reach US$90.3 million in 2022.[41]

Corporate funding

Corporate support can offer much-needed resources for SDOs, but there is room for growth across Asia.[xv] 54% of SDOs surveyed received corporate funding. This is highest in Hong Kong, Taiwan and the Philippines, where 85%, 78% and 75% of SDOs received corporate funding, respectively. Nevertheless, there is scope for companies to play a greater role as funding from corporations comprises only 14%, by proportion, of an SDO's funding sources.

Corporate funding to SDOs has declined compared to previous years. 41% of SDOs that received corporate funding saw this decline this year compared to the year prior. This can largely be attributed to Covid-19. As restrictions rolled out across the region, many SDOs were forced to cancel crucial corporate fundraising events. Moreover, experts in seven of the 18 economies expressed concerns about "zero-sum-CSR" as companies diverted CSR funding toward pandemic-related efforts and away from other programs.[42] Pressure on companies to donate to government Covid relief funds also diverted much-needed resources away from SDOs. Corporate funding remains a lifeline for many SDOs, and the decline is concerning. For them, a funding decline can be detrimental to their programs and operations.

There is an opportunity for companies to step up and increase support—both financial and non-financial—for the social sector. 20% of SDOs consider corporates to be the most critical source of funding for their organization over the next two years. Beyond funding, SDOs believe that companies can best support their organization by donating products (computers, software etc.) and lending technical expertise (accounting, legal, technology support etc.).

Income from sales

SDOs are diversifying their funding sources by generating income through sales of products and services. 41% of SDOs currently receive income from sales, and 39% plan to generate revenue through sales in the future. However, sales income comprises only a small proportion (11%) of an SDO's funding sources.

SDOs surveyed for the *Doing Good Index* include nonprofit organizations, and for-profit and nonprofit social enterprises or social ventures that follow business principles to meet a social or environmental need. For these organizations, selling of a product or service is often integral to their business plan. As discussed in Chapter 6, **interest in social enterprises continues to grow in Asia**. 82% of SDOs said donors are showing more interest in social enterprises, and 41% reported a significant increase in social enterprises in their economy in the last two years.

As with most other funding sources, income from sales has been negatively impacted over the last two years. Of those receiving income from sales, 53% reported a decline over the last financial year compared to the previous year.

Government funding

Governments in Asia loom large. They determine the regulatory and policy parameters within which SDOs operate and signal support for the sector through fiscal incentives and institutional recognition. But governments also provide social sector organizations with much-needed funding through grants and/or through procurement contracts.

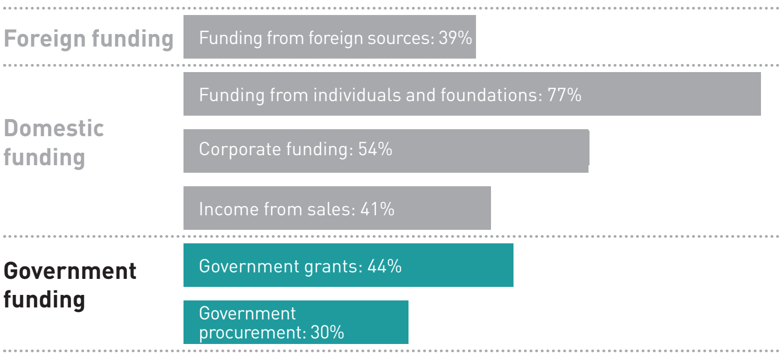
Government grants

Most Asian governments offer grants to support the social sector. 44% of SDOs surveyed receive funding from government grants, a significant increase from 29% in 2020. Singapore leads the pack, with 80% of SDOs receiving government grants, followed by Taiwan (68%) and Japan (66%).

In Singapore, where the government plays a central role in fostering the social sector, SDO reliance on government grants is over double the Asian average of 29% as a proportion of an SDO's budget.[43] The Tote Board, a government body that allocates gambling profits to

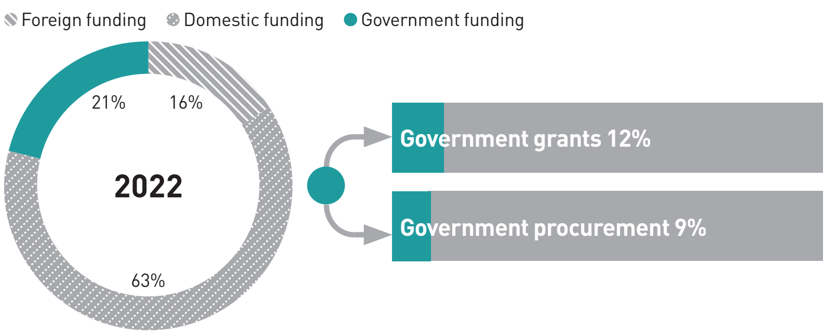
[xv] Domestic Corporate funding is funding from corporate foundations or corporate entities (both local and foreign). It includes CSR, corporate sponsorship and in-kind donations.

Prevalance of government funding*



* % of SDOs receiving each type of funding

Government funding as proportion of an SDO's budget*#



* Based on data from the last complete financial cycle at the time of data collection.
\# Any discrepancies in percentage totals is due to rounding.

charity, stands out as one of the largest donors to the sector.[44] Many Singaporean SDOs also engage in social service delivery under government contracts.

But SDO reliance on grants remains relatively low. Government grants comprise only 12%, by proportion, of an SDO's funding sources in Asia. In nine economies, its proportion comprises approximately 1%.

Government procurement

Government procurement from the social sector is on the rise. 30% of SDOs surveyed received funding from government contracts, up from 26% in 2020.[xvi] Income from procurement contracts as a share of an SDO's budget varies by economy. On average, government funding makes up only 9%, by proportion, of an SDO's budget but goes as high as 55% in China.

Reliance on government funding differs across the region and is influenced by the relationship between government and the social sector. In China, the social sector's reliance on government funding is high. Half of the surveyed SDOs see government funding as the most critical source of funding over the next two years. 72% of SDOs in China receive funding from government contracts, more than double the Asian average. As discussed in the *Doing Good Index 2020*,

WHAT IS A GOVERNMENT GRANT?

Government funding in the form of grants allows government to donate to the social sector. It is financial assistance awarded by the government to an organization with no expectation of repayment.

Grants can be direct or indirect. A **direct grant** is funding provided to an organization by a government entity or intermediary organization that serves as a proxy. An **indirect grant** is funding that an organization receives through a third party, for example, via a national lottery, from the government. In Japan, proceeds from the national lottery are used to fund a host of projects, including social education, social welfare and other public interest initiatives. Revenues from auto, horse and boat racing are also used to subsidize public welfare programs in the fields of culture, education and social welfare, and the maintenance of public facilities by local governments.

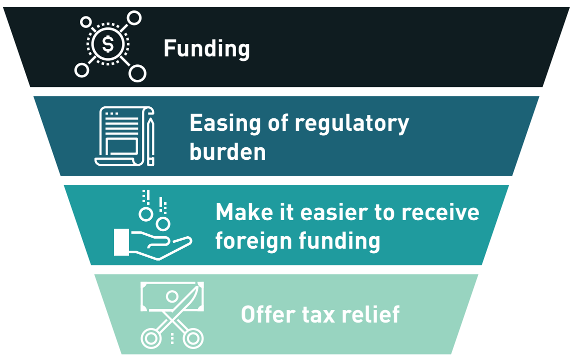
[xvi] Government procurement is income earned by SDOs from providing social services commissioned by government.

government procurement from the social sector is one of the most significant reforms in government-social sector relationships in China in recent years.[45] Through this dedicated effort, the government has figured out how to effectively work with the social sector to deliver necessary services as well as bridge the funding gap left by a decrease in foreign funding.

In other economies, such as Bangladesh and Cambodia, SDOs receive very little funding from government despite delivering a significant share of social services.[46] Government funding opportunities are fewer, and even when they are available, SDOs reported significant challenges in accessing such opportunities.

Governments across Asia can play a vital role in plugging funding gaps. But improvement is needed in both availability and accessibility. 66% of SDOs surveyed reported difficulty accessing information about government grants and applying for them. The majority also reported difficulty accessing information about procurement opportunities (64%) as well as challenges in winning government contracts (70%).

What kind of support do SDOs seek from government?



CHAPTER 4

REGULATIONS AT A GLANCE

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

Key findings

The ease of registering as a social delivery organization (SDO) varies across Asia. Registration requires from one up to seven clearances. And the time it takes ranges from five days to as long as a year.

Fundraising restrictions vary across the region. Most economies have laws governing domestic fundraising. Eight require approvals and clearances for foreign fundraising, up from six in 2020. Nine restrict the flow of funds across the border.

Changes in laws governing foreign funding in more than half of the economies are making it more difficult for SDOs to raise foreign funds. This is particularly problematic for SDOs in low- and middle-income economies where foreign funding remains an important source of income.

Governments in all 17 economies make laws pertaining to the social sector publicly available, but fluctuating regulations, red tape and inconsistent enforcement are common challenges. 57% of survey respondents said laws are difficult to understand and 41% believe they are not enforced consistently.

Reporting requirements to encourage transparency and accountability in the social sector are in place across Asia. All 17 economies have mandated at least one reporting measure, with 15 out of 17 economies having four or more. But in some economies, reporting requirements are voluntary, and records are often not made publicly available.

Governments are engaging the social sector in policy consultations but in a sporadic fashion. While government consultation with the social sector is becoming increasingly common, it remains largely informal and infrequent. 31% of SDOs in Asia reported not being involved in discussions on policy.

Japan, Sri Lanka and Taiwan are the top performers in this sub-index. The relative ease of registration, unrestricted flow of funds and comparatively straightforward regulations make it easier for SDOs in these economies to establish and operate. Both Sri Lanka and Taiwan have a single-window facility for setting up nonprofits. Registration for SDOs in Sri Lanka is among the easiest in Asia while Taiwan and Japan allow unrestricted foreign and domestic fundraising.

Bangladesh, Nepal and Vietnam sit at the other end of the spectrum. Burdensome registration processes, weak accountability and restricted flows of funds are holding these economies back. Vietnam is the only economy in our *Index* that holds neither board members nor senior staff legally liable. SDOs in Bangladesh incur some of the most lengthy and expensive registration processes in the region while Nepal places restrictions on all types of fundraising. SDOs in all three economies remain heavily reliant on foreign funding.

Key indicators

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

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

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

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

17/17 economies have publicly available laws

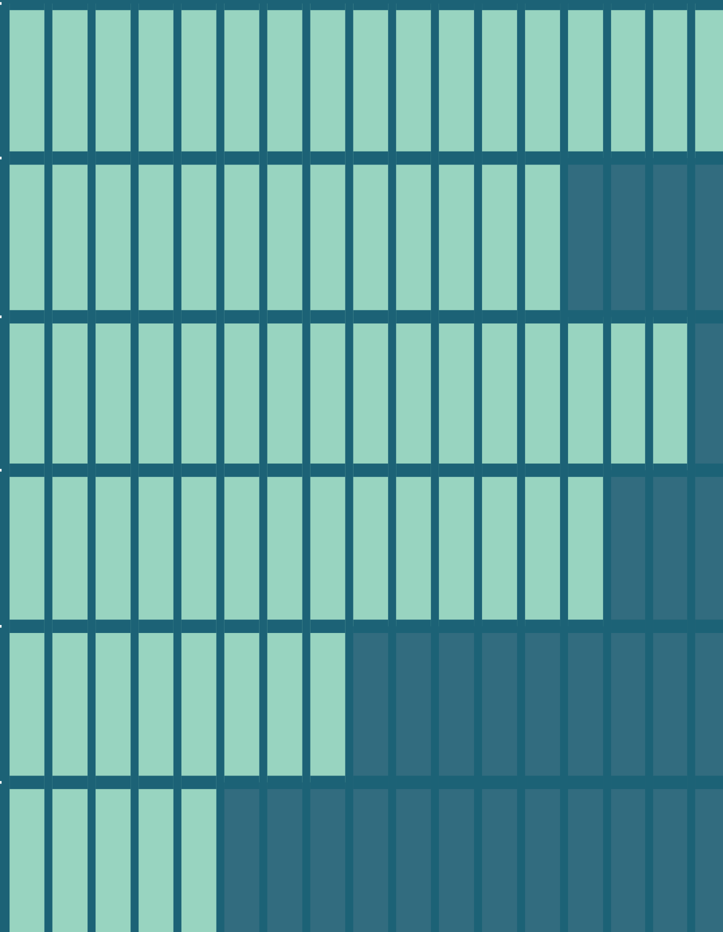
13/17 economies require 4 or less clearances to register an SDO

16/17 economies hold board or senior staff members legally liable

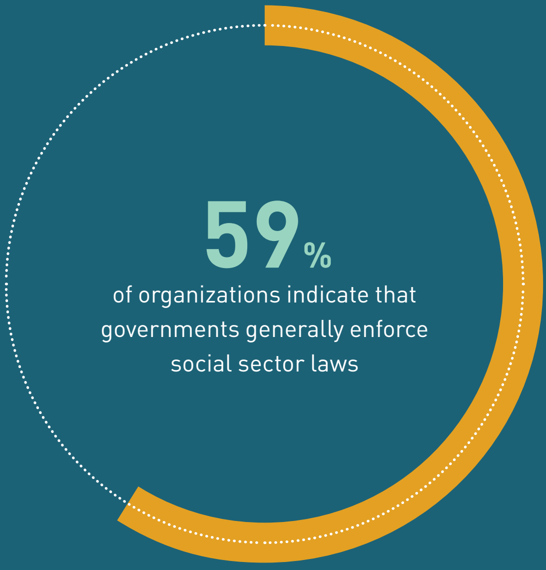
14/17 economies require disclosure of an annual report

8/17 economies place no inhibitors on receipt of foreign funding

5/17 economies have no significant restrictions on domestic fundraising



57%
of organizations find relevant laws difficult to understand



59%
of organizations indicate that governments generally enforce social sector laws

CHAPTER 4

REGULATIONS

Ease of Doing Good

Lack of trust hinders the flow of private social investment to the social sector.[47] Regulations can mitigate this trust deficit by increasing transparency, promoting competition and ensuring efficient distribution of philanthropic resources.[48,49] Regulations can also provide mechanisms that allow SDOs to demonstrate and showcase the positive role they are playing in society. However, enacting effective regulations is a delicate balancing act; excessive rules can be a drain on SDOs' organizational resources and create barriers to giving and receiving.[50] The Regulations sub-index evaluates the nature of this balancing act through four groups of indicators:

- **Efficiency:** Procedures for registering and operating an SDO should be transparent and efficient to create an even playing field and allow easy access for new entrants.
- **Flow of funds:** Unfettered flow of foreign and domestic funds is essential for critical sources of revenue to reach projects and institutions with the greatest need, regardless of location.
- **Accountability:** Regulations that enshrine accountability and transparency play an important role in building trust in the social sector, which in turn can unleash greater private social investment. Enforcement of laws and regulations is also key to ensuring their effectiveness.
- **Communication:** For laws and policies to be effective, they need to be easy to understand and clearly communicated. Another piece of the communication puzzle lies in the mechanisms and infrastructure that allow governments and SDOs to collaborate.

The regulatory frameworks governing Asia's social sectors have undergone significant change since the publication of the inaugural *Doing Good Index* in 2018. Many economies have witnessed a tightening of laws and regulations governing the social sector. In some, this tightening signals an increased recognition of the importance of a robust regulatory framework to support SDOs. In others, it is a manifestation of a growing unease of the sector by the government and the deepening of government control and oversight. Some economies are experiencing both developments in tandem, causing confusion and sending conflicting messages.

Legal reforms and policy changes have been particularly significant in the last two years. Whether a short-term response to tide over the Covid-19 pandemic or indicative of longer-term systemic change, what is evident is that Asia's social sector is in a state of flux. And we are watching closely as this unfolds.

Efficiency

SDOs in Asia can benefit greatly from transparent and efficient registration and operational processes. Clear and swift registration procedures open up the sector to new entrants and help build a thriving ecosystem.

Some economies make it easier for an SDO to set up shop than others. While most economies avoid placing onerous registration requirements on SDOs, some have made it more burdensome. On average, the time needed to acquire registration clearances has increased.

The number of clearances required ranges from just one to seven. Thirteen economies require four or fewer to establish. Three economies—Cambodia, Malaysia and Sri Lanka—stand out with only one clearance required for aspiring SDO founders. And four economies require five or more clearances: Pakistan requires seven, Bangladesh six, and the Philippines and Vietnam five.

It takes four months on average to register an SDO in Asia. Registering an SDO is quickest in Malaysia, taking less than a week. The slowest registration process is in Hong Kong, where it can take up to a year to receive tax-exempt charity status. The time it takes to register an SDO in the region has increased, on average, by almost 30%. This may partly be attributable to Covid-19, which resulted in strict lockdowns and delays in bureaucratic processes.

Registration is practically free in eight economies, but the costs vary in the others. Registering an SDO is most expensive in Singapore.

A single-window facility overseeing the social sector can help ease an organization's administrative burden when engaging with the government. Only six economies have a single-window facility: Bangladesh, Cambodia, China, Nepal, Sri Lanka and Taiwan. In other economies, the number of regulatory bodies overseeing the social sector ranges from three in Hong Kong to as many as 43 in Korea (at the local and national levels). While single-window facilities help facilitate the registration and operation of SDOs, they can also increase government scrutiny of their activities.

6 economies have a single-window facility overseeing the social sector

Flow of funds

Smooth and unrestricted flows of funds are essential to ensure critical sources of funding reach the social sector. Together, domestic and foreign funding make up 79% of an SDO's funding sources, although the relative importance of these funding sources differs across a region comprising a range of economies (see Chapter 3).[xvii] While more developed economies receive virtually no foreign funding, for many emerging economies, it remains a critical funding source for SDOs. Regardless of the funding source, when giving and receiving is easy, funds can be allocated to projects and organizations more efficiently. The policymaking challenge, however, lies in improving accountability and reducing opportunities for abuse without creating unnecessary obstacles for donors and SDOs.

Domestic fundraising requires clearances in some parts of Asia. Twelve economies have laws governing domestic fundraising. In Bangladesh, Nepal and Taiwan, SDOs require permission for all forms of domestic fundraising; in the remaining economies, organizations need authorization for certain types of fundraising activities such as soliciting street donations or setting up a crowdfunding platform.

More governments are restricting the inflow of foreign funding. Eight economies have regulatory and often burdensome requirements for receiving cross-border donations, up from six in 2020. Restrictions on foreign funding include prior government approval for receiving international funds, capping the amount of foreign funding SDOs are allowed to receive and restricting activities that this funding can be deployed toward.

The number of clearances required to receive foreign capital ranges from one in Bangladesh, India, Indonesia, Malaysia, Nepal and Pakistan to as many as nine in Vietnam. On average, it takes six months to obtain the necessary clearances to receive foreign funding, up from four months in 2020. In India, due to changes in the Foreign Contribution (Regulation) Act (FCRA), obtaining the necessary approvals to receive foreign funding can take as long as two years.[51] This is almost double the amount of time it took in 2020, placing a significant burden on the 45% of surveyed SDOs in India receiving foreign funding.

In some economies, changes to laws and policies relating to the receipt of foreign funding have led to increased uncertainty and a dampening effect on foreign donations in more than half of the economies included in the *Index*. Experts in these economies agree that these changes have made it harder for SDOs to receive foreign funding.

Take, for example, Vietnam. As outlined in the box on the profile on page 41, the introduction of Decree No. 80/2020/ND-CP in 2020 added a significant administrative burden and delay for Vietnamese SDOs to receive foreign funding.[52] From two approvals in 2020, SDOs now need to

6 months

The average time required to obtain clearances for receiving foreign funds in 8 Asian economies*

* SDOs in 9/17 economies are allowed to receive foreign funds without any clearances.

[xvii] The rest comes from the government in the form of grants and/or procurement.

seek authorization from up to nine different government agencies, a process taking up to six months. Similarly, under recently introduced changes to anti-money laundering regulations, experts shared that Malaysian SDOs need to obtain permission to receive foreign funding, but the exact requirements aren't explicitly outlined in the legislation, leaving SDOs uncertain about what to do.

Why are governments scrutinizing foreign funding? Regulatory oversight on cross-border philanthropy can serve as a tool for governments to prevent money laundering and counter terrorism funding. But governments are also becoming increasingly wary of foreign funding to SDOs as it is seen as a channel for unwanted foreign influence and a threat to political stability.[53]

Restricting foreign donations can prevent foreign aid when it is desperately needed. This became especially apparent in India in mid-2020, when it was particularly hard hit by a Covid-19 wave and in dire need of support and medical supplies, galvanizing many individuals, companies and nonprofits to raise funds and supplies. Yet the sweeping changes to India's law governing foreign donations essentially choked off foreign aid. Under the guise of improved compliance and accountability, the changes have made it near impossible for local NGOs to receive foreign funding in a timely manner, almost paralyzing some nonprofit organizations at a time when funds were most needed.

Regardless of the regulatory motivation or justification, restrictions on raising foreign funds can severely limit the activities and operations of SDOs in the region. Almost 40% of SDOs surveyed received some form of foreign funding, making up 16%, by proportion, of an SDO's budget. Reliance on foreign aid remains particularly high among low- and middle-income economies. In Bangladesh, Cambodia, Indonesia, Nepal, Pakistan, the Philippines, Sri Lanka and Vietnam, more than 50% of surveyed SDOs benefitted from foreign funding. Almost half of the SDOs receiving foreign funding saw a reduction in those funds. As a result, SDOs are looking at scaling back operational costs and increasingly turning to domestic donors.

More economies are placing restrictions on sending donations abroad. In 2022, nine economies covered in the *Index* restricted philanthropic capital from going beyond their borders, up from six in 2020. Nepal, Sri Lanka and Vietnam completely prohibit sending donations abroad, while Bangladesh, China, India, Malaysia, Pakistan and Thailand place restrictions on the outflow of funds. In some economies where the social need is significant, it could be argued that restricting sending money abroad could be a way to encourage domestic philanthropy. Whether this does indeed have this effect remains to be seen.

Accountability

Trust is exceptionally important for SDOs, especially in economies where their reputation has been tarnished by front-page scandals. Such scandals featured breaches such as misuse of funds, inappropriate staff conduct and unethical fundraising tactics. What does it take to (re)build trust in SDOs? Regulations that entrench greater transparency and accountability within the social sector are major pieces of the trust-building puzzle.

Reporting requirements and governance rules ensure accountability and transparency, but they can also add undue administrative burdens. More than half of SDOs surveyed believe their government's reporting requirements ensure accountability and greater transparency in the sector. This can raise donor confidence in SDOs, which in turn can unleash more private social investment. Yet, almost half of SDOs surveyed also say that the reporting requirements have a high administrative burden. Moreover, when asked how governments can best support their organization, nearly a quarter cited the easing of regulatory requirements. In the Philippines, 58% reported this as their primary wish for government action.

Mandatory reporting requirements are in place across Asia to encourage more transparency and accountability in the social sector. All 17 economies

Reporting requirements for SDOs

17/17	economies require publishing articles of incorporation
15/17	economies require disclosing list of board members
14/17	economies require audited financial accounts
14/17	economies require publishing annual reports
14/17	economies require disclosing amendments to any of the above

Governance requirements for SDOs

14/17	economies require SDOs to have a board of directors
13/17	economies require maintaining minutes of board meetings
13/17	economies require retaining key internal documents
9/17	economies require a code of conduct policy
7/17	economies require the formation of an audit committee
7/17	economies require a conflict of interest policy
6/17	economies require a whistleblower protection policy
3/17	economies require a gift policy

require registered SDOs to comply with one or more reporting requirements, with SDOs in 14 out of 17 economies required to submit annual reports and disclose audited accounts. Articles of incorporation are mandatory in all economies.

There are various other policies in place across much of Asia to instill more accountability and transparency. Fifteen economies require SDOs to have a board, 13 require the organization to retain key internal documents, and 13 require maintenance of board meeting minutes. Other reporting tools have not (yet) been widely adopted: only nine economies require SDOs to have a code of conduct, seven to have a conflict-of-interest policy, and just three to have a clear gift acceptance policy.[xviii]

The number of mandatory governance requirements differs across the region. Bangladesh, Cambodia and China have the highest number of mandatory reporting requirements. On the other end, Sri Lanka and Vietnam only have one.

Mandatory reporting by itself is not enough to build trust if reported information is not made publicly available. For example, articles of incorporation, although mandatory in all 17 economies, are only made publicly available in six. Five other economies only make them available upon request. And although Cambodia has mandated several reporting requirements, it does not make any reported information publicly available. Making reports publicly available is a relatively straightforward way of building trust.

Designated liability policies for SDOs are in place in most economies. Either the board or senior staff members have (limited) legal liability in all economies except Vietnam. In Japan, Nepal and Sri Lanka, only directors are held liable. Policies that hold directors and or senior staff liable can act as a deterrent for poor decision-making and mismanagement as they impose a certain standard of care, skill and diligence in the execution of responsibilities.

In Hong Kong, for example, company directors, charitable trustees and officeholders of SDOs are legally responsible for the charities they serve under the "3D"

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

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

xviii A gift acceptance policy provides guidelines for the board members and staff when receiving gifts. Having a policy in place helps manage relationships with donors as well as the organization's own risk.

principle: duty of care to make informed decisions and carry out duties in a reasonable and responsible manner; duty of loyalty to make decisions in the best interest of the organization; and duty of obedience to the NGO's mission.[xix,54] The lack of clear liability mechanisms can become a self-fulfilling prophecy in economies where trust in the social sector is already low.

Enforcement is also key when it comes to accountability as the efficacy of laws and regulations depends on the extent to which they are enforced. While most SDOs report that laws are generally enforced, 41% say authorities never or rarely enforce laws, pointing to a missed opportunity for governments. Enforcement of laws is highest in China, the Philippines, Singapore and Taiwan, with more than 85% of SDOs agreeing that laws are generally enforced. On the other hand, only around a third of SDOs in Japan and Malaysia believe their government generally enforces these laws.

Communication

Clear and efficient regulations that facilitate SDO registration and ensure accountability and transparency are important but their efficacy depends on how accessible they are. Making laws publicly known, in addition to putting in place mechanisms and infrastructure to allow collaboration between government and SDOs, is essential.

Governments are making regulations pertaining to the nonprofit sector publicly available. According to SDO respondents, governments in all 17 economies have done so, most commonly through government websites. Public availability of laws and regulations signals the commitment of governments to communicate and engage with SDOs.

While most economies make laws publicly available, these laws are often difficult to understand, thereby diminishing their efficacy. More than half of SDOs expressed difficulty understanding laws and regulations, up from previous years. In particular, SDOs in Cambodia, Korea and India found laws and regulations difficult to understand, with more than 75% of SDOs saying so. Difficulty in understanding laws may well reflect a high level of bureaucratic and regulatory complexity. It may also show that governments themselves are not certain of the role of the social sector in society. But it's not all bad: SDOs in Hong Kong, Singapore and Sri Lanka expressed relative ease in understanding laws.

CHINA: VAST IMPROVEMENTS IN ACCOUNTABILITY

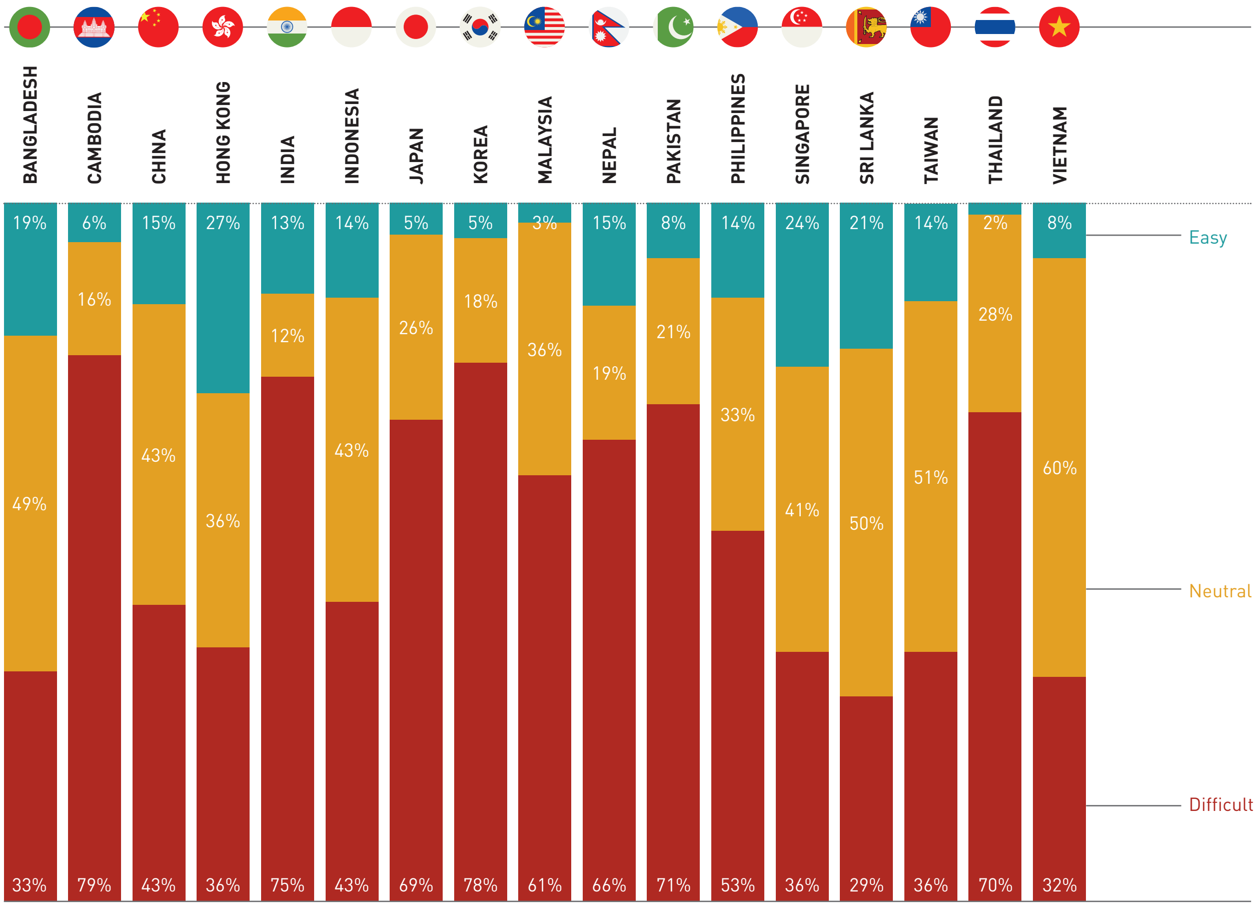
China has experienced one of the biggest improvements on the Regulations sub-index. In 2016, China introduced two major laws: the China Charity Law and the Law on the Administration of Activities of Overseas Nongovernmental Organizations in Mainland China (Overseas NGO Law).[55] Both put in place several accountability and transparency measures, the effects of which are starting to be seen.

The laws, which became effective in 2017, had the dual objective of restricting the flow of international funds while, while at the same time, boosting domestic social sector activity and philanthropy. Specifically, the Charity Law smoothed the way for nonprofit groups to register legally and broadened the scope of social sector organizations. At the same time, it encouraged more giving by improving tax incentives and making it easier to establish charitable trusts.[56] The law also introduced a new administration system for the sector and removed administrative burdens such as multiple annual reporting requirements.

While critics point to the increased oversight of social sector organizations and restrictions placed on overseas SDOs, many laud the efforts of the Chinese government for the improvement in registration and fundraising and tax incentives. What is clear is that the government has successfully managed to decrease reliance on foreign funding and substitute with domestic funding sources: only 8% of SDOs surveyed for the *Doing Good Index 2022* received foreign funding, down from 16% in 2020 and 39% in 2018.

[xix] Specific legal responsibilities will arise from the ordinance under which the nongovernmental organization (NGO) is established, however, these three broad principles apply to all board members.

Ease of understanding laws



Governments continue to engage with SDOs. In line with previous years, 69% of SDOs surveyed reported frequent or occasional involvement in policymaking. Engagement between government and SDOs signals recognition on the part of the government of the vital role SDOs play in supplementing social service gaps. Indonesia and China set the bar high, with almost a quarter of SDOs reporting regular consultation with government. In Hong Kong and Malaysia, however, around half of SDOs said they are never involved in policy discussions.

Social sector engagement with government across the region takes on many forms, from formal meetings between ministries and civil society to ad-hoc policy discussions on specific issues. The Commission for Civil Society in Korea is an example of the former. Established by the Prime Minister's Secretariat, the commission consists of five civil society representatives and nine senior government representatives. It meets four times a year and more regularly for sectional subcommittees. In Hong Kong, the government has established several formal and informal platforms for SDOs to engage, such as the Rehabilitation Advisory Council, the Social Welfare Advisory Council and the Hong Kong Council for Social Services. A more impromptu engagement took place in Pakistan when the government consulted around 20 NGOs to help design its "meals on wheels" campaign.

While engagement between SDOs and government is a positive development, experts expressed that policy consultations with SDOs should be more than just a box-ticking exercise. Governments must ensure the process is inclusive, meaningful and gives voice to the diverse range of actors and interests.

INDIA AND VIETNAM SPOTLIGHTS

While many economies in Asia have experienced changes in their regulatory framework over the past two years, nowhere have changes been more apparent and had more impact on SDOs than in India and Vietnam. To fully understand what is happening in these economies and the impact on the sector, we asked our trusted partners at the Centre for the Advancement of Philanthropy (CAP) in India and the Management and Sustainable Development Institute (MSD) in Vietnam to shed further light on what is happening on the ground.

India

Globally, 2020 and 2021 were difficult years as the pandemic wreaked havoc and economies experienced widespread lockdowns. In India, the difficulties were further exacerbated for SDOs as the laws governing the social sector were tightened on all fronts. This tightening took place as SDOs worked tirelessly to provide both relief and rehabilitation to migrant workers and marginalized communities who had lost their livelihoods and required access to food, shelter, education, health care and above all else, hope.

Regulation of foreign contributions

In September 2020, the Ministry of Home Affairs made significant amendments to the Foreign Contribution (Regulation) Act (FCRA), 2010.[57] Among the onerous provisions imposed were a complete prohibition on sub-granting, a 20% cap on any administrative expenses drawn from foreign funds, and a requirement that organizations open a bank account to receive foreign funds at a specific branch of the State Bank of India.

The prohibition on sub-granting of foreign funds—even to other nonprofits with FCRA registration—was and remains a major blow to the sector. Many grassroots organizations working at the local and community levels have conventionally relied on resources from larger Indian intermediaries that formally and legally channeled funding from foreign sources to India. This was completely quashed.

The reduction in the cap on administrative expenses from 50% to 20% was another significant blow to many organizations.

To add to this, many SDOs saw their FCRA registration—issued for a period of five years—expire at the end of September 2021. Hundreds are still waiting for their registration to be renewed, while many others have lost their FCRA license.

Tax regime

Covid-19 had not yet been declared a pandemic when, on 1 February 2020 in her Union Budget speech, the finance minister proposed that all charitable trusts and institutions enjoying tax exemptions or tax deductions must revalidate their registrations with the Income Tax Department.

On 1 April 2021, at the height of India's second Covid wave, the Income Tax Department online portal began receiving applications to revalidate 12AA (tax exemption) and 80G (tax deduction) certificates due to expire within three months. These certificates are only valid for five years, which means organizations now face the substantial administrative burden of applying for revalidation every five years.

From 1 April 2022, the income tax regime also places the onus on SDOs to report donations received during the fiscal year along with donor details through the portal. This requirement may prove challenging for SDOs raising retail funds online through crowdfunding platforms, which involve large numbers of donors.

Grants to be taxed under the Goods and Services Tax (GST)

In November 2021, the Maharashtra Authority for Advance Ruling ruled that grants to nonprofits are also subject to GST. This has raised concerns among both funders and recipient organizations that SDOs may be required to register for GST. In addition to the added compliance burden faced by SDOs, this ruling could potentially force donors to pay 18% GST for services provided by their grantees, even though SDOs are nonprofit organizations and established for "charitable purposes."

Corporate social responsibility

The Indian Companies Act, 2013 requires certain companies to spend 2% of their pre-tax profits on corporate social responsibility (CSR) activities.[58] The Companies (CSR Policy) Amendment Rules, 2021, however, have made CSR compliance for companies extremely stringent, impacting CSR-implementing SDOs.[59]

Previously, the Ministry of Corporate Affairs (MCA) only placed emphasis on companies spending 2% of their pre-tax profits on approved CSR activities. The emphasis has now shifted from "spending" to "utilization." As a result, some companies are now putting great pressure on SDOs to fully utilize funds before the fiscal year closes.

Unless funding is allocated toward an "ongoing project" (lasting up to three years), any unutilized funds must be returned by the SDO to the company to be given to government funds such as the Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES) or the Prime Minister's National Relief Fund. Nonprofit organizations (NPOs) are also required to register on the MCA portal and obtain a unique identification number, adding further to the administrative burdens placed on the organization in order to access resources.

The new CSR rules have complicated project implementation, increased compliance costs and created room for the transfer of resources from SDOs to government institutions.

PM CARES Fund

The PM CARES Fund was established in March 2020 with the prime minister as its chairman to channel Covid-19 relief funds. These funds are both exempt from the requirements of the FCRA and are not subject to disclosure or transparency rules regarding their use. Donations to funds like PM CARES receive a 100% rate of tax deduction and can also fulfill companies' CSR obligations, even as compliance requirements for tax benefits and receipt of CSR funds by SDOs have become increasingly strict and limited. Much of this funding has been viewed in zero-sum terms by donor corporations.

While there has been a push toward making the environment easier for conducting business in India, the same cannot be said for the ease of doing good. Regulatory changes in the last two years have made the environment in which SDOs operate more disenabling than ever, and it remains to be seen what lies ahead for the sector at large.

We wish to thank our partner, the Centre for Advancement of Philanthropy (CAP), for its contribution to this profile.

Vietnam

Vietnam is one of the economies that most clearly embodies two findings from the *Doing Good Index 2022*: apparent government confusion about how to engage with the social sector through contradictory regulations and increased societal engagement.

Over the past two years, Vietnam has experienced several regulatory changes along two opposing tracks. Coming into effect in September 2020, Decree No. 80/2020/ND-CP has made it significantly more difficult for Vietnamese SDOs to receive foreign funding.[60] As in several other Asian economies, this decree is an apparent manifestation of the growing wariness on the part of the government of foreign influence, resulting in the perceived need of deeper oversight. Under the decree provisions, the number of clearances from government agencies required for SDOs to receive foreign funding has increased from two to nine. This has added a significant administrative burden on a sector already challenged by one of the most complex regulatory systems in the region.[xx] Officially, the approval process takes up to six months, but 10 months after the decree was implemented, only five projects had received

[xx] There is no single law regulating the social sector in Vietnam. SDOs are classified across a spectrum of legal personalities and are subject to different sets of laws and requirements accordingly.

the necessary approvals, thereby reducing many SDOs' ability to plan ahead. Since 79% of Vietnamese SDOs still count on foreign support for part of their annual budget, these changes are profound.

While the decree on foreign funding has had a detrimental effect on SDOs, the Vietnamese government has also enacted enabling regulations for the sector. For example, Decree No. 93/2021/ND-CP, which came into effect in October 2021, has created new opportunities for SDOs to engage in fundraising for emergency purposes, which they were previously unable to do.[61] Whether or not the adoption of this decree was a purposeful effort by the government to facilitate and encourage domestic fundraising to counter the restriction of foreign funding, it has helped to create a more enabling environment for domestic fundraising.

Vietnam is also one of the countries where society has really stepped up. During Covid-19, individuals and corporates have engaged more actively in charity and philanthropy. People are also looking for transparency and accountability from the social sector and questioning the effectiveness and efficiency of their donations. These are welcome developments as the social sector in Vietnam matures and a greater culture of giving is emerging, providing SDOs with more opportunities to diversify their funding sources from individuals and companies.

The ultimate direction of the Vietnamese government in relation to the social sector remains to be seen, but as the dust of the pandemic is starting to settle, it is hoped that the government will take notice of the positive developments in the sector and chart its path accordingly.

We wish to thank our partner, Management and Sustainable Development Institute (MSD), for its contribution to this profile.

CHAPTER 5

TAX AND FISCAL POLICY AT A GLANCE

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

Key findings

As in 2018 and 2020, performance on the Tax and Fiscal Policy sub-index closely mirrors overall performance on the *Doing Good Index*. Tax incentives for donors and recipients of philanthropic funds drive performance on this sub-index. All 17 economies offer tax incentives for donations by corporates, and all but one (Cambodia) offer the same for donations by individuals. Fifteen economies provide tax exemptions for nonprofits.

Rates of tax deductions vary widely, from zero to 250%. Twelve economies offer rates of 100% or higher for charitable donations from individuals, and 15 offer the same for donations by corporates. But income eligible for deduction is limited. Fifteen economies restrict tax deductions to a proportion of income or profits.

Incentives for giving upon death in the form of charitable bequests are yet to be leveraged in the region. Only seven economies have a death or inheritance tax to begin with. Of these, four offer incentives for charitable bequests.

In most economies, the social sector receives support from the government through grants. 44% of surveyed social delivery organizations (SDOs) in Asia reported receiving government grants. However, these grants only comprise 12%, by proportion, of an SDO's funding sources.

Increased corporate social responsibility (CSR) and environmental, social and governance (ESG) reporting requirements are helping drive corporate funding to the sector. Two economies go as far as to mandate levels of CSR giving (India and Nepal). To date, eight stock exchanges in Asia require ESG reporting.

Japan, Singapore and Taiwan maintain their position at the top of this sub-index, thanks to favorable tax policies for donors and recipients of philanthropic funds. Singapore maintains an unparalleled individual and corporate tax deduction rate of 250%, while Japan and Taiwan are two of only four economies that offer incentives for charitable bequests.

Bangladesh, Cambodia and Sri Lanka are lagging. Cambodia does not offer deductions for individuals, and the government does not provide grants to the social sector. The effects of tax deductions are diluted in Bangladesh, where deductions for corporate donations are only permitted for donations SDOs working in certain sectors while Sri Lanka places this limitation on both corporate *and* individual donations.

Key indicators

Incentives for donors

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

Incentives for recipients

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

16/17 economies offer tax incentives to individuals for charitable donations

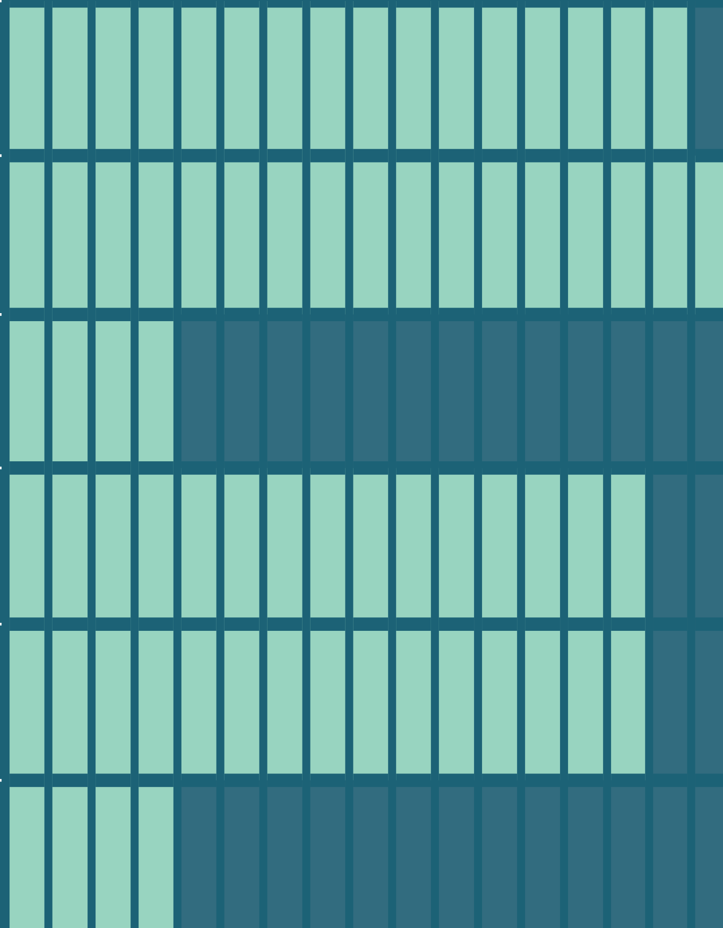
17/17 economies offer tax incentives to corporates for charitable donations

4/17 economies offer tax incentives for giving upon death, and only 7/17 have an estate tax to begin with

15/17 economies grant tax exempt status to SDOs, but 13/17 economies require periodic renewal

15/17 economies offer some form of government grants to SDOs

4/17 economies penalize SDOs for maintaining an operating surplus



96% of organizations say that tax deductions are important for individual donors

97% of organizations say that tax deductions are important for corporate donors

44% of organizations receive government grants

53% of organizations have tax-exempt status

CHAPTER 5

TAX AND FISCAL POLICY

Incentives for Doing Good

Policymakers have an extensive arsenal at their disposal to boost philanthropic giving, including tax deductions for individual and corporate donors and tax breaks for SDOs. In Asia, where government signals truly matter, a favorable fiscal policy indicates government support for giving and can create a positive knock-on effect. 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:** Policies that encourage giving—including tax incentives, incentives for charitable bequests and mandated corporate giving—are a direct financial inducement for donors and support greater systematic giving.
- **Tax incentives for recipients:** Government grants as well as SDO exemption from corporate profit taxes allow more of an organization's lean resources to go toward unmet social needs.

Through their tax and fiscal policies, governments in Asia are important influencers of private social investment. Favorable policies clearly signal the governments' directionality toward the social sector as they are forfeiting (tax) income for social benefit. As such, the Tax and Fiscal sub-index most closely mirrors each economy's overall performance on the *Doing Good Index*.

Most economies did not experience any major tax and fiscal policy changes since 2020, which is reflected in relatively minor movements on this sub-index. As in previous years, economies that do well on the sub-index tend to have favorable tax policies to encourage systemic philanthropic giving; such policies are absent or developing in the economies at the bottom of the sub-index. In some economies, however, governments are sending mixed messages, thereby diluting the incentivizing potential of their fiscal policies.

Incentives for donors

Fiscal measures such as tax deductions and tax credits are basic and critical levers for influencing individual and corporate donors. They are a direct means by which government can support philanthropic giving and thus the social sector more broadly.

Tax incentives are widespread across Asia. All economies offer at least some sort of tax incentive for giving, whether in the form of a tax deduction or a tax credit.[xxi] In Asia, the signaling effect of tax incentives is especially significant as many corporate and individual philanthropists demonstrate a preference for working with government to meet social and environmental needs.[62] Sixteen economies provide tax incentives for individual donations, while all 17 offer them for corporate donations—indicating government endorsement for both types of giving.[xxii] Cambodia is the only exception as it does not offer tax incentives for individual giving.

Why are tax incentives important? Tax incentives are a useful tool for encouraging donations and can help to unlock philanthropic capital across income groups.[63] Consider this: when donors give to a charitable organization, they incur a cost. In the absence of a tax incentive, the price of the donation is its monetary value.[64] By instituting a tax incentive, and thereby reducing the tax payable, governments are saying that there is value to society, which warrants minimizing the hardship on the donor. This can motivate greater philanthropic giving as it signals government support to give to the social sector or particular initiatives.[65]

Tax incentives are also an "efficient" means of incentivizing private social investment. Studies have

[xxi] Bangladesh has a tax rebate system, however, it operates in the same way as a tax credit system, compared to what is commonly understood as a tax rebate system. For ease, we will refer to Bangladesh's system as a tax credit system in this report.
[xxii] Economies that have a tax credit system include Bangladesh, Japan, Korea and Pakistan.

found that the price elasticity of giving is generally greater than one, which means that every dollar of tax revenue foregone by government is compensated with more than a dollar in charitable donations. This fiscal efficiency holds true for most areas of giving, including poverty alleviation, education and health.[xxiii,66]

Tax incentives can also mitigate a gap between private and social values. Donors will generally donate if each donated dollar generates an equal social value or "warm glow." As argued by Brooks (2007), the donation is unlikely to happen if the social value is lower than the dollar value (for example, a donated dollar only gives the donor $0.75 worth of "warm glow").[67] A government "subsidy" in the form of a tax incentive worth $0.25 can make up the shortfall, making the donation more likely to occur again.[68]

Tax incentives for charitable donations

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

* Depending on the economy, the limit may act as a percentage of taxable income, tax payable or of the amount donated.
^ Pakistan, Japan and Korea have a tax credit system while Bangladesh has a tax rebate system. However, the system in Bangladesh operates similar to a tax credit system as compared to what is commonly understood to be a tax rebate.
# (Capital x 0.25% + Income x 2.5%) / 4

TAX DEDUCTIONS VS. TAX CREDITS

Tax deductions and tax credits are means by which governments can incentivize greater giving. While their application varies, there is merit to both systems in achieving the same objective: lowering the amount of tax owed by the donor, regardless of income level, and in turn encouraging giving.[69]

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

A **tax credit** is the amount that a taxpayer can subtract directly from taxes owed. Unlike a tax deduction, tax credits reduce the actual amount of tax payable. A tax credit valued at $1 lowers your tax bill by a corresponding $1.

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

Most economies offer a 100% or higher rate of tax deduction. Twelve economies offer this for individual donations, while 15 offer it for corporate donations. Singapore continues to set itself apart with a 250% rate for both individual and corporate donations, with no limit (deductions exceeding income can be carried forward for up to five years).[70] In fact, to further encourage giving, in the 2021 budget, the Minister for Finance announced that the 250% tax deduction for qualifying donations would be extended till 31 December 2023.[71] In contrast, Bangladesh has the lowest (non-

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

zero) deduction rate for both corporate and individual donations.

Rates are only half the picture, limits matter as well.[xxiv] Limits on tax incentives are often put in place to reduce the tax revenue loss for the government.[xxv,72] However, a ceiling also limits the benefit that can be derived from tax incentives.[73] Despite the prevalence of high rates of deduction, 15 economies place limits on the income eligible for them, thus weakening the effect of the incentive. Limits on individual income ranges from 5% in Indonesia and Nepal to 35% in Hong Kong. Limits on corporate income eligible for deduction range from 2% in Thailand to 35% in Hong Kong. Singapore and Vietnam are the only exceptions and allow 100% of individual income and corporate profit to be tax-deductible. Removing limits can encourage greater giving but remains largely unrealized in Asia.

Four economies—Bangladesh, India, Japan and Korea—place a double disincentive on individual giving by coupling low rates of deduction with limits on income eligible for deduction. In Bangladesh and India, this holds true for corporate giving as well.

Some governments limit tax deductions for donations to SDOs working in certain sectors. This is the case for donations made by individuals in five economies: India, Indonesia, Pakistan, Sri Lanka and Vietnam. Corporate donations are limited to specific sectors in Bangladesh, India, Indonesia, Sri Lanka and Vietnam.

In Sri Lanka, experts reported that only donations toward childcare and elderly care are eligible for deductions. Meanwhile, in Indonesia, Pakistan and Sri Lanka, donations to environmental SDOs are notably excluded at a time when climate change is proving to be an existential threat. In India, the government maintains an up-to-date list of sectors to which donors can claim tax deductions. While this tactic can help channel philanthropic capital more purposefully, the policy can have an adverse effect by marginalizing

COVID-DRIVEN TAX POLICIES

In the wake of Covid-19, several economies made provisional amendments to their tax policies to encourage greater giving. Some of the ways in which this was achieved include: amending the rate of deduction and limit on income eligible for deduction; expanding the pool of organizations eligible for tax deduction for Covid-related response efforts; or making Covid-related donations tax-exempt.

In Malaysia, the government implemented the first policy, increasing the deduction limit for individual donations from 7% of total gross income to 100% for Covid-related donations.[74] Similarly, the government of India set up a fund called The Prime Minister's Citizen Assistance and Relief in Emergency Situations (PM CARES), donations to which are eligible for a 100% rate of deduction with no limit on the income eligible for deduction.[75]

In the Philippines, the government expanded the pool of SDOs that were eligible for tax deduction. The Bayanihan to Heal as One Act (Republic Act No. 11469, March to June 2020), adopted by the government also permitted donations to organizations without "donee institution" status to be eligible for 100% donor tax deduction if used for Covid-19 response.[xxvi,76,77]

In China, cash or in-kind donations made to social organizations or the government and its departments (county level and above) were made eligible for deduction in full for both corporate and individual donations.[78] This was also the case for donations of medical supplies to hospitals undertaking pandemic prevention and control.[79]

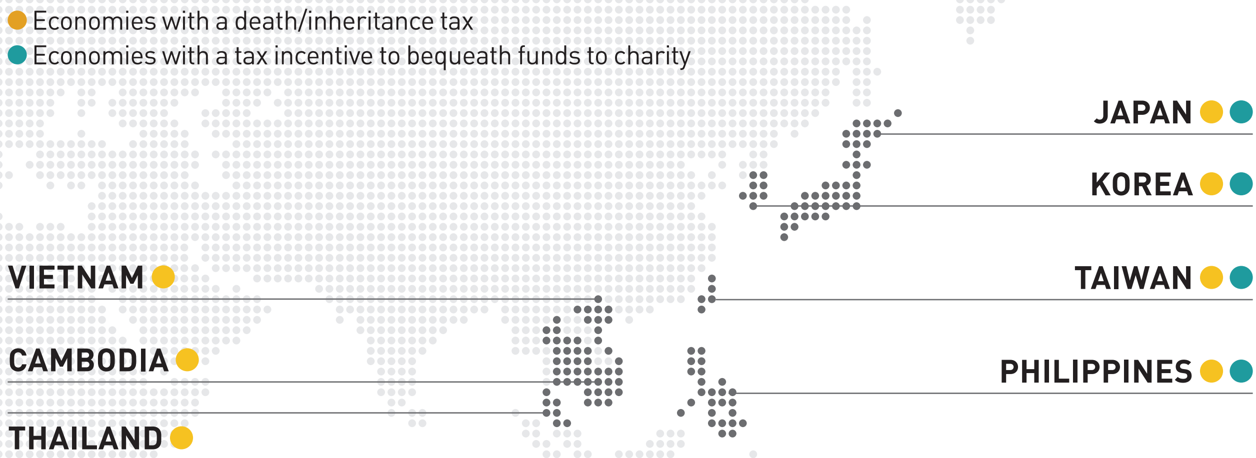
By enacting these fiscal measures, governments leveraged tax incentives for giving to unleash more funding for Covid-19 relief and recovery efforts.

[xxiv] Limits mean that tax incentives (whether a deduction or credit) can only be applied up to a certain percent of a donor's income.

[xxv] Limits on incentives can also help reduce distortion of economic behavior or reduce the availability of deductions to high-income tax filers.

[xxvi] In the Philippines, only donations to SDOs certified by the Philippines Council for NGO Certification (PCNC) are eligible for tax deductions. Certified NGOs receive the status of "donee institution." PCNC is an independent body cofounded by six national nonprofit networks in partnership with the Department of Finance and the Bureau of Internal Revenue.

Incentivizing bequests



causes and certain sections of society.[80]

The importance of tax deductions in incentivizing giving cannot be overstated. The vast majority of SDOs believe they are essential for encouraging individuals (96%) and corporates (97%) to donate. In fact, 44% of SDO respondents across Asia cite "more incentives for companies and individuals to give more" as the top regulatory change they want to see implemented. With domestic and corporate giving constituting 39% and 14%, by proportion, of an SDO's funding sources, the role of tax incentives in unleashing more funding to the social sector is crucial.

But confusion and a lack of awareness about tax incentives mitigates their effect. In a well-functioning tax system, SDOs and experts are informed of policies that benefit the social sector. A lack of awareness of these incentives suggests a convoluted and inadequate tax regime.

Most expert panels convened in the 17 economies were confused about tax deduction incentives. This was mirrored in our survey of SDOs. A quarter (26%) of SDOs in Asia are unaware of tax deductions for individual donations in their economies, while 30% are unaware of whether these are available for corporate donations. This confusion among experts and SDOs is especially concerning in economies where tax deduction benefits do exist, begging the question: what good are incentives if they are not understood and made use of?

Additionally, while most SDOs (82%) issue receipts for individual donations, claiming tax deductions remains a challenge. 59% of SDOs say it is easy for individuals to claim tax deductions, and 60% say the same for corporates. These figures are a decline from 2020.

Streamlining tax laws, making information accessible and publicly available, and aiding the deduction process is essential for maximizing the effectiveness of existing tax incentives.

Giving through bequests

Tax incentives for charitable bequests are underutilized in Asia. Part of the reason is that only seven economies have a death or inheritance tax. And of these, four offer incentives for charitable bequests: Japan, Korea, the Philippines and Taiwan.

The Philippines has a 6% estate tax, however, bequests to social welfare, charitable and cultural organizations are exempt from this tax.[xxvii,81] Similarly, although Korea has one of the highest global inheritance tax rates, donations to public interest corporations or public interest trusts are exempt.[82]

[xxvii] Provided that no more than 30% of the donation shall be used by the institution for administrative purposes.

There is a strong case for incentivizing giving upon death through bequests. Tax deductions for inheritance or estate taxes send a clear message: philanthropic giving through an individual's estate is a societal good. Studies have also found that as people age, they are more inclined toward charitable giving.[83] By 2050, one in four people in the Asia-Pacific region will be over the age of 60—policies that encourage charitable bequests can enhance the flow of private social investment within this demographic.[84]

Mandates for corporate social responsibility

CSR requirements giving are driving funding to the social sector. In eight economies—China, Hong Kong, India, Indonesia, Korea, Malaysia, Nepal and Taiwan—government and/or listing policies require companies to engage in CSR. For instance, in Indonesia, companies with business activities related to or in the field of natural resources are obligated to carry out social and environmental responsibility activities.[85] In Nepal, banks and financial institutions are required to engage in CSR activities. In the Philippines, although engaging in CSR is not mandatory, domestic and foreign businesses are encouraged to contribute on a voluntary basis to sustainable development activities.[86]

In 11 economies, experts note that there are specific corporate governance requirements for CSR activities, helping to build transparency in corporate giving. At the same time, experts in 10 economies believe that less than 25% of companies engage in CSR. This is not a surprise given that an estimated 97% of businesses in Asia Pacific are small and medium-sized enterprises and often may not engage in traditionally classified CSR activities.[87]

Only two economies—Nepal and India—have mandated levels of CSR giving. India is one of the first economies in the world to enshrine corporate giving into law.[xxviii] Seven years on, the effect of the law is evident, with CSR spend crossing the ₹1 lakh crore (US$13.6 billion) milestone in August 2021.[88] Similarly, in Nepal, corporations with an annual turnover of more than NRS150 million (approximately US$1.3 million) must contribute 1% of their net profits to CSR.[89]

THE ROLE OF BUSINESS IN SOCIETY IS CHANGING

Corporates are increasingly being called upon—by government and society—to help address growing social and environmental issues. This is driven by four main factors: 1) evolving consumer demands and expectations; 2) government policies; 3) companies reevaluating their own role in society; and 4) financial market mechanisms such as environmental, social and corporate governance (ESG).

Across Asia, we are seeing the rise of ESG reporting. Eight stock exchanges in Asia require ESG reporting—Hong Kong, India, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam.[90] Meanwhile, governments in 11 Asian economies in our *Index* provide guidelines for ESG reporting.

Governments and the private sector are also working together to address a host of social and/or environmental challenges through public-private partnerships.[91] These partnerships arise out of necessity as the problems they address often require more resources than are available in the public purse. In China, the government achieved its ambitious policy goal of eradicating extreme poverty with help from the private sector.[92] Another example is the Philippine Disaster Resilience Foundation (PDRF), which was formed by the private sector to coordinate disaster preparedness, management, recovery, and rehabilitation efforts—stepping in to bridge and complement government activities.

Incentives for recipients

SDOs often address unmet needs for social services and frequently operate with limited resources. Exempting them from corporate tax allows their resources to be channeled more efficiently to address these needs. Tax exemption is also an important signal of trust and recognition of the contribution SDOs are making to society, setting them apart from for-profit entities.

Fifteen out of 17 economies grant tax-exempt status

[xxviii] Under India's Companies Act, 2013, businesses with a net worth of ₹500 crore (approximately US$77.5 million), revenue of ₹1,000 crore (approximately US$155 million) or net profit of ₹5 crore (approximately US$660,000) are required to channel 2% of their profits toward CSR initiatives.

to legitimate nonprofits. However, across Asia, there is a discrepancy between policy and its application. Of the SDOs we surveyed, only 53% say their organization had tax-exempt status. This was highest in Hong Kong (99%) and Taiwan (88%) and lowest in Sri Lanka (19%) and Malaysia (18%).

In Bangladesh and Malaysia, the findings are more nuanced. The law in Bangladesh states that SDOs are tax-exempt provided their income is wholly applied to charitable purposes—which is difficult to achieve in practice as experts note that many SDOs put their money in financial products such as national savings certificates and fixed deposits to protect themselves from unforeseen events. Income from these products is taxed accordingly. Similarly, in Malaysia, while obtaining tax-exempt status is legally possible, the administrative hurdles faced by SDOs can be formidable and often dissuade them from acquiring the necessary certification.

In Sri Lanka and Indonesia, obtaining tax exemption is not straightforward. SDOs in Sri Lanka are not tax-exempt but are taxed at a lower rate: 14% versus 24% for regular companies.[xxix,93] Indonesia's case is more complex as nonprofits are taxed under the standard framework for corporations. However, income from certain types of giving is exempt from income tax, including religious donations (*zakat, awfaq* or endowments, and so on) or donations for scholarships.[xxx,94,95]

Thirteen economies require nonprofits to renew their exemption status periodically, but two economies—Hong Kong and Indonesia—grant this status in perpetuity. While granting this status for life can help reduce the administration burden incurred, especially for smaller and lean organizations, periodic renewal can help ensure accountability.

Most governments offer grants to support the social sector.[xxxi] Governments in all economies except Cambodia and the Philippines make grants available to SDOs. Experts in 12 economies consider these grants a "significant source" of funding for the social sector. By providing both monetary and non-monetary aid, the government signals support for the social sector,

Do governments give grants to SDOs?

Economy	Direct grants	Indirect grants
Bangladesh	✓	✓
Cambodia	X	X
China	✓	✓
Hong Kong	✓	✓
India	✓	X
Indonesia	✓	X
Japan	✓	✓
Korea	✓	✓
Malaysia	✓	✓
Nepal	✓	X
Pakistan	✓	X
Philippines	X	✓
Singapore	✓	✓
Sri Lanka	✓	X
Taiwan	✓	✓
Thailand	✓	✓
Vietnam	✓	X

thereby enhancing the trust and legitimacy of these organizations.

44% of SDOs in Asia receive government grants, an increase from 29% in 2020, with Singapore the highest at 80%. Despite this, government grants comprise only 12%, by proportion, of an Asian SDO's funding sources. In Singapore, it's over double at 29%. In nine economies, government grants make up approximately 1%, by proportion, of an SDO's funding sources.

As in the 2020 iteration of the *Index*, confusion remains around the availability of government support. Only 17% of SDOs find it easy to access information about these grants and apply for them. This indicates room for improvement both in the communication around and ease of accessing these opportunities.

In 10 out of 17 economies, governments provide

[xxix] The taxable income of Sri Lankan charitable institutions (other than gains on the realization of investment assets) is taxed at 14%, while the taxable income of NGOs (other than gain on realizations of investment assets) is taxed at 24%.

[xxx] As long as there is no business or ownership relationship between the involved parties.

[xxxi] A government grant is financial assistance awarded by the government to an organization with no expectation of repayment. Grants can be given directly to the organization, or indirectly, for example, through a national lottery.

indirect grants to SDOs. The exceptions are Cambodia, India, Indonesia, Nepal, Pakistan, Sri Lanka and Vietnam.

Governments penalize SDOs for having an operating surplus in four economies: Cambodia, India, Korea and Pakistan. In 2020, six economies placed penalties on operating surpluses.

Why do some governments penalize SDOs for having an operating surplus? Penalties for operating surpluses usually indicate a lack of trust in the social sector or even government involvement in ensuring SDOs meet their social purpose. However, penalizing surpluses can put the social sector on the back foot and disincentivize prudent financial management.

As SDOs in Asia face the ramifications of declining foreign funding, regulatory changes and the fallout from Covid-19, saving for a rainy day is more important than ever. A way to achieve this is by building an endowment.[xxxii] Endowments allow SDOs to create a financial safety net and plan for their organization's future. The majority of governments in Asia recognize this although there is widespread confusion over the difference between an operating surplus and an endowment. In all but two economies—Korea and Taiwan—governments do not place limits on endowment building for SDOs.

[xxxii] An endowment is a donation of money or property intended to provide a reliable income stream for a charitable purpose. Most endowments are designed to keep the principal amount intact while using the income from the investment to cover charitable efforts.

CHAPTER 6

ECOSYSTEM AT A GLANCE

The Ecosystem sub-index looks at societal and institutional engagement with and support for the social sector. It tells us how much a society embraces the notion of philanthropy and other forms of private social investment.

Key findings

The good news is that the evidence shows that across Asia, society is supportive of the social sector.

Public perception of SDOs is generally positive, and SDOs feel widely trusted by society. Economies that tend to do well on the sub-index are characterized by higher levels of trust and the absence of public scandals. In addition to a robust regulatory framework, trust in the social sector can be built through volunteering and giving.

Despite societal support, there is room for increased domestic giving. Domestic funding is the most important source of funding for SDOs, comprising 39%, by proportion, of an Asian SDO's budget. Nevertheless, 76% of SDOs find the level of giving low.

The social sector needs talent but attracting it is difficult. Over two-thirds of SDOs struggle with staffing and this has gotten worse since 2020.

Public and private institutions value doing good. Institutional recognition is common in most economies, with awards for philanthropy, SDOs and corporate social responsibility (CSR) as well as economy-wide volunteering schemes. National giving days are less common.

Companies are engaged with the social sector. 71% of surveyed SDOs believe companies are supportive of the social sector. Beyond funding, companies provide in-kind products, pro bono technical support, volunteers and corporate leaders serve on SDO boards.

SDOs are collaborating with others to make an impact. Before the pandemic, three-quarters of SDOs collaborated with other SDOs. Covid-19 further pushed this development.

Cambodia, China and Singapore are the top performers on the Ecosystem sub-index. In all three economies, people are engaged and their efforts are valued, through volunteering schemes, university course and awards. In China and Singapore, the government supports the social sector and sets up mechanisms to spur participation. In Cambodia, people are engaged regardless of government efforts.

India, Japan and Sri Lanka's low performances on this sub-index are largely attributable to low levels of trust, coupled with low societal and corporate support and engagement. Recruiting volunteers and staff is difficult in all three economies. None have government-sponsored giving days and support for capacity building is also low in all three economies.

Key indicators

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

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

Good governance
- Prevalence of boards and their composition
- Corporate representation on boards
- Government representation on boards

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

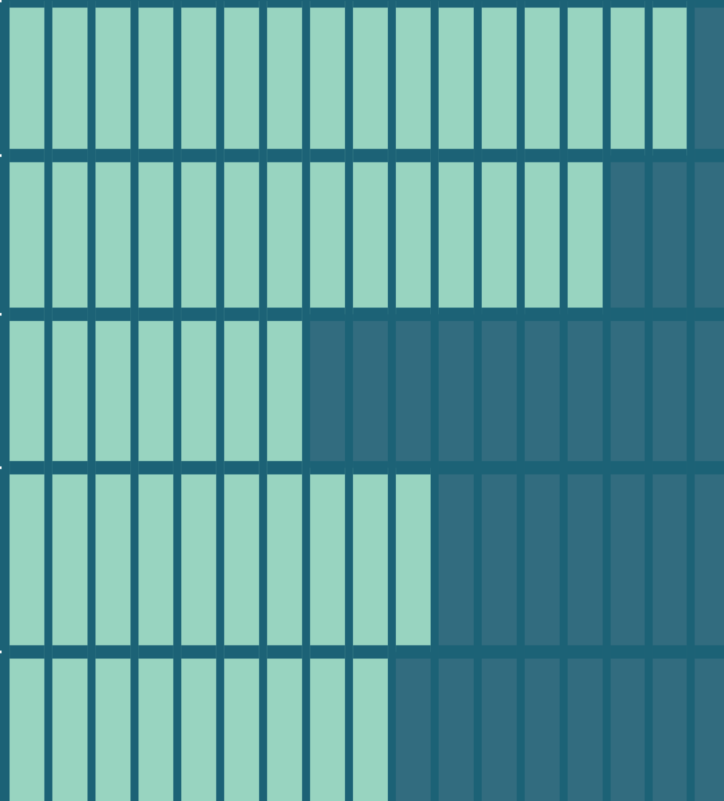
16/17 economies have nationwide volunteering schemes

14/17 economies have awards for philanthropy

7/17 economies have annual giving events

10/17 economies have high prevalence of boards of directors, with more than 89% of SDOs reporting they have one

9/17 economies have had front-page scandals involving the social sector over the last two years



97% of organizations believe that SDOs are generally trusted by society

71% of organizations find it difficult to recruit staff

85% of organizations have board members with corporate experience

16% of organizations get consistent capacity building support from their donors

CHAPTER 6

ECOSYSTEM

Community for Doing Good

When it comes to doing good, societal support is important. A social sector with involvement from the public, companies, universities and other institutions translates into a vibrant community addressing shared concerns. There is no single indicator to measure a supportive and enabling ecosystem. Instead, the Ecosystem sub-index consists of several loosely connected indicators that endeavor to measure the degree to which a society embraces the notion of civic engagement in tackling shared challenges. Trust is the common thread that runs through these indicators, while together, they build the foundation for a strong, enabling social sector ecosystem. Specifically, the Ecosystem sub-index maps the supportive environment for private social investment through four groups of indicators:

- **Public perception:** Is doing good valued in society? A valued and trusted social sector that is free from public scandals has more freedom and flexibility to operate.
- **Talent infrastructure:** Human capital is key to the success of doing good. The ease of recruiting staff and volunteers, perceptions around compensation and pipelines for future talent are essential components of a healthy talent infrastructure.
- **Good governance**: Boards of governance ensure accountability, transparency and professionalism in SDOs, which in turn builds trust. Indicators in this group consider the prevalence of boards of governance and their composition.
- **Institutional recognition:** Recognition of and engagement with the social sector by businesses and governments positively influence public perception and trust. National giving days, volunteer programs, awards and corporate engagement are indicators of institutional recognition.

Our findings on this sub-index show that people care and want to engage with the social sector. In 2022, half of the surveyed SDOs saw an increase in interest from the general public, while 40% reported increased interest from domestic donors and 36% of SDOs from companies. And despite the challenging circumstances laid out by the pandemic, most indicators in this sub-index improved or remained the same. Overall, many of the indicators related to public perception, institutional recognition and board governance saw improvement over the past two years. Talent recruitment and retention, on the other hand, remains the area most in need of improvement in Asia. Persisting perceptions that nonprofit staff should be paid less than their for-profit counterparts and a lack of donor support for competitive salaries and capacity building pose major hurdles for the social sector talent pipeline.

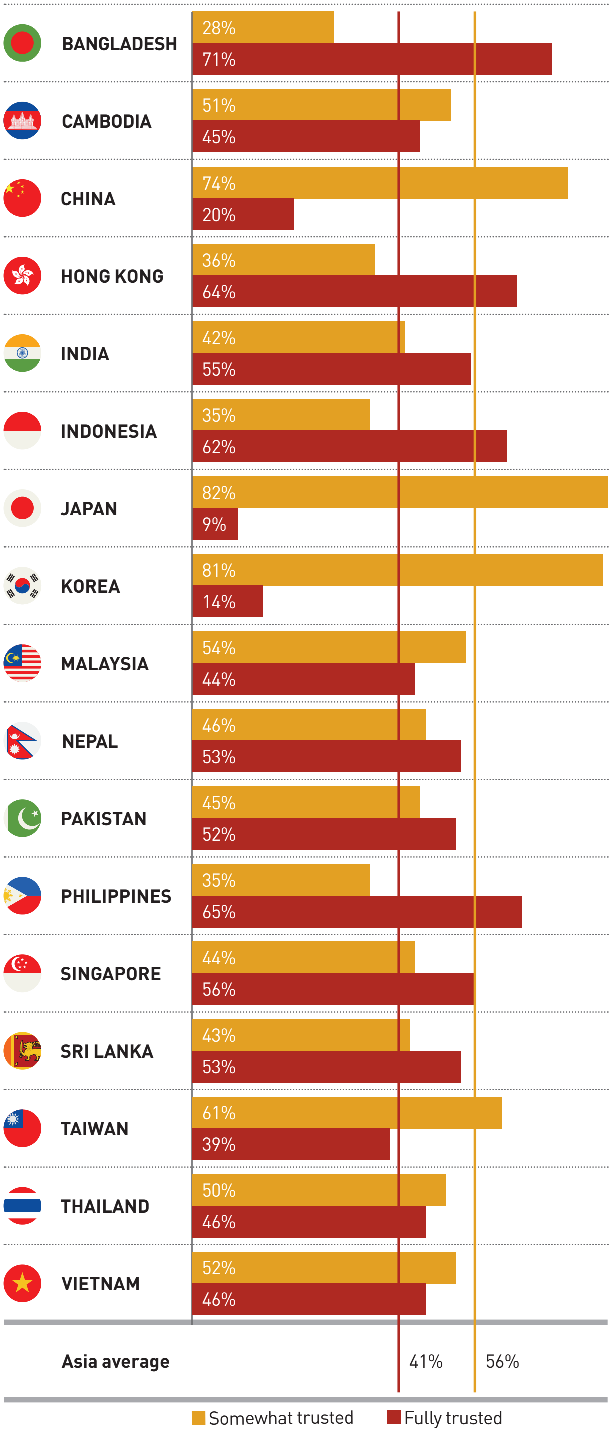
Public perception

The way people and society perceive the social sector matters. A trusted sector is more likely to attract funding and talent, leading in turn to increased capacity to deliver on its objectives. Positive media engagement and coverage help build trust in the sector. Individual donations to SDOs also serve as a proxy for how engaged the public is with the social sector.

SDOs in Asia still feel widely trusted by society. Similar to previous years, almost all (97%) of our SDO respondents believe they are at least somewhat trusted by society and of this, 41% say they are fully trusted. Bangladesh and the Philippines stand out with 71% and 65% of SDOs believing they are generally trusted by society. Japan sits on the other end of the spectrum, with only 9% believing they are fully trusted.

In the *Index*, we often refer to a trust deficit. But this refers to a trust deficit between SDOs and donors, whether philanthropist, corporate or government. While SDOs feel trusted by the communities in which they operate, philanthropists are often a few degrees removed from the front lines.

Do SDOs feel trusted by society?



This may obscure their view and appreciation of the work SDOs are taking on and the communities they are helping. Opaque and fluctuating regulations, lack of transparency and occasional scandals can leave philanthropists with a wariness to engage with SDOs and a preference to give to those they trust.[96]

Public scandals continue to tarnish the reputation of the social sector. Front-page scandals involving the social sector were reported in nine out of 17 economies. These scandals commonly involve the misuse of charitable funds or misconduct by senior leadership. Public scandals have a tangible impact: in seven economies, a majority of SDOs that were aware of public scandals reported a decline in funding. It is our observation that in the social sector, one bad apple can really spoil the whole barrel!

What can be done to build more trust in the social sector? First, as we have seen in Chapter 4, governments can issue regulations that support transparency and accountability. Meanwhile, the sector itself can help build trust, for example, by establishing SDO-certification schemes such as those in Pakistan and the Philippines.[xxxiii] SDOs can also take matters into their own hands by actively sharing their stories and explaining the value they bring to communities. Publicizing impact is one of the best ways to counter public scandals and negative perceptions.

Encouragingly, two-thirds of SDO respondents engage with media to promote their work. Media engagement is the highest in Cambodia, Vietnam and Indonesia, where more than 85% of SDOs reported engaging with media to promote their work. SDOs overwhelmingly rate media coverage of the sector as positive or neutral (92%). The high engagement rate demonstrates a general willingness on the part of the media to promote good news stories; this in turn can generate more goodwill between SDOs and the media and become a virtuous cycle.

Yet, many SDOs lack the resources or skills to market their stories and manage their image. 44% of SDOs say donors never support their organization's communication needs. Supporting communication and

[xxxiii] The Pakistan Centre for Philanthropy (PCP) and the Philippines Council of NGO Certification are self-regulating entities that certify nonprofits for eligibility for tax-exempt status in Pakistan and tax-deductible donations in the Philippines.

Top reasons for low levels of giving

marketing expenses can help SDOs to share stories of their impact to a wider audience and in turn build trust and attract more funding and talent to the sector.

Funding from individuals and foundations comprises the largest proportion of funding for Asian SDOs. More than three-quarters of SDOs receive funding from individuals and foundations—higher than any other type of funding. This type of funding comprises 39%, by proportion, of an SDO's funding sources, more than double the proportion of foreign funding and triple that of government grants.

Despite evidence of public support, 76% of SDOs feel people do not give enough. This sentiment has increased compared to previous years, although Covid-19 may be a compounding factor. Taiwan is the only economy in Asia where most SDOs do not believe levels of giving are low. In line with previous years, perceptions of giving are lowest in Nepal and Cambodia.

The reasons for low levels of giving differ between economies, but SDOs most commonly say that people prefer to give directly to beneficiaries. This is unsurprising for two reasons. First, charitable giving and caring for those in need within the community are deeply embedded in many Asian cultures. This explains why some Asian economies such as Indonesia, Myanmar and Thailand perform well on the *World Giving Index*.[97] The second reason is to do with the trust deficit discussed earlier. Some people rather donate directly to beneficiaries than through formal philanthropic organizations. Corporations especially may prefer to offer direct support utilizing their market knowledge, distribution systems and volunteers. While this is also understandable, supporting the social sector helps communities over the long term. However, as the *Doing Good Index* illustrates, the infrastructure for institutionalized giving is still maturing in most of Asia.

Talent infrastructure

Talent is as vital to the success of doing good as financial capital although they often go hand-in-hand. Quality people carry out quality work, which in turn helps bring trust to the social sector. The ability of SDOs to recruit and retain talent serves as a good indicator of how much the sector's work is appreciated by citizenry.

Based on our survey, finding talent remains a significant challenge. 71% of surveyed SDOs find it difficult to recruit staff, and 66% find it hard to retain them. Experts in almost all economies feel there is a talent shortage in the social sector and expressed the need for better salaries, capacity building and targeted educational programs, not to mention greater recognition of the social sector and the work being done.

Recruiting staff is most difficult in Japan, Korea, Singapore and Thailand. These are mostly high-income economies where the opportunity cost of a relatively lower-paid job in the nonprofit sector is more significant.[98] Also at play may be the preference for stability and a more respected job in the corporate or government sector.

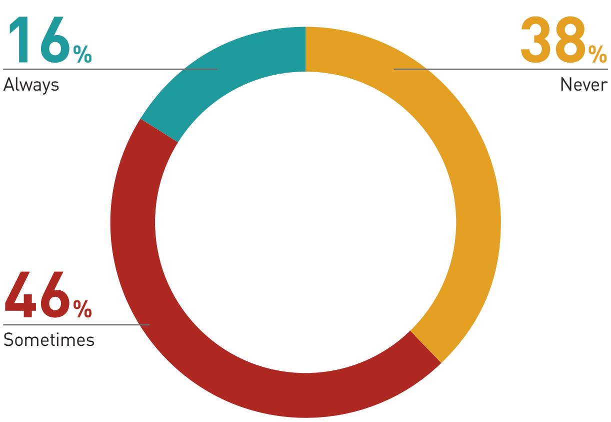
Like in previous years, 69% of SDOs reported

a widespread perception that nonprofit employees should earn less than their for-profit counterparts. When it comes to salaries, for-profit organizations and nonprofits operate on an unequal playing field. Society generally approves when for-profit companies pay competitive salaries to attract top-performing talent but frowns when nonprofits do the same.[99] A comparison of salaries across similar jobs found that nonprofit workers earn between 4% and 18% less than their for-profit counterparts.[100] This "social tax" is to the detriment of the social sector as it penalizes those with a desire to do good and narrows the recruitment pipeline. Not only does this make it more difficult to attract talent in the first place, but too often talented people leave nonprofit jobs for better-paid positions in the corporate sector.

In emerging markets, foreign aid agencies can afford to pay their staff more, making it easier to attract staff. This is reflected in our data. **Recruiting staff is considered easiest in Bangladesh, Pakistan and Indonesia, all three recipients of significant foreign aid.** Unfortunately, this also means that local SDO salaries become even less competitive. A third of surveyed SDOs believe that staff retention is easier for organizations receiving foreign funding as they are more likely to pay competitive wages.

A contributing factor to the persisting talent gap is the **lack of understanding by many philanthropists and donors of the importance of supporting talent recruitment and retention.** SDOs are often unable to invest in talent development as many donors prefer

Donor support for capacity building



their support to go directly to program costs with little to no funding covering salaries. As one Hong Kong-based SDO expressed in a separate study, "Donors do not support salaries. They want their sponsorship to be used directly on the beneficiaries."[101]

Capacity building also remains consistently overlooked by donors. Only 16% of our SDO respondents are able to raise funds for capacity building. For SDOs to be sustainable and effectively deliver services, they must invest in themselves, not just in terms of salaries but also in the skills and knowledge of their teams. Investing in human capital helps with tenure and skill development, which in turn drives impact—this is ultimately what donors care about.

As with salaries, foreign funding is more likely to support capacity building. SDOs in Cambodia, Indonesia and Nepal, economies with significant foreign funding, were most likely to receive consistent support for capacity building. Meanwhile SDOs in Japan, Singapore and Korea, all high-income economies receiving relatively little foreign funding, were least likely to receive this type of support. Lacking support from donors, SDOs turn to their peers to develop new skills. When asked about the nature of their collaboration with other SDOs, one of the main cited reasons by respondents was to help build capacity.

Tackling the talent challenge is not easy and cannot be solved by the social sector on its own. Donors can play their part by encouraging grantees to invest in themselves and giving them the necessary support to do so. As further discussed in the box on the next page, operational or unrestricted funding is crucial for SDOs to invest in the required skills and infrastructure. In recent years, there have been examples of donors and foundations recognizing the importance of operational support. In 2021, several Hong Kong family foundations organized a campaign to provide support that allowed their grantees greater flexibility to spend on operational activities they deemed most important, including investing in new skills necessitated by the pandemic.[102]

Beyond salaries and capacity building, **experts in seven economies stressed the importance of education to help bridge the talent gap.** They pointed to the need for education and training opportunities for young people and professionals wanting to work in

THE MYTH OF LOW OVERHEAD COSTS

Overhead costs are all expenses related to running an organization that are not linked to a specific project or program. This can include rent, utilities, salaries, fundraising costs, insurance and other administrative costs. There is a myth associated with operating costs: the less money an organization spends on operations, the more money there is to spend directly on beneficiaries. As a result, donors often expect SDOs to maintain low overhead costs and evaluate an organization's effectiveness by its overhead ratio.

Unfortunately, this understanding is not correct. While it is important that donors question how money is spent, and SDOs should be held accountable for their spending and allocation of funds, low overhead costs do not serve as a good proxy for an organization's efficiency.

The pressure to maintain low overhead costs can impede an SDO's mission and does not take into account the varied allocation of resources needed to address social and environmental issues. How can SDOs recruit and retain top talent if these costs are not supported by donors? Moreover, how can they grow and become more effective as an organization if investment in capacity building, communications and marketing, and fundraising activities are not supported?

In our *Index*, six economies in Asia have a regulatory cap on overhead spending, most commonly around 20%. China has put in place a 10-20% cap depending on the type of organization and the activities carried out. Pakistan places a 15% cap on administrative expenses, while Nepal and Bangladesh have a cap of 16-20%. In the Philippines, administrative costs for accredited NGOs may not exceed 30% of total expenses. Some major funders also place a cap on overhead costs but in these cases, it is often higher than previously countenanced: Ford Foundation caps overhead expenses at 20%, and the Bill & Melinda Gates Foundation limits spending on indirect costs to 15%.[103,104]

SDOs themselves are divided on whether overhead costs should be capped. Just over half believe overheads should be capped, mainly to ensure donations go directly toward meeting societal needs. Others are against a cap, stating that a limit affects an organization's ability to allocate funds according to its needs and to grow. Some guidance on overhead spending can ensure appropriate spending and help (re)build trust. But what is the right level?

An appropriate cap offers organizations the flexibility to invest in themselves while still building trust that funds are appropriately allocated. Those imposing caps should also recognize the different needs of different kinds of SDOs and adjust accordingly. The main thing is regular and honest communication between the grantor and the grantee so each side better understands the needs of the organization or the viability of asking a funder to support these requirements.

In 2019, the Ford, MacArthur, Open Society, and Hewlett and Packard Foundations re-evaluated their combined approach to operating expenses.[105] Recognizing that project grants "do not cover the actual costs of those very organizations we are trying to support," the five foundations agreed to do more to combat the "starvation cycle" that undercuts the effectiveness of the grantees.[106] This is a positive development and it is hoped that other funders will catch on.

the social sector as well as the need to educate children on topics such as philanthropy, charity and social service delivery in formal school curricula. Encouragingly, 16 economies offer university courses on nonprofit management and/or philanthropy. And in Japan, we are seeing positive development in the school curriculum with a new "public affairs" subject becoming compulsory in high schools from 2022.[xxxiv,107]

Volunteers

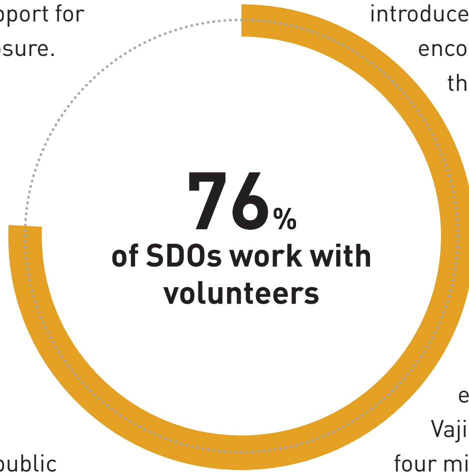
Volunteers are a tremendous resource for social good. They can help fill the talent gap for resource-strapped

[xxxiv] The existing "modern society" subject will be updated to a "public affairs" (*kokyo*) subject covering ethics, politics and economics. Part of the new subject will include cultivating "public spirit," learning about social issues and building students' skills to contribute to a "sustainable society." Citizenship and social participation are key themes in this subject.

SDOs and raise the profile of and support for the social sector through direct exposure.

Most Asian economies have a strong spirit and culture of volunteerism. 76% of surveyed SDOs work with volunteers. In Hong Kong and China, more than 90% of SDOs reported working with volunteers.

Volunteer programs spurring individuals into action are present in almost all economies. For example, in Singapore, the SG Cares program connects SDOs, companies and the public through an online platform to promote and facilitate volunteering opportunities.[108] Cambodia has introduced a specific initiative to mobilize and encourage young people to volunteer through the Union of Youth Federation of Cambodia.[109] Meanwhile, the National Disaster Management Agency (BNPB) in Indonesia established a volunteer scheme specifically to help with Covid-19 relief efforts, which welcomed as many as 15,250 volunteers.[110] And in Thailand, a volunteer program established by His Majesty King Maha Vajiralongkorn has attracted more than four million volunteers from all walks of life to carry out tasks ranging from cleaning canals to directing traffic.[111]



VOLUNTEERING FOR SOCIAL GOOD

Volunteering is a win-win-win. Volunteers are an essential resource for SDOs, which benefit from the additional skills and labor. Individuals who volunteer benefit from an increased sense of self and purpose, while society benefits from increased organizational impact. Volunteering can further help expose the public, especially young people, to the social sector, thus building trust and helping attract future talent.

Volunteers engage with SDOs in Asia in two main ways. First, they provide additional manpower to help SDOs deliver vital programs and services, such as handing out supplies, planting trees, teaching at schools or helping at special events. For example, China's Blue Sky Rescue is the nation's largest nonprofit civil emergency rescue organization with over 30,000 registered volunteers. The organization's volunteers have played a crucial role in search and rescue missions, helping to save lives after earthquakes, landslides and hurricanes and recently assisting with Covid-19 relief efforts.[112]

The need for extra manpower was particularly evident during the pandemic with volunteers recruited to deliver essential goods and services. Leveraging the economy's young population, Pakistan's Corona Relief Tiger Force volunteers distributed food and other essentials to quarantined neighborhoods and conducted hygiene and health awareness campaigns. Within 10 days of the prime minister's call to action, more than 850,000 young people registered with the force.[113] And in Vietnam, Happy Vegetable Trip mobilized volunteers to distribute locally sourced fruit and vegetables to those in need. The initiative not only benefited those in lockdown but also helped support local farmers.[114]

Volunteers also play a role in providing professional skills and expertise. They can serve on boards or contribute specific skills such as the pro bono services offered by legal, financial and technical professionals. Recognizing the benefit of management and leadership experiences of senior executives on nonprofit boards, Singapore's Center for Non-profit Leadership (CNPL) matches senior executives to boards of Singapore nonprofit organizations.[115] Hong Kong-based Asian Charity Services also leverages professional volunteers' technical expertise to match them with local NGOs as pro bono consultants.[116]

Volunteers can be sourced through direct callouts by the organization, through school and youth volunteer initiatives, or through schemes organized by government or corporations. As mentioned earlier in this chapter, almost all economies have one or more volunteer programs to spur individuals into action. Some companies, such as Sumitomo Corporation in Japan, even go as far as to allow staff to take up to five days off to participate in voluntary activities.[117]

Corporate volunteering is also common across the region. Corporate volunteering programs are available in 13 of the 17 economies. Corporate volunteerism is particularly high in Hong Kong and Taiwan, where more than three-quarters of SDOs host corporate volunteers. It is less common in Bangladesh, Japan and Korea. Corporate volunteers are most valued by SDOs for their ability to help with fundraising, pro bono professional support and additional manpower to carry out activities.

Recruiting volunteers is relatively easy, according to SDOs, although Covid-19 has made this more difficult. 42% of surveyed SDOs found it easy to recruit volunteers. Nevertheless, almost half of the SDOs say Covid-19 made recruiting volunteers tougher as the pandemic hampered volunteer opportunities.

Good governance

Building trust in the social sector requires good governance: accountability, transparency and professionalism. A nonprofit board is a building block for good governance as it provides oversight of an organization's operations and its staff. Board members also bring professional expertise and skills to the table.

The importance of a board as the basis for good governance continues to be widely recognized across the region. Fourteen out of 17 economies mandate having a board, and an encouraging 89% of surveyed SDOs across all economies have one. Having a board sends a message of trust to the public, donors and stakeholders that the organization is in good hands and is accountable.[118]

But just having a board is not enough. The operation and composition of the board are also important. Here, too, the signs are positive. Boards typically comprise six to 10 people. A board consisting of five or more members can help avoid the concentration of power in the hands of one or two people and encourages diverse opinions, skills and talent.[119] 81% of SDOs practice good governance by having regular board meetings.

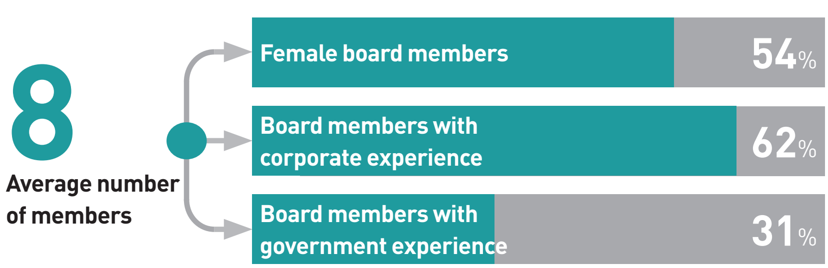
When it comes to representation, 85% of SDOs with a board have at least one board member with a corporate background—an upward trend since the inaugural *Doing Good Index* in 2018. Corporate representation helps bring professionalization to the board. Those with corporate experience on their boards most value their ability to help with connections and networking, followed by their specialized skills and expertise.

But recruiting board members with corporate experience continues to be difficult. In line with previous years, 65% of SDOs found it hard to recruit such board members. It is particularly challenging in Cambodia, Korea and Vietnam. Reasons cited for the lack of appetite to serve on boards differ from economy to economy, from an overall lower corporate engagement with the social sector to an unwillingness to take on the accountability risk that serving on a board entails.

The majority (56%) of SDOs with a board have government representation on their boards. As discussed in previous iterations of the *Doing Good Index*, government representation on boards cuts both ways. On one hand, SDOs value the presence of current or former government representatives to help better understand government priorities and focus areas as well as navigate compliance and regulations. On the other, it can also lead to increased government oversight and control, and limit an SDO's operational freedom. But adding government representation to boards can be tricky. Almost three-quarters of surveyed SDOs expressed difficulty in recruiting board members.

Encouragingly, women have a seat at boardroom tables in Asia. 89% of surveyed SDOs with a board have women on their boards, and, on average, 54% of SDO board members are female. This is significantly higher than in the private sector, where women hold around 20% of global board seats.[120] A diverse board is so much more than a "check in the box": studies have shown that women's participation in decision-making is positively correlated with the financial performance of companies. Having women on boards can lead to higher financial performance as well as have a positive impact on the

Asian SDO board composition



workforce, community, and the social and environmental performance of the company.[121,122,123] Female representation on SDO boards is the highest in China, Sri Lanka and Vietnam. It is the lowest in Korea and Pakistan.

Institutional recognition

Recognizing and rewarding SDOs and donors through awards offers public acknowledgment of doing good.

CELEBRATING GIVING IN ASIA

In India, charitable giving is celebrated during Daan Utsav, the weeklong festival of giving. The annual event starts on Mahatma Gandhi's birthday on 2 October and incorporates GivingTuesday, the global generosity movement started in 2012 in the United States as a way to encourage doing good.[124] Events and activities for 2021 included an online giving challenge, an employ-a-thon to support NGOs to find jobs for people with disabilities, a campaign to donate loyalty points to NGOs and a host of volunteering initiatives reaching 1.63 million people.

In China, National Charity Day on 5 September raises awareness of charitable service and volunteering. Chinese conglomerate Tencent's 99 Giving Day is held around the same time. In 2021, the three-day event, which connects donors to social sector organizations through Tencent's crowdfunding platform, raised more than ¥3.6 billion (approximately US$540 million), a 54% increase from the previous year.[125]

In Singapore, doing good is celebrated for an entire week during Giving Week. Centered around the UN International Volunteer Day on 5 December, the city-state applauds the spirit of giving by inspiring individuals, businesses and nonprofit organizations to give their "time, talent, treasure, and voice" in support of social causes. In 2021, the activities, many of which were moved online, included a television show, celebrity lunch webinars, a 12-hour livestreamed sing-a-thon, a digital fashion show and various other webinars.[126]

Awards and public recognition have the added benefit of spotlighting positive examples and best practices that can help inspire and encourage others. Institutional recognition and engagement with the social sector by companies and government signals support and adds credibility.

Doing good is recognized through awards in most Asian economies. Despite the cancellation of many public events and award ceremonies due to Covid-19 over the past two years, 15 economies issued awards for CSR. Fourteen economies also gave out awards for philanthropy. Often, these were given by the government, signalling government support for CSR and philanthropic giving.

Formalized volunteer programs and nationwide giving days are helping mobilize philanthropic and human capital to the social sector. Sixteen economies have economy wide volunteer schemes to mobilize volunteers to aid the social sector. And seven out of 17 economies have national giving days that endorse widespread giving.[xxxv] In China, Korea, Singapore and Vietnam, these events are government-sponsored. National giving days, especially when initiated by government, are an important way to indicate support for the social sector. 73% of SDOs believe such events would lead to increased giving.

Governments are broadly seen to be supportive of the social sector. 74% of surveyed SDOs believe governments support the sector. But there are differences across Asia. In Bangladesh, China and Singapore, more than 90% of SDOs find their government supportive of the social sector, while in Japan only 59% believe this is the case. 37% of SDOs felt that government trust of the sector increased over the last year.

Companies in Asia are engaged with the social sector. Almost three-quarters of surveyed SDOs (71%) believe companies are supportive of the social sector. In Hong Kong and the Philippines, this was as high as 90% of SDOs. How do companies engage? First, they provide much-needed funding to SDOS. 54% of surveyed SDOs receive corporate funding, making up, by proportion, 14% of an SDO's budget. Corporate funding is particularly significant in the Philippines

[xxxv] The economies are China, India, Korea, Malaysia, Pakistan, Singapore and Vietnam.

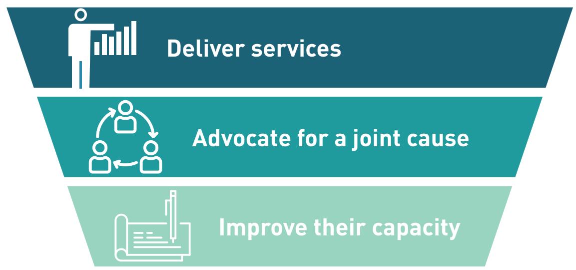
and Thailand, making up more than a third of an SDO's budget. As mentioned, volunteering is another avenue corporations can take to help support the social sector.

Corporate engagement is especially high in the Philippines. Corporate funding makes up, by proportion, almost 40% of a Filipino SDO's budget. The Philippines also sees the greatest corporate representation on SDO boards. Companies in the Philippines place high importance on CSR, stemming from a long tradition of philanthropy, individual giving and volunteerism embedded in Filipino culture.[127] While not mandatory, the 2020 Corporate Social Responsibility Act encourages all businesses to carry out CSR.[128] The Philippines also stands out for its high level of coordination and cooperation within the business sector to encourage CSR and community engagement. It is home to several networks that support corporate engagement such as Philippines Business for Social Progress (PBSP), the Caucus of Development NGO Networks (CODE-NGO), the Association of Foundations and the League of Corporate Foundations.[xxxvi]

Collaborations

No single actor or sector can address the magnitude of challenges facing humanity on its own. Collaborations

SDOs collaborate with each other to:



THE RISE AND RISE OF SOCIAL ENTERPRISES

Interest in social enterprises continues to grow across Asia. Combining business principles to meet social or environmental needs, social enterprises are a critical part of the solution to help address unprecedented social and environmental challenges. CAPS' 2019 report, *Business for Good: Maximizing the Value of Social Enterprises in Asia*, found that there are at least 1.2 million social enterprises in the six economies studied, and their numbers continue to grow.[xxxvii,129] What's more, 82% of surveyed SDOs believe donors are showing more interest in social enterprises.

Governments in the region are taking note. In 2019, the Thai government signaled a serious commitment to social entrepreneurship by introducing the Social Enterprise Promotion Act and establishing the Office of the Social Enterprise Promotion and a Social Enterprise Promotion Fund.[130] In India, the government has introduced several dedicated funding schemes and other supportive measures, including allowing social enterprises to be listed on the Social Stock Exchange once this has been established. In Nepal, preparations are underway for a specific Social Entrepreneurship Fund. Three economies—Korea, Thailand and Vietnam—offer a distinct legal category for social enterprises, while Malaysia and some regions in China have introduced a social enterprises accreditation scheme.

The increase in social enterprises in Asia is widely seen as a positive development. More organizations working in the sector means more social needs are met. However, 38% of SDOs surveyed worry about increased competition for funding sources.

Despite the growing interest, the sector is not living up to its full potential. As we discuss in *Business for Good: Maximizing the Value of Social Enterprises in Asia*, the social enterprise sector needs funding, talent and support.[131] The key lies in leveraging interest in and resources for social enterprises in ways that allow them to grow and prosper.

[xxxvi] PBSP is the largest Filipino business-led NGO, comprising more than 260 businesses channeling corporate resources to support nationwide development programs. CODE-NGO and the Association of Foundations are both NGO networks. The League of Corporate Foundations is a network of operating and grant-making corporate foundations promoting CSR among its members.

[xxxvii] The six economies are Hong Kong, Indonesia, Japan, Korea, Pakistan and Thailand.

across private, public and social sectors can and do play an important role. Encouragingly, this is happening more and more.

Collaborations among SDOs in Asia are widespread, even before Covid. 77% of SDOs collaborated with other SDOs. This was particularly common in Hong Kong, with 95% of SDOs collaborating with others. The top stated reasons for collaborations were joint delivery of services, improving capacity and joint advocacy for a cause.

Covid-19 has further led to new multisectoral collaborations. 55% of surveyed SDOs said the pandemic led to new collaborations, most commonly with other SDOs but also with governments, corporates, foundations and international organizations. SDOs themselves recognize the importance of collaborations and collaborating with others (government, private sector or other SDOs) was identified as the second most important organizational need over the next 12 months after funding.

CHAPTER 7

PROCUREMENT AT A GLANCE

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

Key findings

Governments in Asia procure services from social delivery organizations (SDOs). 30% of organizations reported receiving income from government procurement in the last financial year, up from 26% in 2020.

Income from procurement as a share of an SDO's budget varies across the region. On average, it constitutes only 9%, by proportion, of an Asian SDO's funding sources, but it goes as high as 55% in China. This points to a missed opportunity in the region at large.

There continues to be room for improvement in the procurement process. 64% of SDOs found it difficult to access information about government contracts. But steps are being taken in the right direction as transparency in the procurement process is on the rise in the region.

As in 2020, Korea, Pakistan and Taiwan are the top performers in the Procurement sub-index due to the availability of incentives for SDOs to bid for government contracts and application processes that are relatively accessible and transparent. Pakistan and Korea also have dedicated public procurement agencies. While SDOs in China receive the highest proportion of procurement funding, missing incentives and unclear procedures are holding China back from being a top performer in this sub-index.

Hong Kong, Sri Lanka and Thailand are on the other end of the spectrum. Governments in all three economies do not offer incentives for SDOs to participate in government procurement and the approval processes are relatively difficult and among the least transparent.

Key indicators

Access to procurement opportunities

- Eligibility for government requests for proposals (RFPs)
- Incentives for SDOs

Procurement process

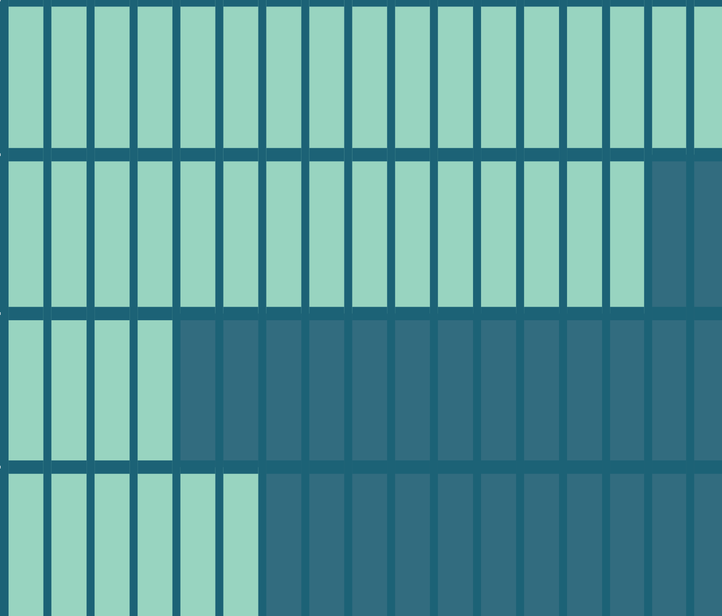
- Access to information, transparency and ease of process

17/17 economies allow SDOs to bid for government contracts

15/17 economies have a government or centralized platform for accessing procurement opportunities

4/17 economies have targeted incentives to encourage SDO participation in the procurement process

6/17 economies have a preferred vendor list for procurement contracts that includes SDOs



CHAPTER 7

PROCUREMENT

Partnerships for Doing Good

Government procurement of services from the social sector can be a win-win for both. Governments can leverage SDOs' expertise and understanding of local needs, which often results in more effective and cost-efficient service delivery. SDOs can benefit from the income and legitimacy that comes with winning government contracts. But the potential benefit of government procurement is contingent on the ease and accessibility of government procurement programs. The Procurement sub-index examines the prevalence and process of public procurement from the social sector through two groups of indicators:

- **Access to procurement opportunities:** To benefit from procurement opportunities, an SDO must be eligible and incentivized to participate in the procurement process.
- **Procurement process:** An efficient and transparent application and approval process will help facilitate an SDO's ability to participate in public procurement opportunities.

Although we are seeing a slight uptick in the number of SDOs participating in government procurement opportunities, procurement remains largely underutilized across Asia. Our data shows that 12 out of 17 economies score below average on the Procurement sub-index, signaling significant room for improvement. While SDOs in all economies can bid on government contracts, a less enabling environment is preventing many of them from benefiting from public procurement opportunities. One notable exception is China, where, despite procedural challenges, government procurement of social services has experienced a marked increase in recent years.

Access to procurement opportunities

Enabling SDOs to bid for and fulfill government contracts is a linchpin for signaling trust and support for the social sector. It indicates government confidence in the sector's ability to meet social needs. Targeted incentives can further encourage SDOs to participate in the procurement process.

SDOs in all 17 economies can bid for government contracts. Almost a third (30%) of organizations surveyed across Asia reported receiving income from government procurement in the last financial year, up from 26% in the *Doing Good Index 2020*.

In some Asian economies, governments have cracked how to effectively partner with the social sector. China is one such example: 72% of SDOs have government contracts. Japan (51%) is a distant second, followed by Singapore (44%). Sri Lanka has the lowest proportion, with the government procuring from only 10% of surveyed SDOs. Of those SDOs in Asia with government procurement contracts, the received income makes up 9%, by proportion, of their funding sources.

Procuring from the social sector legitimizes the work being done and creates more opportunities for SDOs. **But nonprofits report facing barriers in the form of access to and availability of information on procurement opportunities as well as complicated and burdensome application processes.** Experts in several economies also pointed to the lack of capacity of SDOs to take on the often-onerous administrative procedures required as a hindering factor.

The effects of government procurement are further hampered in 12 economies where the income received from contracts is taxable.[xxxviii] In Hong Kong, although

[xxxviii] The 12 economies are Bangladesh, China, India, Indonesia, Japan, Korea, Malaysia, the Philippines, Singapore, Sri Lanka, Taiwan, and Vietnam.

THE CASE FOR PROCUREMENT FROM THE SOCIAL SECTOR

Governments in Asia are becoming increasingly aware of the need to engage the social sector to address pressing social challenges. One of the ways to do this is through procurement. The purchase of goods and services by government for public purposes using public resources is known as government procurement or public procurement.

Government procurement from SDOs is mutually beneficial. Government can leverage an SDO's expertise and local knowledge, while the SDO can benefit from both the income and legitimacy of being a recognized government contractor. Procurement from SDOs also enables government to foster growth of the social sector and can be a way to relieve pressure on stretched public resources. Across the region, there are several noteworthy examples of government procuring from the social sector to both enhance social services and bridge gaps in delivery.

Bangladesh-headquartered BRAC is one such example. Renowned for being the largest nonprofit in the world, BRAC works across economies to address a multitude of socioeconomic challenges. In Bangladesh, the organization's work has helped buttress as well as fill gaps in government efforts, with the government delegating or even outsourcing certain projects to the organization.[132] Similarly, in Pakistan, recognizing its lack of capacity to provide primary health care services, the government outsourced the administration of these services to the nonprofit Peoples' Primary Healthcare Initiative. This resulted in an improvement in the quality of services provided, compared to those managed by the local district government.[133]

Meanwhile, in India, local water authority Gujarat Water Supply and Sewerage Board has been procuring the services of the Self-Employed Women's Association (SEWA) since 1998. SEWA trains women to repair hand pumps, an essential part of the state's water delivery infrastructure. The procurement contract provides employment to thousands of women while a delivering cost-efficient and timely service to the government.[134] In China, Shanghai's district governments have contracted services from local nonprofits that facilitate job training and other community services since the mid-2000s. In 2006, the Shanghai Community Youth Affairs Office was an early proponent, procuring the services of social enterprise Haichuan Sunshine Schools to provide education and unemployment services to the migrant community, a group underserved by existing government systems.[135] And in Taiwan, the Eden Social Welfare Foundation provides many of the services needed by the disabled across the country through government procurement contracts.[136]

a system of subventions exists for SDOs, it often favors larger and more established organizations. In fact, out of 9,560 charities in Hong Kong, only 169 are part of the government's subvention scheme.[137]

As foreign funding to the social sector declines in the region, organizations are looking to alternative sources of financing. Governments in Asia are well positioned to make use of procurement opportunities as one of the means to bridge this resource gap.

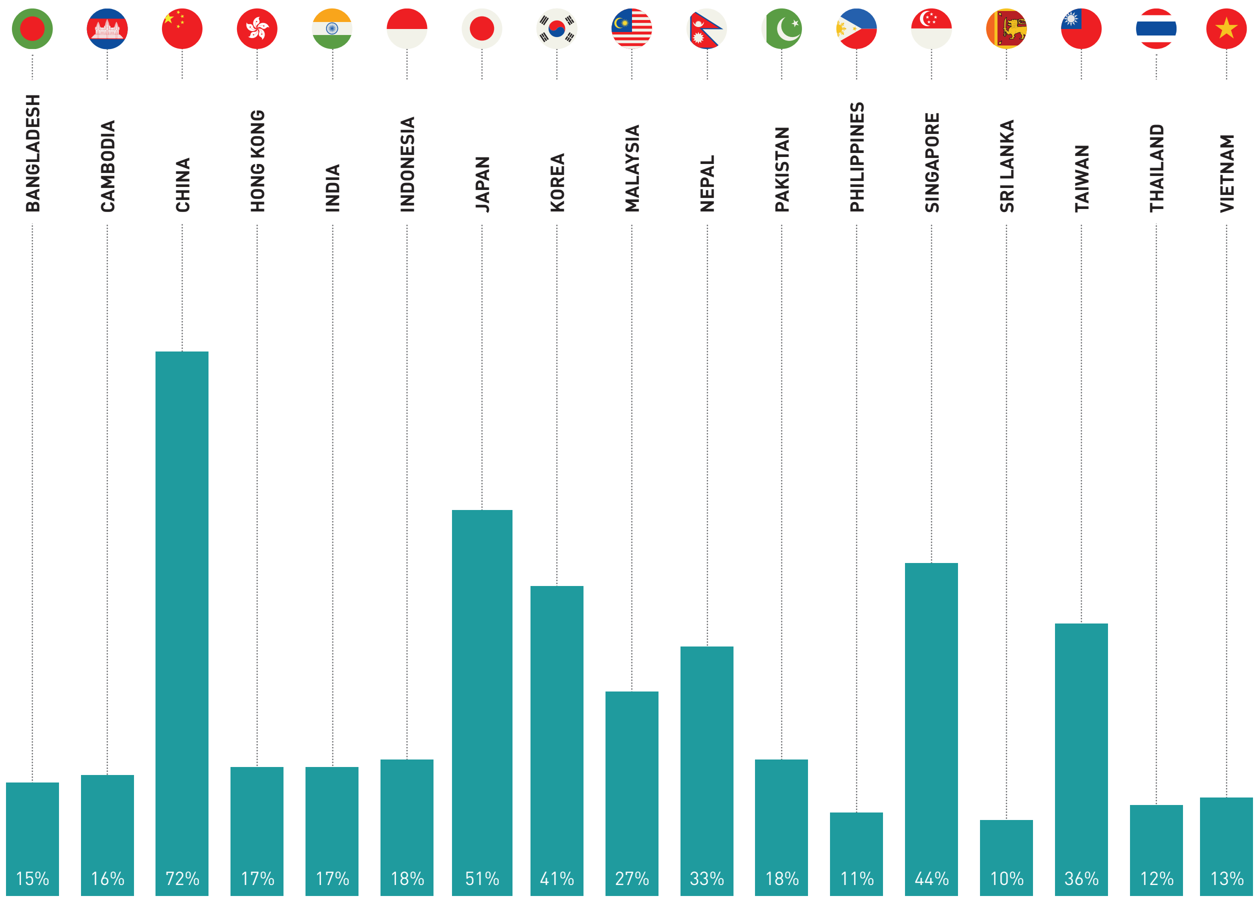
Targeted incentives can encourage and facilitate SDO participation in the procurement process but remain underutilized in Asia. These incentives can range from low-cost loans to social sector organizations, to reduced transaction costs, to subsidized overhead costs, including rent and utilities.

Governments in four economies—Korea, Pakistan, Taiwan and Vietnam—offer these types of incentives.

In Korea, the Social Enterprise Promotion Act requires public institutions to promote the preferential purchase of goods and services from social enterprises.[138] In Pakistan, federal and provincial government departments engage only SDOs for certain procurement contracts, while SDOs in Taiwan are incentivized through subsidies and grants. And in Vietnam, SDOs bidding for government contracts are eligible for preferential rental rates and are exempt from registration tax.[139]

Having a preferred vendor list for procurement

Percentage of SDOs with government procurement contracts



contracts that includes SDOs is another way for governments to encourage organizations to bid for contracts. Six economies—Hong Kong, Japan, Korea, Malaysia, Taiwan and Vietnam—have this.

Procurement process

Ensuring that information on procurement opportunities is accessible and the approval process is clear and transparent can encourage SDO participation in bidding for government contracts. Yet, many governments in Asia are still to put enabling measures in place.

Accessing information on procurement opportunities remains difficult. All economies, with the exception of Bangladesh and Cambodia, have a centralized platform or website to access opportunities. A centralized procurement platform can make the process more efficient, accountable and cost-effective for both government and SDOs. Yet only 13% of SDO surveyed find it is easy to obtain information about government procurement opportunities and apply for them. This is a threefold decline since 2020. This disparity raises the question: How beneficial is having a centralized procurement platform if SDOs still face challenges in accessing information?

The process of winning government contracts is also considered onerous. Nearly three-quarters (70%) of SDOs find the approval process challenging. Experts in 13 out of 17 economies believe, that government delay in paying vendors is a contributing factor. With limited resources at their disposal, additional barriers such as covering upfront costs and burdensome processes can dissuade SDOs from bidding for government contracts.

Transparency of the procurement process is

GOVERNMENT PROCUREMENT IN CHINA

Government procurement of social services from SDOs is a relatively nascent practice in China, but it has taken off in recent years. In line with the central government's call to shake up "social governance ideas" and "innovate governance models," authorities at various administrative levels are tapping into the professional capability of SDOs to solve social needs.[140]

China has leveraged this approach to promote decentralized procurement: local governments use their understanding of local needs and discretion to procure the services of SDOs already working in the community. These organizations are given the opportunity to address the needs of communities on behalf of the government, doing what the government and private sector are "unwilling to do, do not do well, or do not often do."[141] The purchase of social services has become common across different regions and has been adopted by provinces, town and streets.[142] Services provided cover community health, education, environment, social work, among others.[143]

The earliest experiments of government procurement began in the mid-1990s in Shanghai.[144] The practice slowly gained more traction nationwide from the late-1990s as developed areas of China, including Shenzhen, Guangzhou and Beijing, started their respective versions of the model.[145] The watershed moment arrived in 2013 with the release of the Guiding Opinion on Government Procurement of Social Services from Social Forces by the State Council.[146] Explicit signals from the top to increase government procurement of social services were given.[xxxix,147,148] Since then, government procurement from SDOs has increased rapidly and quickly becoming a key feature of the relationship between government and the social sector. Yet challenges remain in how to scale up this collaboration effectively.[149] After several years of experimentation, the Ministry of Finance further refined the regulations around government procurement of social services in 2019 to further facilitate the practice as an integral part of public service provision.[150]

This trend is reflected in findings from the *Doing Good Index 2022*. China procures more services from SDOs than any other economy: 72% of Chinese SDOs surveyed receive funding through government procurement, compared to 30% of SDOs across Asia. 50% of Chinese SDOs say they consider government procurement to be the most critical source of funding for their organization over the next two years, understandable given that government procurement comprises 55%, by proportion, of a Chinese SDO's funding sources. For comparison, the average Asian proportion is 9%.

The partnership between SDOs and the government in China is also one of pragmatism and recognition of each other's comparative advantage: SDOs need the government's networks, influence, legitimacy and resources to build its own capacity, while the government needs SDOs' expertise and specialized knowledge.[151,152] The result is a win for the public as the government can utilize this approach to meet the growing demand for public services and concurrently improve the quality and efficacy of public services.

But Chinese SDOs also face a balancing act. While ongoing government procurement can enable a sustainable income stream and access to government resources, it can also reduce an SDO's independence, blurring the lines between the public and social sectors.[153]

improving. 55% of SDOs believe the approval process is not or only somewhat transparent—a decline from 68% in 2020, and 70% in 2018. This is a positive development as a lack of transparency in the approval process can discourage SDOs from participating in government procurement programs.

[xxxix] Top-level stipulations on the six dimensions of government procurement—purchasing entities, undertaking entities, content of purchase (what can be purchased, in what ways etc.), purchasing mechanisms, financial management and performance management—were also laid out in this document.

MYANMAR ECONOMY PROFILE

Due to the challenging situation on the ground, Myanmar was unable to take part in this iteration of the *Doing Good Index*. Instead, our local partners—Yever and Myanmar Centre for Responsible Business (MCRB)—engaged directly with 20 experts and social delivery organization (SDO) representatives to glean insights into the effects of Covid-19 and the political crisis on Myanmar's social sector.[xl] This economy profile tells its story.

Myanmar—An economy on the brink

The state of the social sector

Like the rest of Asia, Myanmar was hit by the Covid-19 pandemic in early 2020, impacting the activities and operations of SDOs and the social sector at large. Unfortunately, the situation for SDOs further deteriorated following the military coup d'état against the National League for Democracy government on 1 February 2021. Curtailment of funding, limited internet access, restrictions on activities and heightened risk of staff arrests in a tense political environment form the new reality for SDOs in Myanmar.

Even before the devastating events of the last two years, the social sector in Myanmar was struggling to thrive. As reported in the *Doing Good Index 2020*, underlying structural conditions, including weak government capacity, economic vulnerability, political uncertainty and unclear economic policies, were holding the sector back.[154]

Since the coup, with the compounding effects of the political and health crises, the state of the social sector has worsened significantly. While Myanmar was not included in this iteration of the *Index*, it is almost certain that, given the current fraught ecosystem for SDOs, it would not have maintained its 2020 position on the *Doing Good Index* and would have been relegated to the lowest cluster.

The military takeover and Covid-19 have thrown Myanmar into a downward spiral. The economy has been battered, public services are failing and millions are being pushed into poverty. The economy contracted by a massive 18% in the 2021 fiscal year, with a projection of 1% growth in 2022, which is expected to be revised downward.[155,156] As a result of the economic downturn, the share of the population living in poverty has doubled from pre-Covid levels. Inflation, driven by a devaluing currency, reduced access to credit and low agriculture production, particularly in conflict zones, pose an increased threat to food security.[157] Meanwhile, low vaccination rates and a weakened health care system leave the economy highly vulnerable to future Covid-19 outbreaks.[158] It is estimated that almost 14 million people will need humanitarian assistance in 2022.[159] Yet many nongovernmental organizations' hands are tied as their operations, funding and legal status are constrained.

Managing the shocks of the political crisis

The impact of the military coup on Myanmar SDOs has been profound. *Index* interviewees collectively agreed that the space within which SDOs operate has shrunk, with curbs in almost every sphere of activity. Faced with a challenging political environment and military crackdowns, many organizations, especially international organizations, have left Myanmar or temporarily suspended their operations. Those that remain had to re-strategize and adapt to their new reality.

The top priority for all SDOs interviewed has been to ensure the safety of people and assets. Many SDO staff face a greater risk of arrest and intimidation by the military, particularly if there is suspicion of links and/or alignment with the political opposition.

[xl] These interviews, facilitated by Yever and MCRB, were held online in June/July 2021.

Myanmar's crisis in numbers*

18%
contraction of GDP in the 2021 fiscal year

50%
of the population has not received their first Covid-19 vaccine

200,000
people have been forcibly displaced since 1 February 2021

8%
forecasted inflation rate in 2022

* Sources: Asian Development Bank; Covidvax.live; Refugees International

Surveillance, checkpoints and office raids have become common. In late 2021, two Myanmar staff from the Save the Children Fund, returning from humanitarian response work, were among some 35 civilians attacked and killed in Kayah State.[160] Many donors and international organizations have revised their approach and several suspended activities. Some SDO staff, both foreigners and locals, have left Myanmar. This has taken a significant toll on staff morale.

One of the most significant effects of the coup has been the tightening of rules and regulations: from curfews and bans on assembly to curbing access to the internet, and censorship and surveillance. The military junta is now looking to pass a cybersecurity law that would allow it to "access user data, block websites, order internet shutdowns, and prosecute critics and representatives of non-complying companies."[161]

Regulatory obligations, including registration and project approval, already considered complicated in 2020, have also become more cumbersome.[162] Almost all SDOs interviewed expected regulations to become more stringent, thus increasing their administrative burden and thereby reducing their ability to do good. The 2014 Law Relating to the Registration of Associations (the "Associations Law", which governs the activities of NGOs and civil society organizations) is currently being amended, with key changes expected to include stricter oversight and mandatory registration.[163] Until this happens, organizations are unable to obtain or renew registration.

Access to funding poses a major challenge for SDOs. Faced with political uncertainty and increased scrutiny and oversight on funding to SDOs, many international governments, development organizations and other major donors have frozen funding to Myanmar. In March 2021, in an attempt to monitor funding flowing to opposition groups, the Central Bank of Myanmar, acting on junta instructions, ordered banks to submit details of accounts and money transfers of domestic and foreign nonprofits dating back to 2016. The military authorities also began to weaponize anti-money laundering rules to control and limit the flow of foreign funding as well as to conserve foreign exchange.

Even those organizations with sufficient operating capital in their accounts have faced difficulties in accessing it. Shortage of cash and strict limits on cash transfers and withdrawals have brought about severe cash flow problems. Withdrawing or transferring money has become an extremely time-consuming and complicated process, although this improved toward the end of 2021. At the peak of the banking crisis, organizations had to pay up to 10-15% commission to access cash, an additional cost that donors were initially reluctant to cover.

The political crisis has further increased the trust deficit. As explained by one interviewee, "Enhanced surveillance by the military and the presence of informants means that trust between organizations has been damaged as a consequence of the coup." Even within organizations, political tensions have surfaced among colleagues with different backgrounds or attitudes to the coup and how to respond. Organizations also fear reprisals if they conduct activities opposed by the military regime.

Government engagement remains fraught. Prior to the coup, 85% of SDOs interviewed worked actively with various government agencies and ministries. However, since 1 February 2021, most SDOs have avoided engaging with the military authorities, whom many regard as illegitimate. Some prefer to align with opposition groups, although this poses a safety risk.

One impact of avoiding the authorities is that many organizations are unsure about what to do regarding registration. Some see (re)registration as de facto recognition of the military government. But without registration with the authorities, SDOs may be unable to provide much-needed support. Furthermore, at the time of the interviews in mid-2021, many SDOs had not yet paid taxes (mostly personal income tax) as an act of civil disobedience.

Internet shutdowns and communication barriers have disrupted operations. Between February and April 2021, the military maintained nightly bans on fixed-line connections and completely shut down mobile and wireless broadband networks. It also restricted access to many popular websites, including Facebook, commonly used by SDOs in Myanmar. Even after internet services resumed, restrictions on certain sites and intermittent blocks in certain areas of the internet remain. Many SDOs have resorted to using virtual proxy networks (VPNs) to access the internet and social media.[164] However, the latest draft of the proposed cybersecurity law would criminalize the use of unauthorized VPNs.

Reducing accessibility to the internet affects SDOs' every activity, from accessing information to communication to delivering services. Mobile data used by most of Myanmar's population is increasingly unaffordable. In December 2021, the telecom regulator mandated an approximate doubling in the price of mobile data.[165] This was followed by an increase in the commercial tax rate from 5% to 15% for mobile and fixed-line internet providers, forcing them to increase prices further.[166]

The impact of the Covid-19 pandemic on SDOs

Escaping relatively unscathed from Covid-19 in 2020, a third wave in mid-2021 saw Myanmar reeling from a massive surge in cases. By the end of 2021, the Ministry of Health reported 20,000 deaths.[167] However, according to a Médecins Sans Frontières (MSF) report at the time, Myanmar's public health system was in complete disarray and countless (unreported) deaths occurred due to a lack of access to health care, including oxygen.[168] Thousands of health care workers joined the nationwide Civil Disobedience Movement (CDM) after the coup, while many instead volunteered with SDOs. The military retaliated by attacking some health care organizations and arresting medical personnel.[169] Reports by several organizations highlight the near-total collapse of Myanmar's health care sector due to a severe shortage of doctors, hospital beds and vaccines.[170,171]

Covid-19 forced many SDOs to adapt both their operations as well as service delivery. To adapt to remote working, SDOs invested in new laptops and technology solutions to enable online communication and collaboration. Many SDOs provided additional financial support for their employees in remote areas where internet access relies on cellular data instead of fiber/broadband.

Many SDOs also had to change how they engaged with their beneficiaries. For instance, those providing training had to close their facilities and switch to online classes, while SDOs delivering health services had to invest in new equipment to ensure the safety of their staff and beneficiaries. SDOs operating in remote areas also had to build the technological capacities of their beneficiaries in order to deliver services to them.

Apart from the immediate tactical responses and changes, nearly three-quarters of the SDOs interviewed had to rethink their organization's plans as activities were postponed. For 40% of the SDOs interviewed, Covid-19 negatively affected their funding. This resulted in a reduction of their workforce or adjustment of staff salaries to compensate.

Challenges and opportunities ahead

It is clear that the combined effects of the political and health crises have led to a significantly deteriorating situation for the social sector in Myanmar. All the SDOs interviewed spoke of the prevailing uncertainty and fear, and the near-impossible task of planning ahead. The SDOs that are continuing to operate face daily struggles. They face an existential and moral dilemma over whether to continue helping their beneficiaries who need them more than ever, or winding down operations because of the funding and security challenges, as well as uncertainty about possible increased restrictions on their activities as a result of an amended Associations Law.

Looking ahead, the political situation in Myanmar is not expected to improve in the near term, even if the military fulfills its promise of holding elections by August 2023. However, the multitude of crises—political, economic, health and humanitarian—means that there continues to be a huge need for SDOs and donors in Myanmar. In January 2022, the UN called on the international community to assist with US$826 million over the next year for its Humanitarian Response Plan for Myanmar—currently, only 6% of this appeal has been funded.[172]

Organizations providing humanitarian, welfare and social services need the support and commitment of donors now more than ever. Donors can help by revising their risk appetite and compliance requirements to ease the burden on SDOs. They can also pitch in with emergency grants to finance SDOs' working capital and cash flow in order for the organizations at most risk to survive.

While immensely challenging, partnerships between Myanmar SDOs and the private sector can also be encouraged to innovate and build back better. A few *Doing Good Index* interviewees observed collaboration emerging as the pandemic unfolded. For instance, some chambers of commerce rapidly mobilized to purchase critical equipment, oxygen and medication for donation to SDOs during the third wave of Covid-19 in July and August 2021.[173] The private sector can support SDOs directly, not just with funding, but also talent, technology and know-how.

Lessons can be drawn from the experiences of SDOs operating through political crises and armed conflict in other parts of the world. Most importantly, trust is needed to recreate the ecosystem of doing good in Myanmar. All interviewees support this idea: rebuilding trust among SDOs and with their funders will be essential to strengthen the social sector landscape in Myanmar.

We wish to thank our partners, Yever and the Myanmar Centre for Responsible Business (MCRB), for the primary authorship of this profile.

CONCLUSION

In mid-2022, we are emerging from the pandemic, in the words of British poet William Ernest Henley, "bloody but unbowed."[174] We can be proud of our humanity, our community and our resilience despite the great difficulties we have faced. While the health risks of Covid-19 are abating, the impact of the global pandemic—the lockdowns and rapid growth of societal disparities—will remain with us for years, even decades, to come.

We often talk about the need for all parts of our community to work together more effectively, leveraging our comparative strengths to meet the large and complex challenges we share. But we know that this is easier said than done. Fortunately, we have some tools to use in this pursuit. The *Doing Good Index* provides us with a roadmap of sorts: a way to chart a course to the improved means by which we can work together.

The *Doing Good Index 2022* shows that the goal of harnessing the strengths of the government and private and social sectors is far from being realized in many Asian economies. Singapore and Taiwan have done the most to enable the social sector to thrive by reducing obstacles and aligning incentives for the government, the private sector and individuals to support problem-solving community efforts. The good news is that throughout Asia, governments have recognized that allowing their citizenry to engage in finding solutions is an important way for people to pitch in and for organizations to be created and nurtured with the express purpose of helping communities in need. In India, the positive effects of requiring CSR from the top companies are clear. In China, the government is the largest procurer of goods and services from SDOs in Asia. In Indonesia, there is great energy going toward setting up blended finance schemes. In the Philippines, corporations lead the way in taking on community needs in partnership with SDOs. These are but a few examples.

All the economies in the *Doing Good Index* provide some degree of tax benefit and subsidies to individuals and companies supporting social sector organizations as well as, in most places, to the organizations through tax exemption. The benefits are explicit. By subsidizing charitable contributions, governments promote a fundamental aspect of civic engagement. Nevertheless, with the exception of Singapore and Vietnam, the amount eligible for tax benefits is capped. Why? Governments are, in essence, saying that donors can only be generous up to a point. What is the rationale for capping the tax subsidy on charitable donations? It is a worthy question to be discussed among authorities the world over.

In the economies in three categories, Doing Better, Doing Okay and Not Doing Enough, we see a range of mixed messages, policies and outcomes. In fact, one of the most important findings of the *Doing Good Index 2022* is the degree to which government regulations in many Asian economies simultaneously enable and impede the social sector from carrying out much-needed action. On the one hand, there is growing awareness of the benefits of transparency, and efforts are being made to ensure that systems are in place to help organizations be transparent and accountable to their funders, their beneficiaries and the public. On the other hand, without clear notions of what types of regulations best aid in building transparency, reporting can be so onerous that cash- and talent-strapped organizations do not have the wherewithal to secure compliance.

Another important finding is the extent to which communities have taken efforts to help those living among them. We see extraordinary engagement, collaboration and ingenuity at the local level—even more impressive during a global pandemic. Clearly, people want to help make their communities clean, healthy and happy places to live, work and raise families.

The *Doing Good Index* helps us to see what types of policies, and the extent to which they are clearly articulated and enforced, can best enable the social sector and the requisite civic participation that fuels it. The Centre for Asian Philanthropy and Society (CAPS) is excited to share this roadmap and work with partner organizations in the region as well as with governments and philanthropists as we come out of the pandemic and rebuild stronger and more resilient than ever before.

PART II: ECONOMY SNAPSHOTS

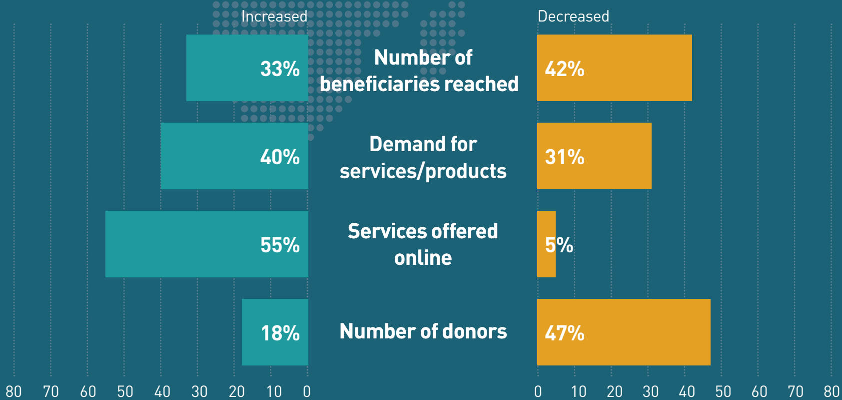
The following economy snapshots show a selection of data from the survey administered to 2,239 SDOs across Asia. For more data and economy comparisons, please visit doinggoodindex.caps.org.

ASIA*#

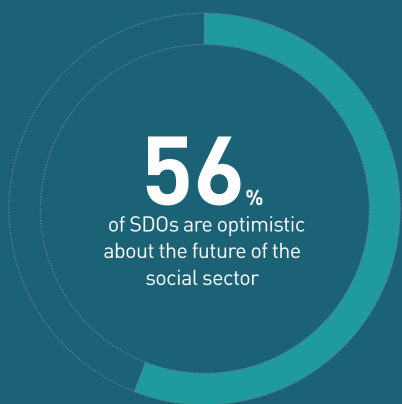
* In this and subsequent economy snapshots, totals may not add up to 100% due to rounding.

Data for 2022 is based on findings from 17 economies, and data for 2020 is based on findings from 18 economies.

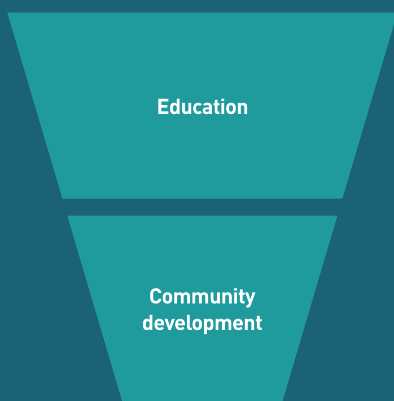
Impact of Covid-19 on SDOs



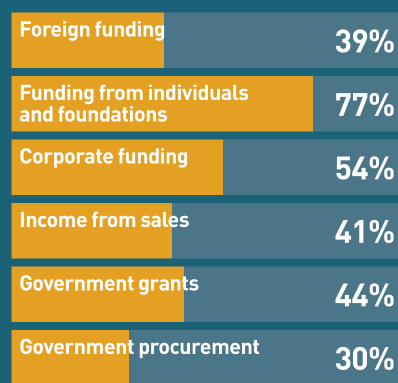
Social sector outlook



Primary areas of work

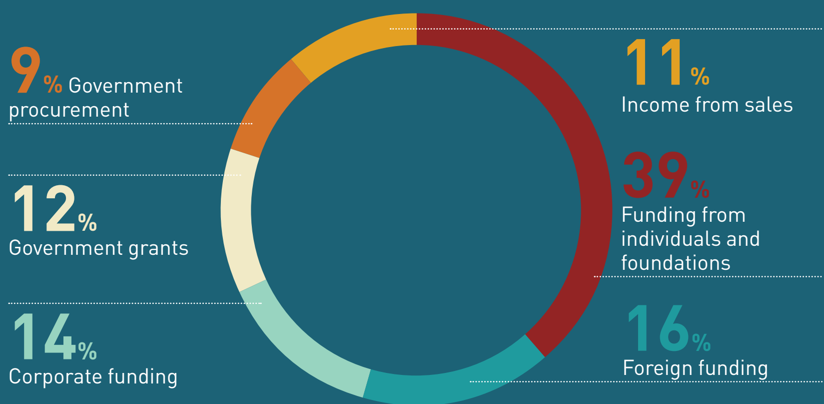


Prevalence of funding sources*



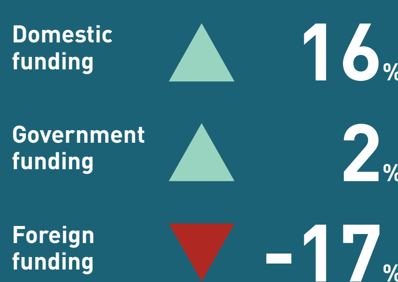
* Percentage of SDOs receiving each type of funding.

Proportion of SDO budget by funding source*



* Based on data provided by SDOs for the last financial year.

Changes in sources of funding: 2022 vs 2020*



* For the purpose of this graphic, domestic funding combines: funding from individuals and foundations, corporate funding and income from sales. Government funding combines income from procurement contracts and government grants.

Individual charitable giving

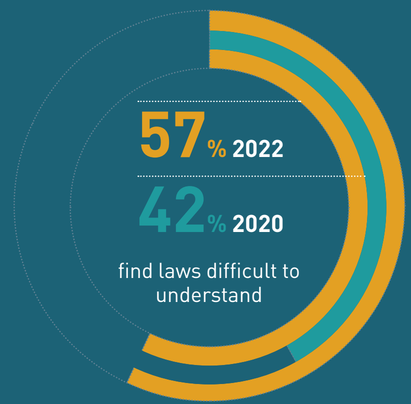
Top 2 reasons for low levels of giving

Trust in SDOs

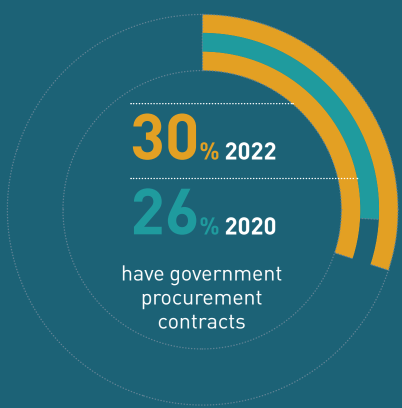
Difficulty in recruiting staff

Corporate volunteering

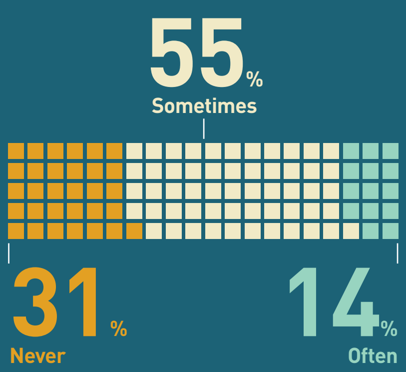
Ease of understanding laws



Government procurement



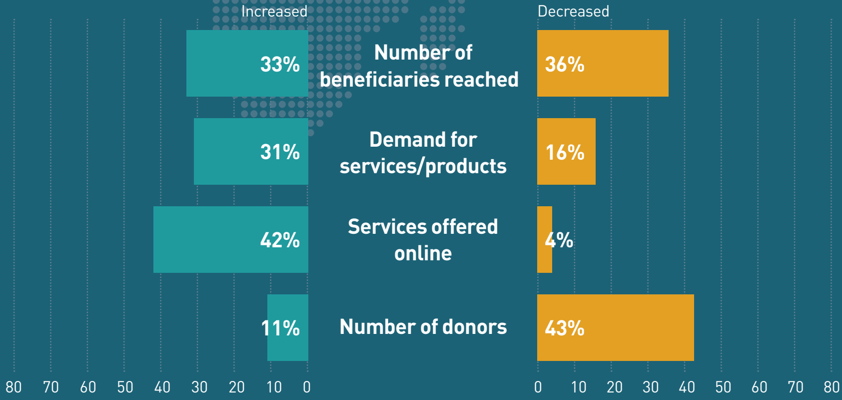
SDOs involved in policy consultations



Explore and compare data on our microsite.

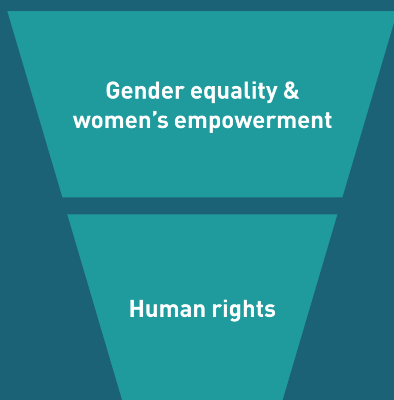
BANGLADESH

Impact of Covid-19 on SDOs

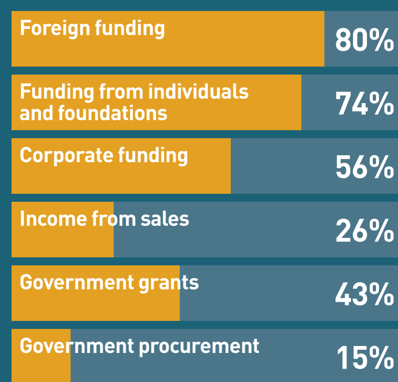


Social sector outlook

Primary areas of work

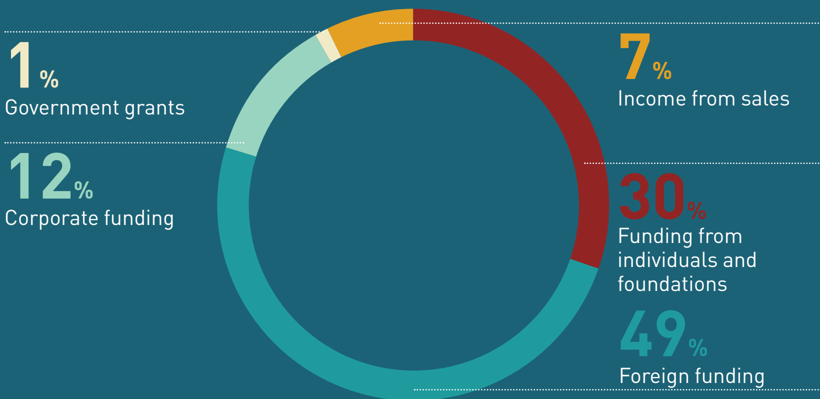


Prevalence of funding sources*



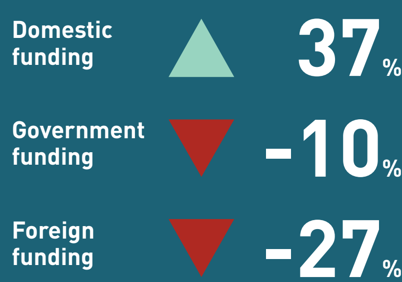
* Percentage of SDOs receiving each type of funding.

Proportion of SDO budget by funding source*



* Based on data provided by SDOs for the last financial year.

Changes in sources of funding: 2022 vs 2020*



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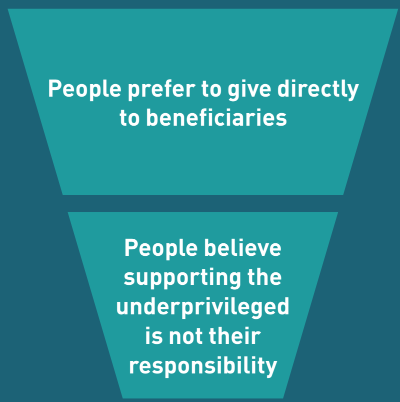
Individual charitable giving

Top 2 reasons for low levels of giving

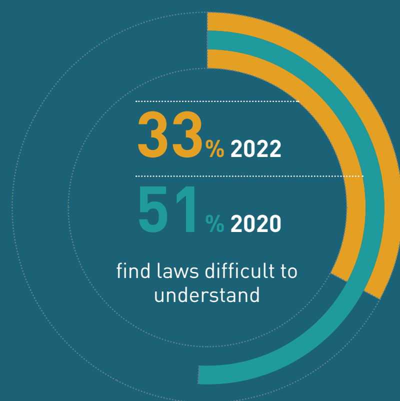


Trust in SDOs

Difficulty in recruiting staff

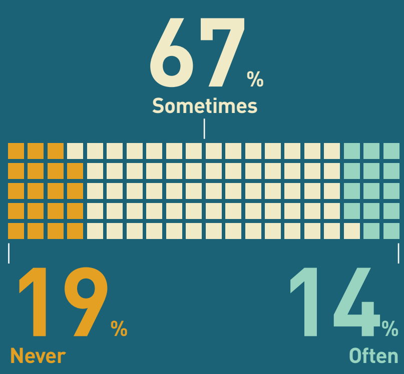
Corporate volunteering

Ease of understanding laws



Government procurement

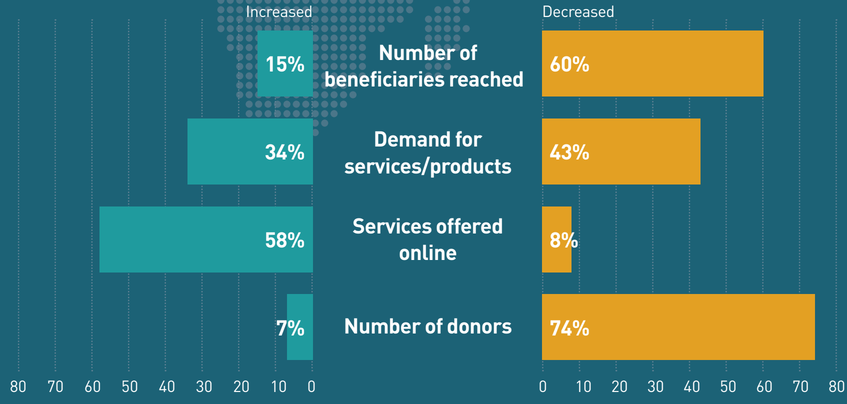
SDOs involved in policy consultations



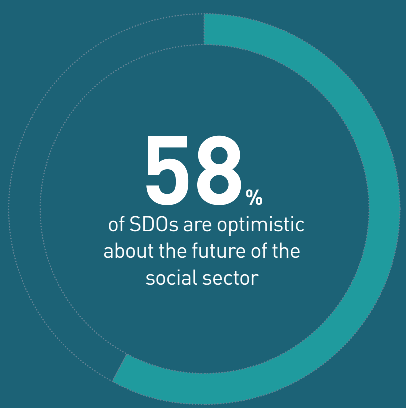
Explore and compare data on our microsite.

CAMBODIA

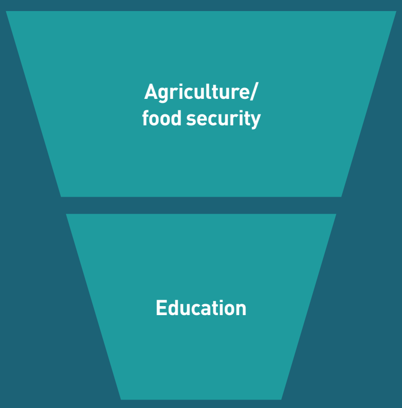
Impact of Covid-19 on SDOs



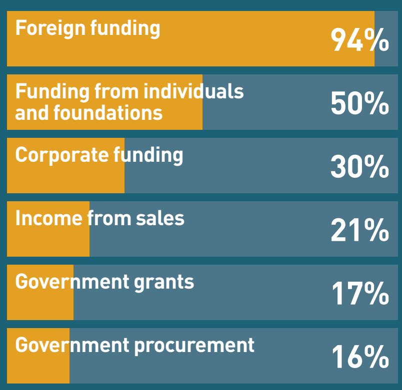
Social sector outlook



Primary areas of work

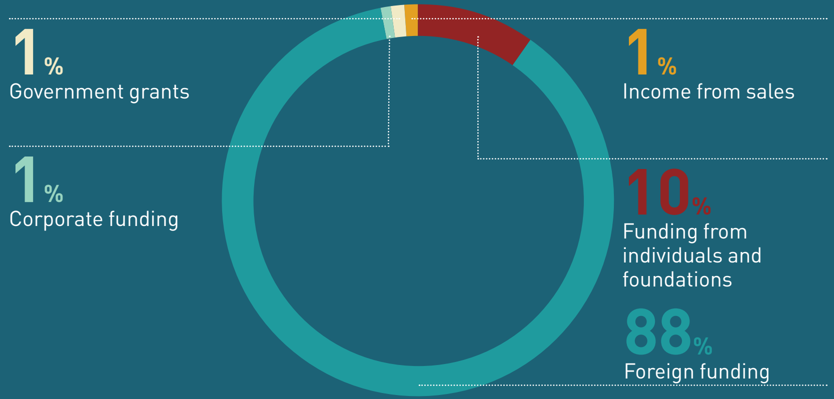


Prevalence of funding sources*



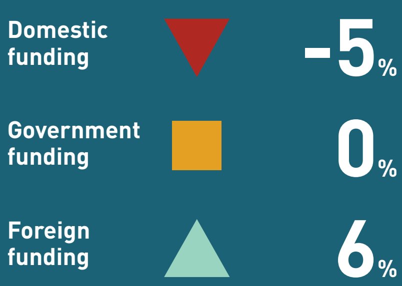
* Percentage of SDOs receiving each type of funding.

Proportion of SDO budget by funding source*



* Based on data provided by SDOs for the last financial year.

Changes in sources of funding: 2022 vs 2020*



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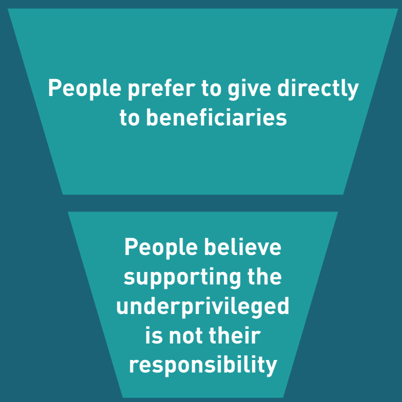
Individual charitable giving

Top 2 reasons for low levels of giving

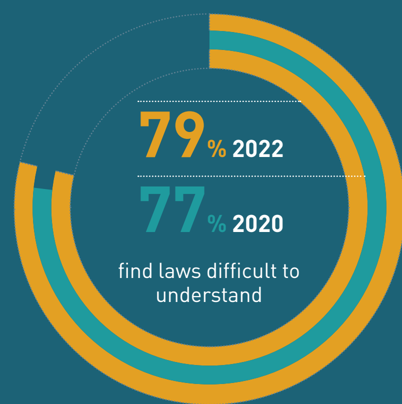


Trust in SDOs

Difficulty in recruiting staff

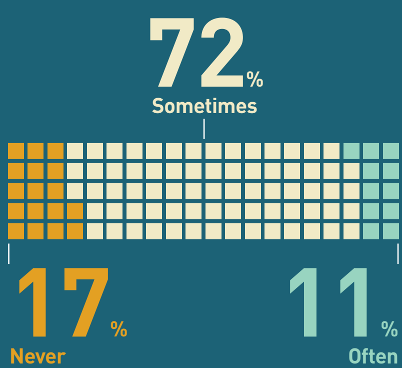
Corporate volunteering

Ease of understanding laws



Government procurement

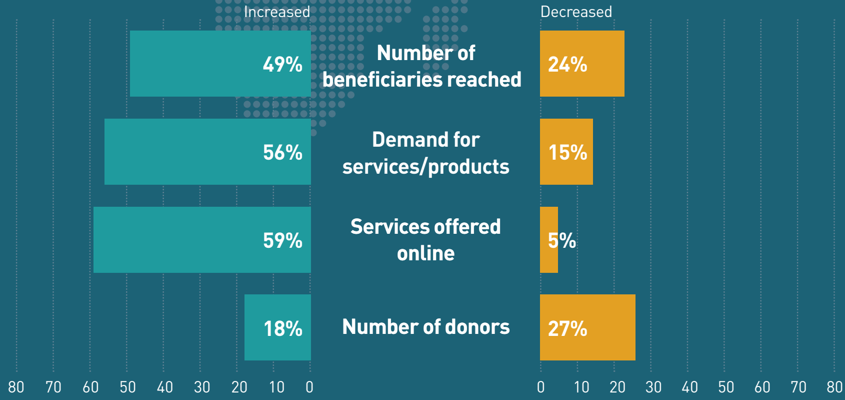
SDOs involved in policy consultations



Explore and compare data on our microsite.

CHINA

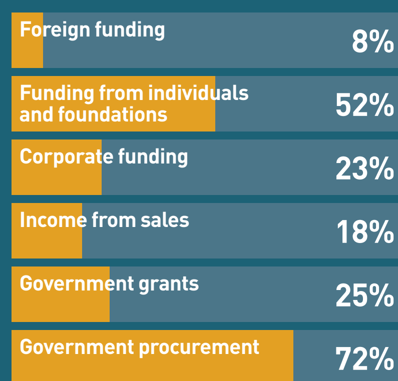
Impact of Covid-19 on SDOs



Social sector outlook

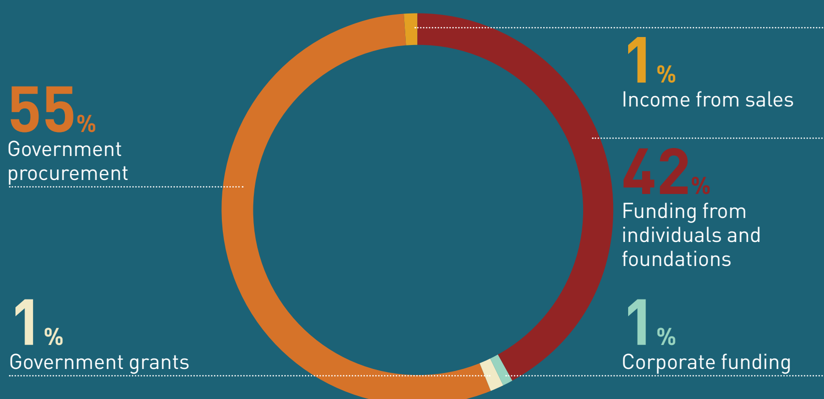
Primary areas of work

Prevalence of funding sources*



* Percentage of SDOs receiving each type of funding.

Proportion of SDO budget by funding source*



* Based on data provided by SDOs for the last financial year.

Changes in sources of funding: 2022 vs 2020*

Domestic funding 10%

Government funding -7%

Foreign funding -3%

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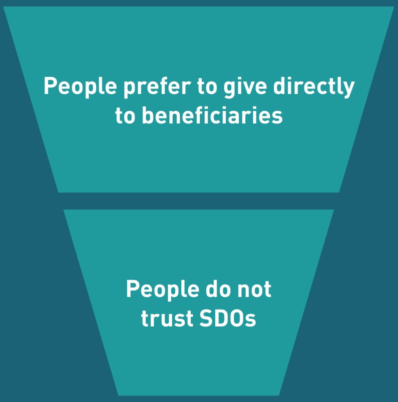
Individual charitable giving

Top 2 reasons for low levels of giving



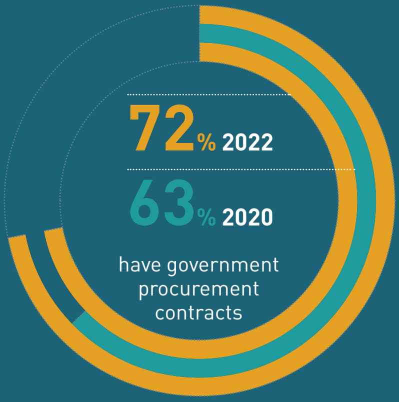
Trust in SDOs

Difficulty in recruiting staff

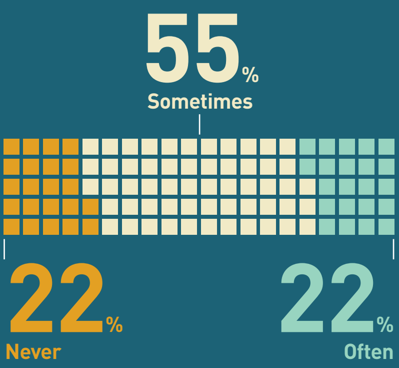
Corporate volunteering

Ease of understanding laws

Government procurement



SDOs involved in policy consultations

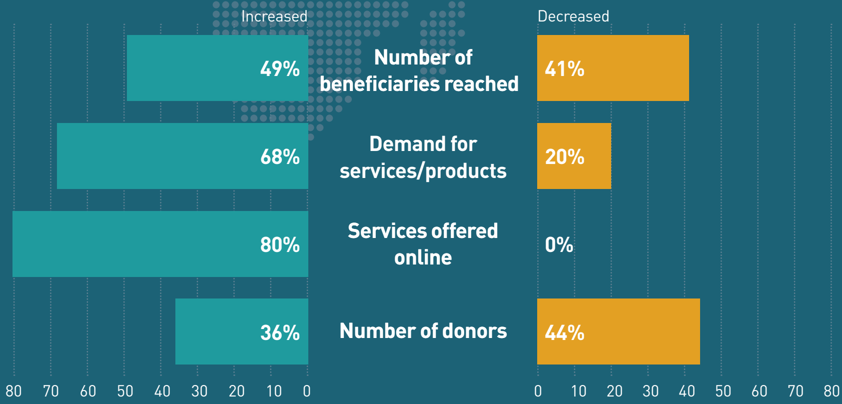


Explore and compare data on our microsite.

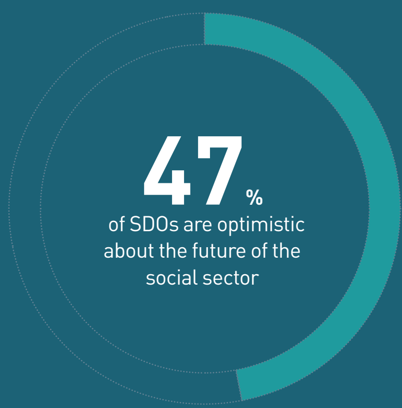
HONG KONG*

* "Hong Kong" refers to Hong Kong Special Administrative Region, China

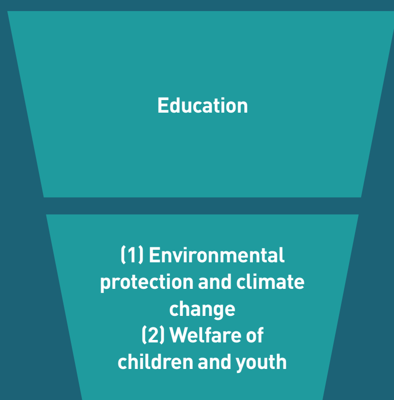
Impact of Covid-19 on SDOs



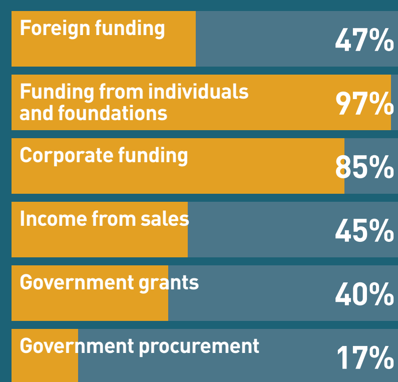
Social sector outlook



Primary areas of work

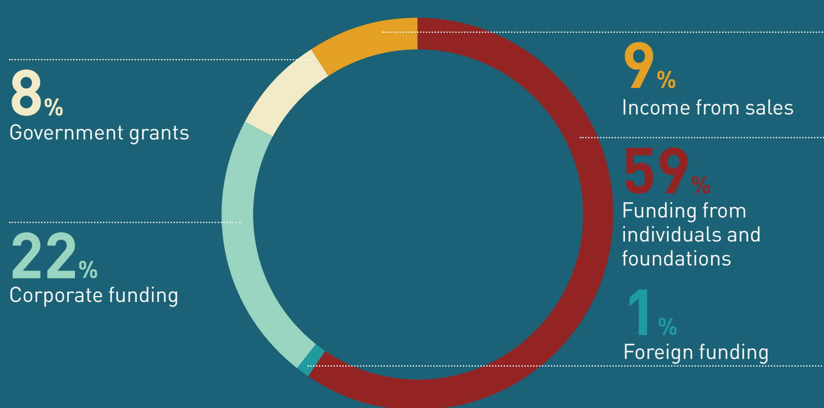


Prevalence of funding sources*



* Percentage of SDOs receiving each type of funding.

Proportion of SDO budget by funding source*



* Based on data provided by SDOs for the last financial year.

Changes in sources of funding: 2022 vs 2020*

Domestic funding ▲ 17%

Government funding ▼ -8%

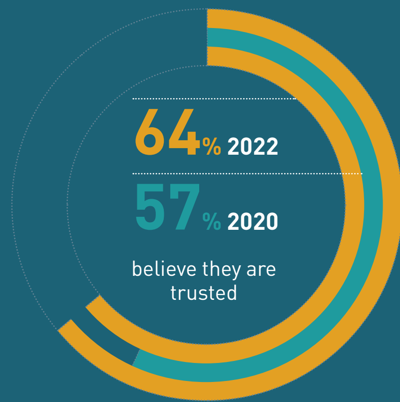
Foreign funding ▼ -8%

* For the purpose of this graphic, domestic funding combines: funding from individuals and foundations, corporate funding and income from sales. Government funding combines income from procurement contracts and government grants.

Individual charitable giving

Top 2 reasons for low levels of giving

Trust in SDOs

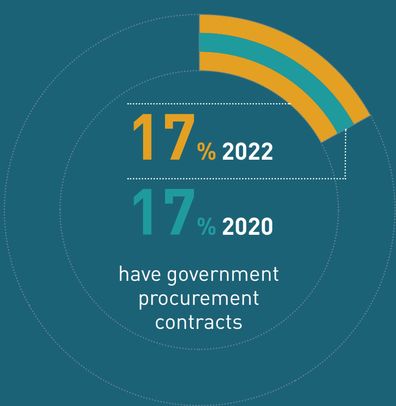


Difficulty in recruiting staff

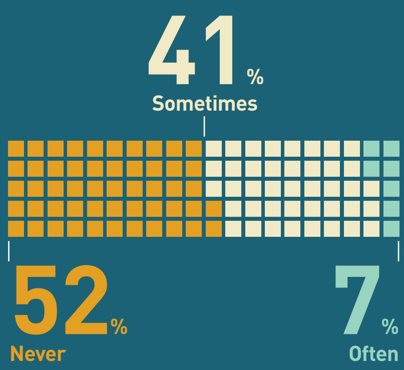
Corporate volunteering

Ease of understanding laws

Government procurement



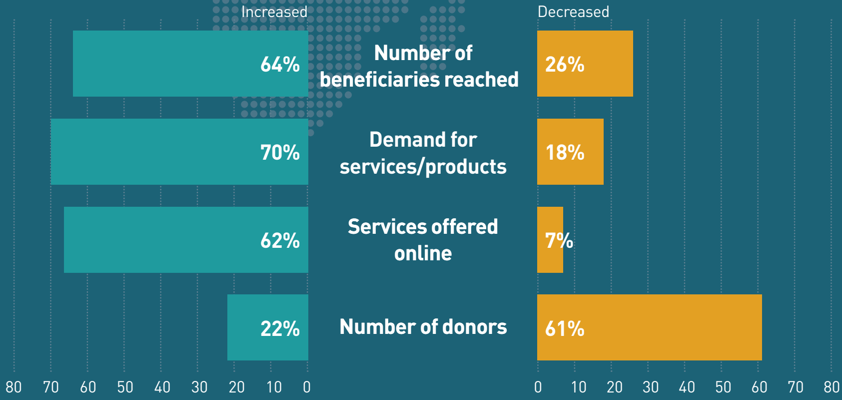
SDOs involved in policy consultations



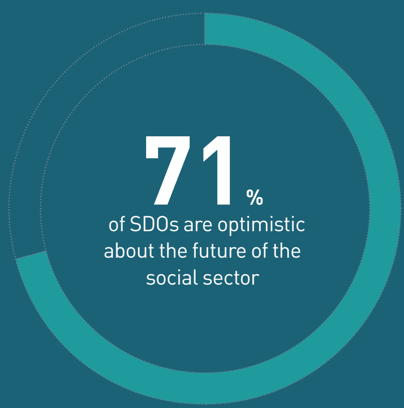
Explore and compare data on our microsite.

INDIA

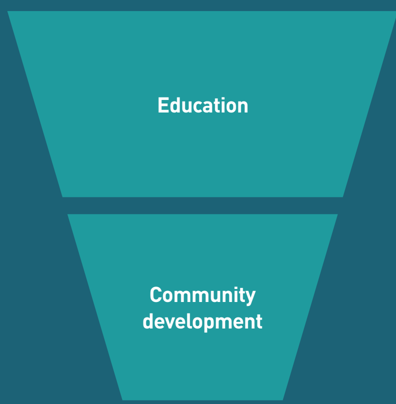
Impact of Covid-19 on SDOs



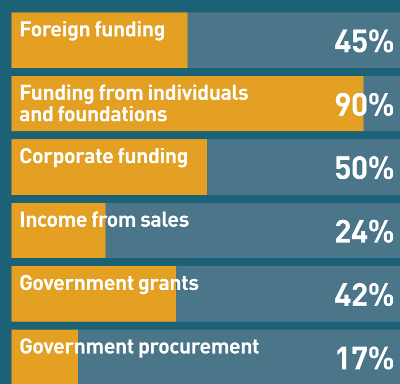
Social sector outlook



Primary areas of work

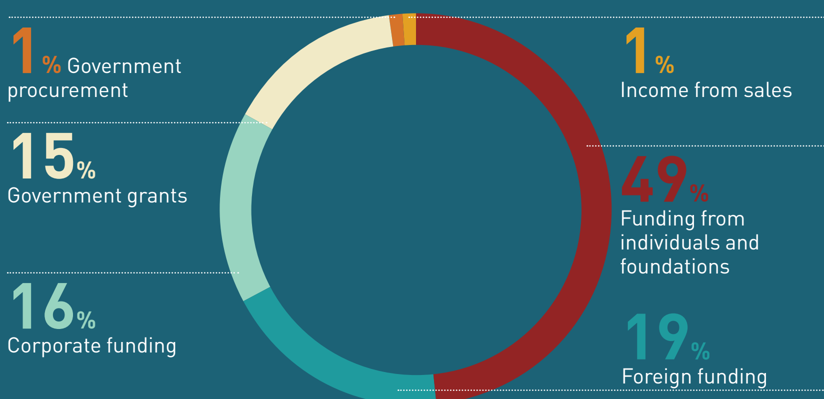


Prevalence of funding sources*



* Percentage of SDOs receiving each type of funding.

Proportion of SDO budget by funding source*



* Based on data provided by SDOs for the last financial year.

Changes in sources of funding: 2022 vs 2020*

Domestic funding ▲	2%
Government funding ▼	-5%
Foreign funding ▲	2%

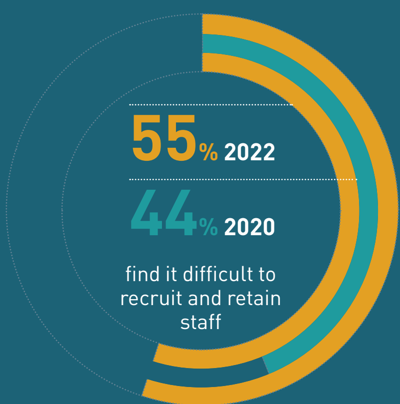
* For the purpose of this graphic, domestic funding combines: funding from individuals and foundations, corporate funding and income from sales. Government funding combines income from procurement contracts and government grants.

Individual charitable giving

Top 2 reasons for low levels of giving

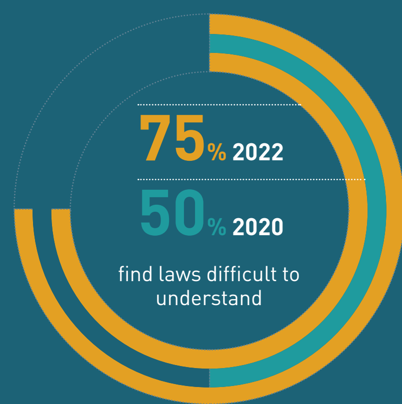
Trust in SDOs

Difficulty in recruiting staff



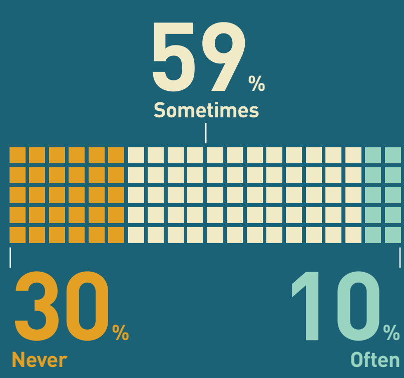
Corporate volunteering

Ease of understanding laws



Government procurement

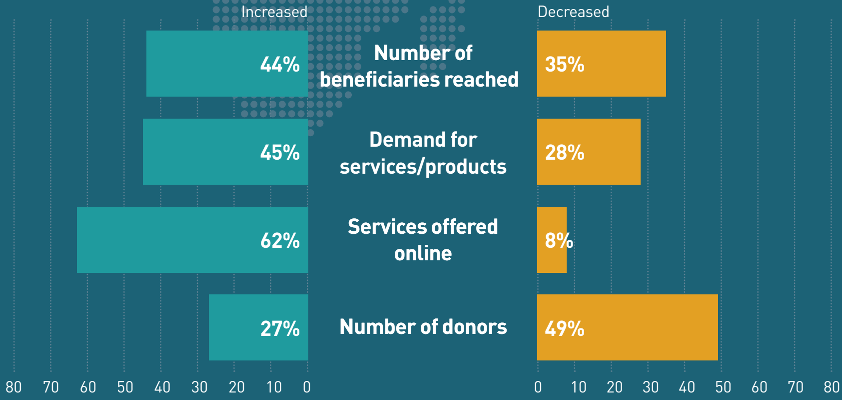
SDOs involved in policy consultations



Explore and compare data on our microsite.

INDONESIA

Impact of Covid-19 on SDOs



89% of SDOs entered into new collaborations due to Covid-19

Social sector outlook

84% of SDOs are optimistic about the future of the social sector

Primary areas of work

Gender equality & women's empowerment

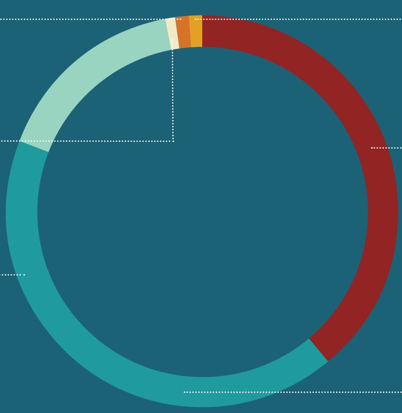
(1) Education
(2) Health

Prevalence of funding sources*

Foreign funding	62%
Funding from individuals and foundations	66%
Corporate funding	46%
Income from sales	37%
Government grants	26%
Government procurement	18%

* Percentage of SDOs receiving each type of funding.

Proportion of SDO budget by funding source*



* Based on data provided by SDOs for the last financial year.

Changes in sources of funding: 2022 vs 2020*

Domestic funding	11%
Government funding	-4%
Foreign funding	-7%

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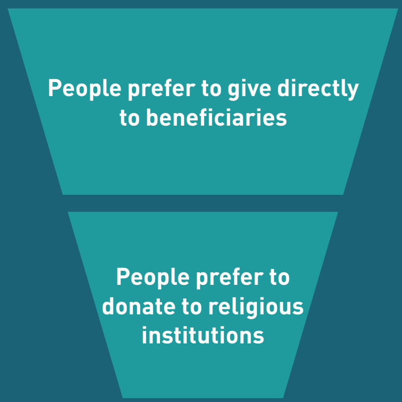
Individual charitable giving

Top 2 reasons for low levels of giving

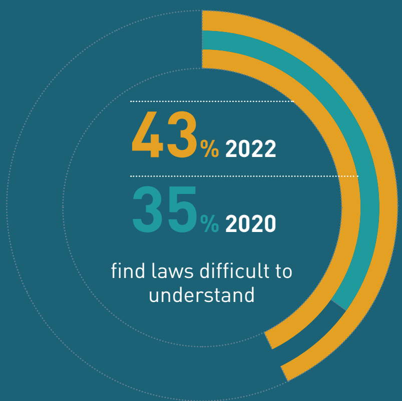


Trust in SDOs

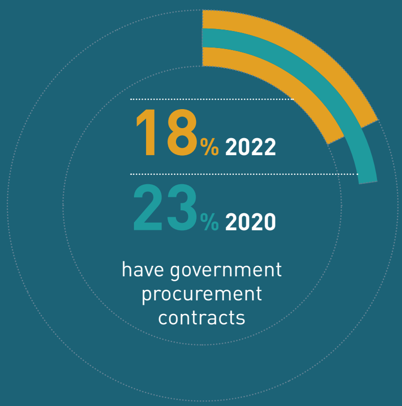
Difficulty in recruiting staff

Corporate volunteering

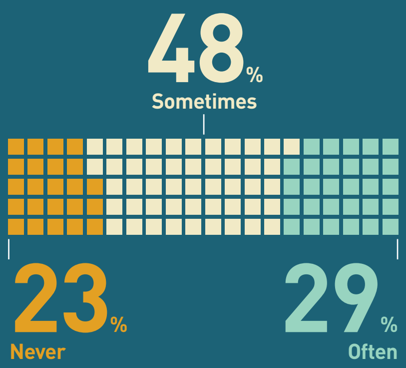
Ease of understanding laws



Government procurement



SDOs involved in policy consultations



Explore and compare data on our microsite.

JAPAN

Impact of Covid-19 on SDOs

Increased		Decreased
17%	Number of beneficiaries reached	49%
23%	Demand for services/products	47%
55%	Services offered online	3%
16%	Number of donors	26%

33% of SDOs entered into new collaborations due to Covid-19

Social sector outlook

20% of SDOs are optimistic about the future of the social sector

Primary areas of work

Welfare of people with disabilities

Education

Prevalence of funding sources*

Funding source	%
Foreign funding	7%
Funding from individuals and foundations	82%
Corporate funding	48%
Income from sales	61%
Government grants	66%
Government procurement	51%

* Percentage of SDOs receiving each type of funding.

Proportion of SDO budget by funding source*

16% Income from sales

19% Government procurement

40% Funding from individuals and foundations

18% Government grants

6% Corporate funding

* Based on data provided by SDOs for the last financial year.

Changes in sources of funding: 2022 vs 2020*

Domestic funding ▲ **22%**

Government funding ▼ **-22%**

Foreign funding ▼ **-1%**

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Individual charitable giving

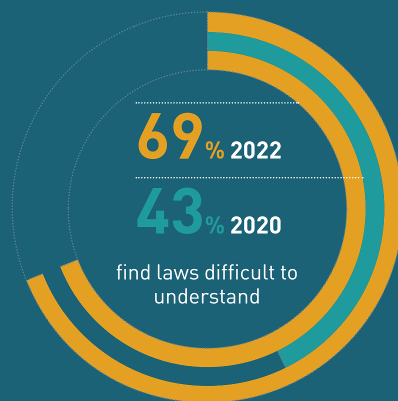
Top 2 reasons for low levels of giving

Trust in SDOs

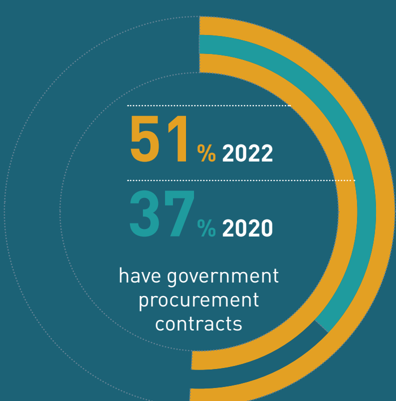
Difficulty in recruiting staff

Corporate volunteering

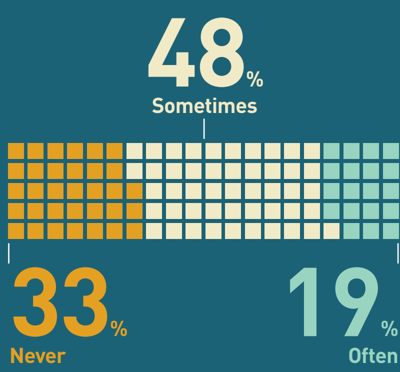
Ease of understanding laws



Government procurement



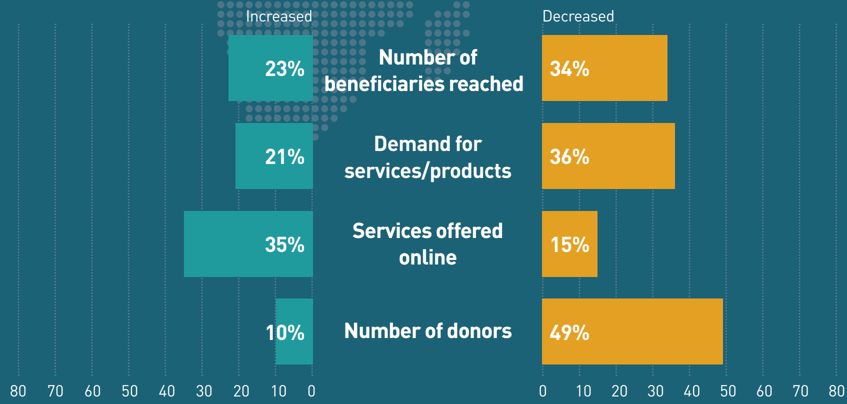
SDOs involved in policy consultations



Explore and compare data on our microsite.

KOREA

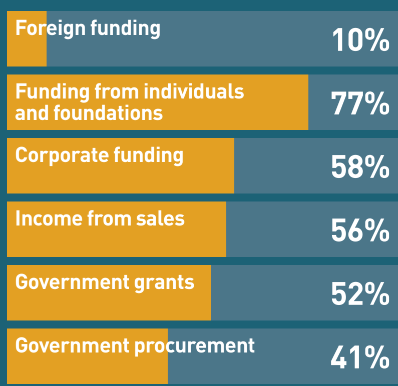
Impact of Covid-19 on SDOs



Social sector outlook

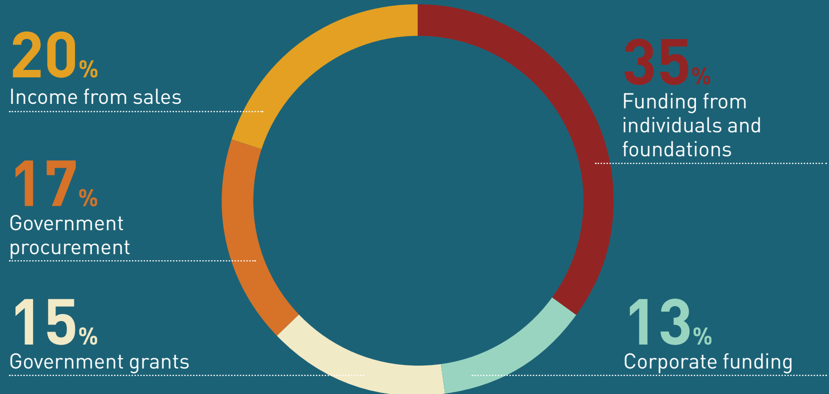
Primary areas of work

Prevalence of funding sources*



* Percentage of SDOs receiving each type of funding.

Proportion of SDO budget by funding source*



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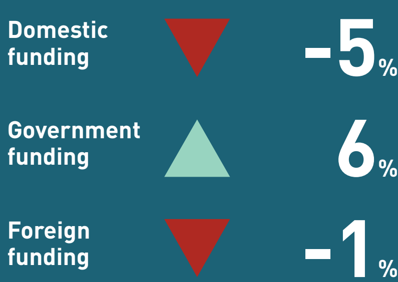
Changes in sources of funding: 2022 vs 2020*



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Individual charitable giving

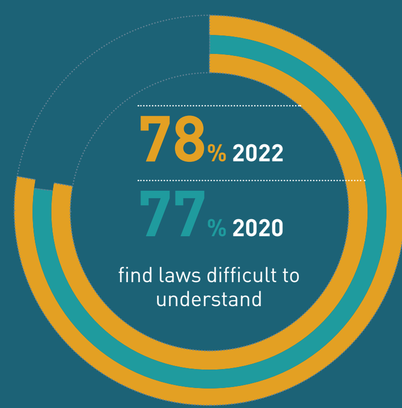
Top 2 reasons for low levels of giving

Trust in SDOs

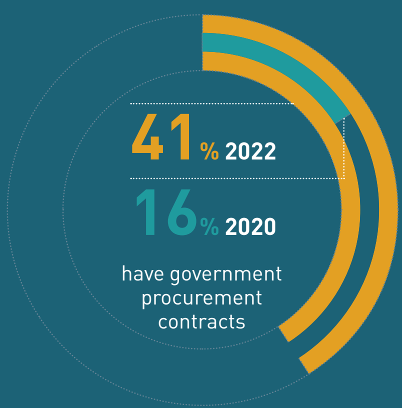
Difficulty in recruiting staff

Corporate volunteering

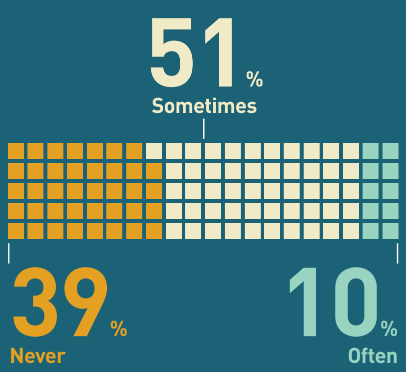
Ease of understanding laws



Government procurement



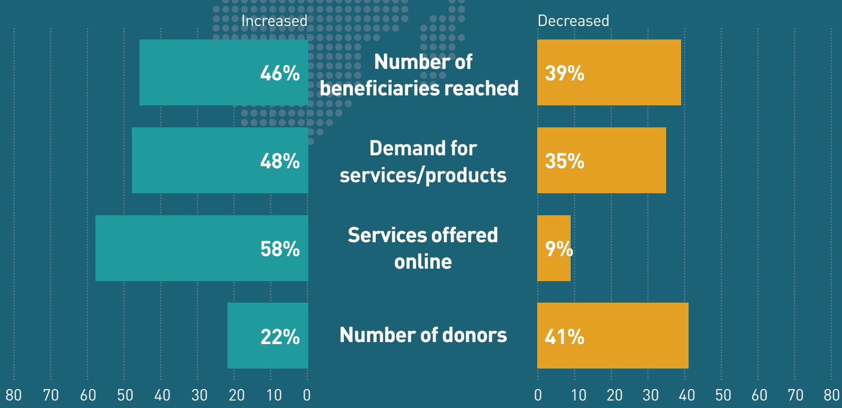
SDOs involved in policy consultations



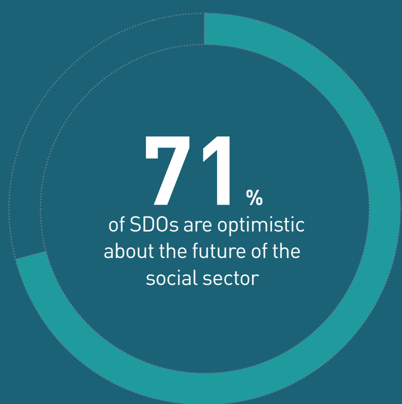
Explore and compare data on our microsite.

MALAYSIA

Impact of Covid-19 on SDOs

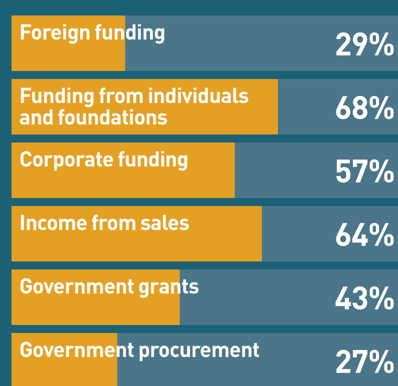


Social sector outlook



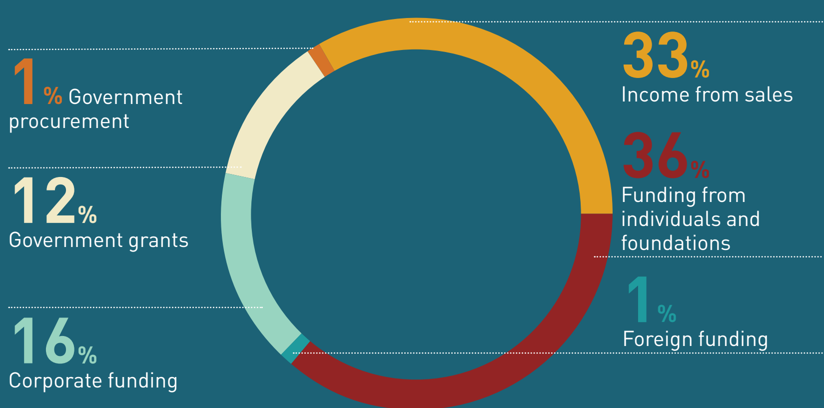
Primary areas of work

Prevalence of funding sources*



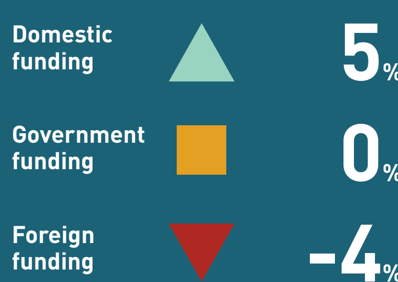
* Percentage of SDOs receiving each type of funding.

Proportion of SDO budget by funding source*



* Based on data provided by SDOs for the last financial year.

Changes in sources of funding: 2022 vs 2020*



* For the purpose of this graphic, domestic funding combines: funding from individuals and foundations, corporate funding and income from sales. Government funding combines income from procurement contracts and government grants.

Individual charitable giving

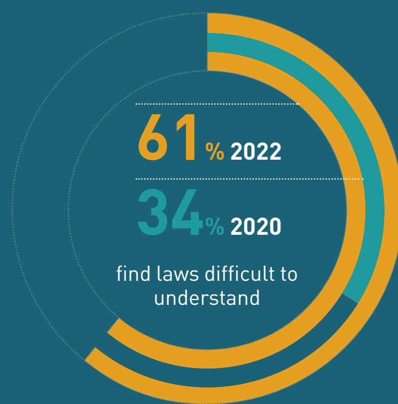
Top 2 reasons for low levels of giving

Trust in SDOs

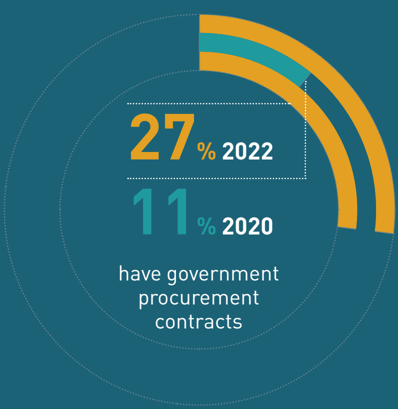
Difficulty in recruiting staff

Corporate volunteering

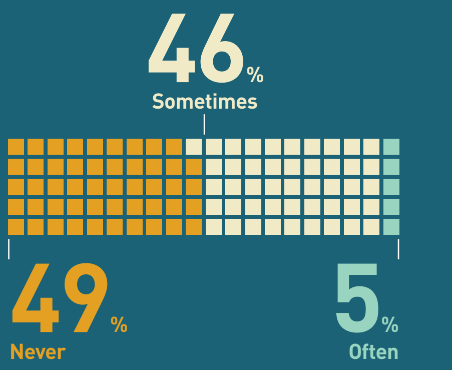
Ease of understanding laws



Government procurement



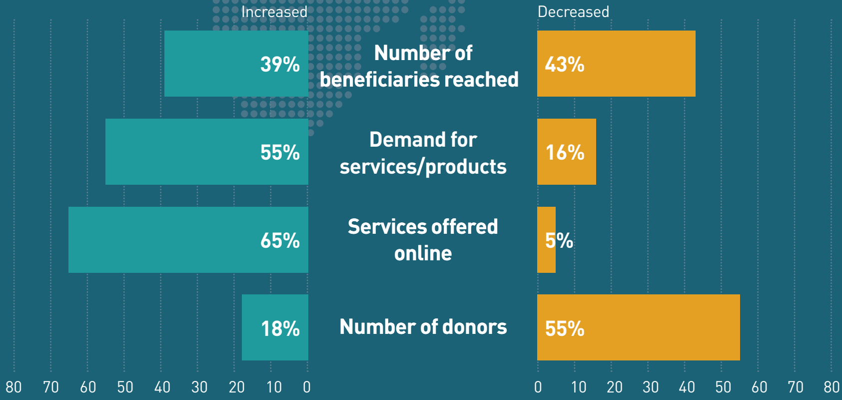
SDOs involved in policy consultations



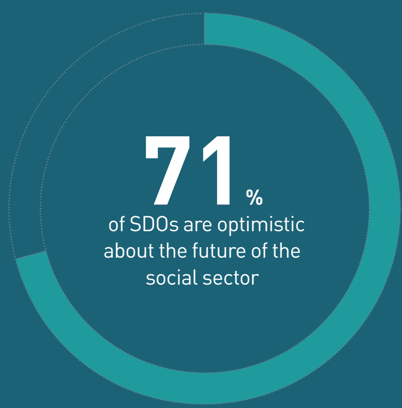
Explore and compare data on our microsite.

NEPAL

Impact of Covid-19 on SDOs

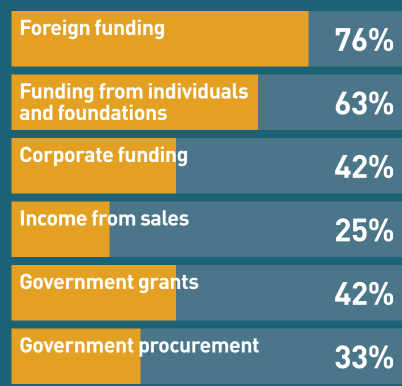


Social sector outlook



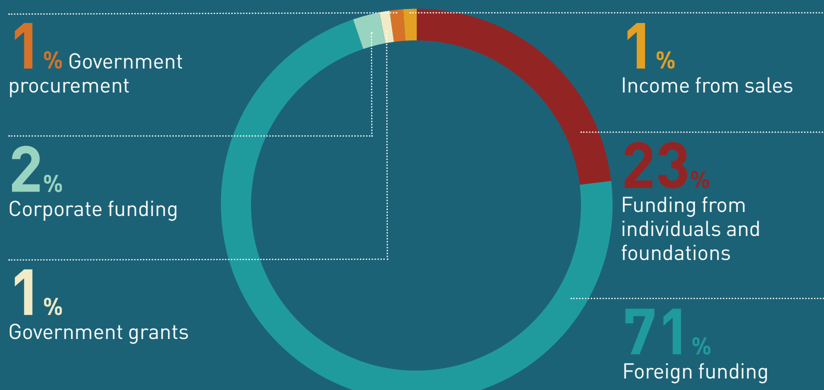
Primary areas of work

Prevalence of funding sources*



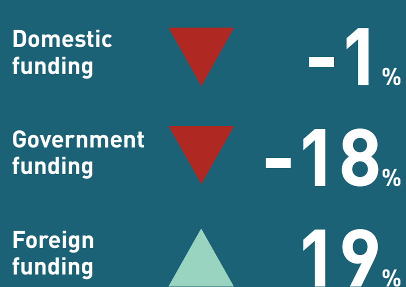
* Percentage of SDOs receiving each type of funding.

Proportion of SDO budget by funding source*



* Based on data provided by SDOs for the last financial year.

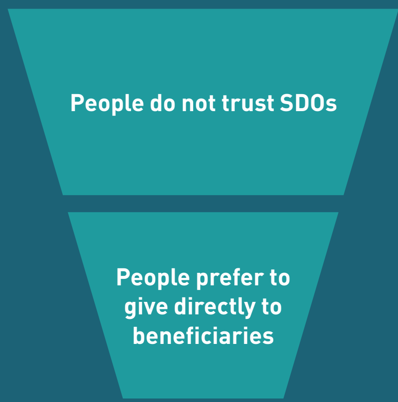
Changes in sources of funding: 2022 vs 2020*



* For the purpose of this graphic, domestic funding combines: funding from individuals and foundations, corporate funding and income from sales. Government funding combines income from procurement contracts and government grants.

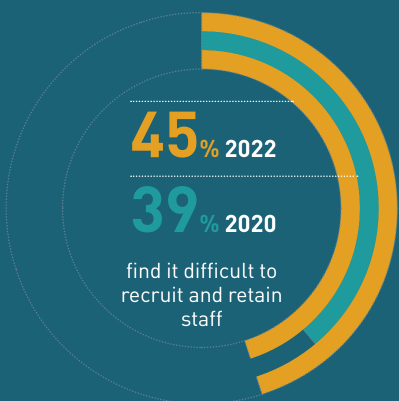
Individual charitable giving

Top 2 reasons for low levels of giving



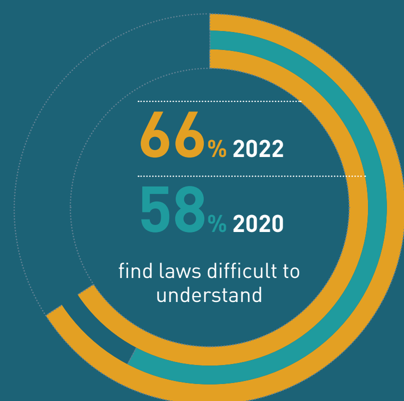
Trust in SDOs

Difficulty in recruiting staff

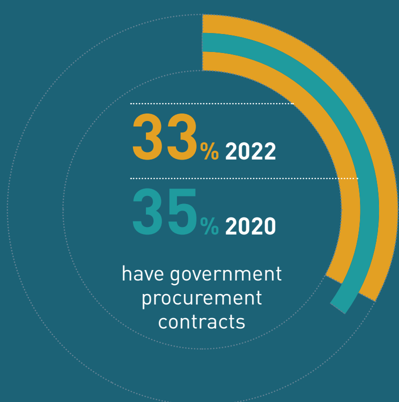


Corporate volunteering

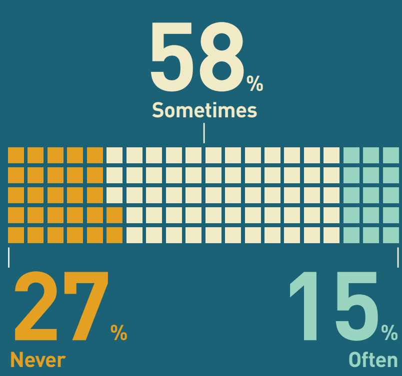
Ease of understanding laws



Government procurement



SDOs involved in policy consultations



Explore and compare data on our microsite.

PAKISTAN

Impact of Covid-19 on SDOs

Increased		Decreased
45%	Number of beneficiaries reached	42%
53%	Demand for services/products	23%
38%	Services offered online	8%
19%	Number of donors	65%

45% of SDOs entered into new collaborations due to Covid-19

Social sector outlook

66% of SDOs are optimistic about the future of the social sector

Primary areas of work

Education

Community development

Prevalence of funding sources*

Funding source	%
Foreign funding	52%
Funding from individuals and foundations	78%
Corporate funding	45%
Income from sales	26%
Government grants	30%
Government procurement	18%

* Percentage of SDOs receiving each type of funding.

Proportion of SDO budget by funding source*

1% Government procurement

10% Government grants

14% Corporate funding

1% Income from sales

47% Funding from individuals and foundations

27% Foreign funding

* Based on data provided by SDOs for the last financial year.

Changes in sources of funding: 2022 vs 2020*

Domestic funding	31%
Government funding	-4%
Foreign funding	-27%

* For the purpose of this graphic, domestic funding combines: funding from individuals and foundations, corporate funding and income from sales. Government funding combines income from procurement contracts and government grants.

Individual charitable giving

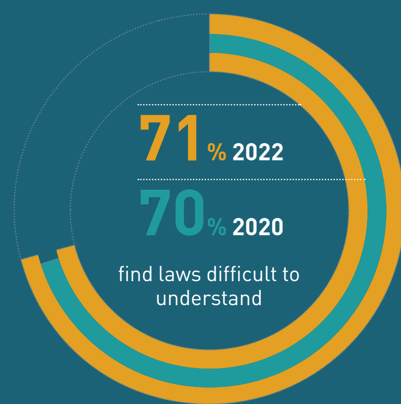
Top 2 reasons for low levels of giving

Trust in SDOs

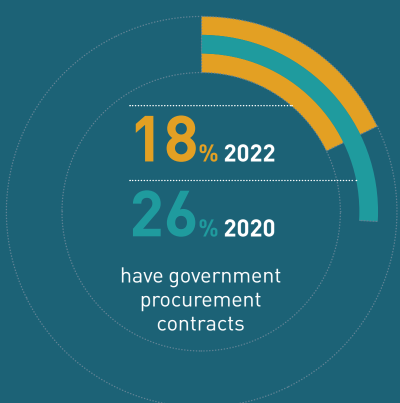
Difficulty in recruiting staff

Corporate volunteering

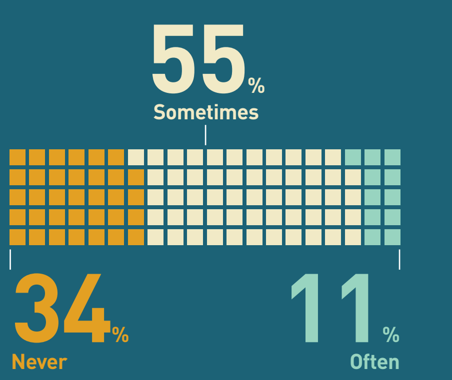
Ease of understanding laws



Government procurement



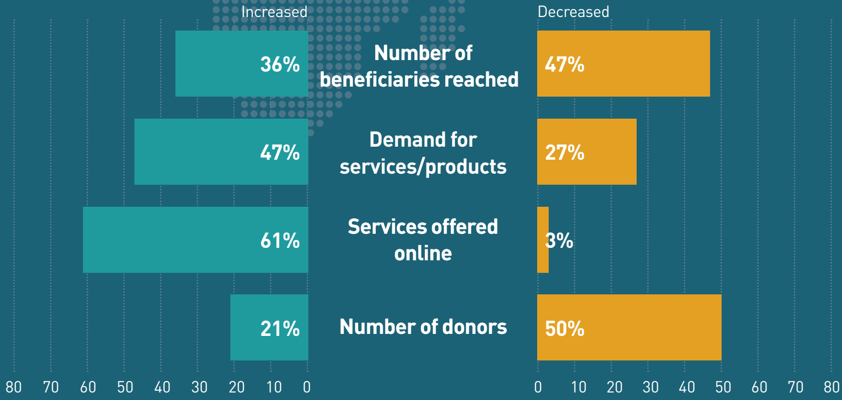
SDOs involved in policy consultations



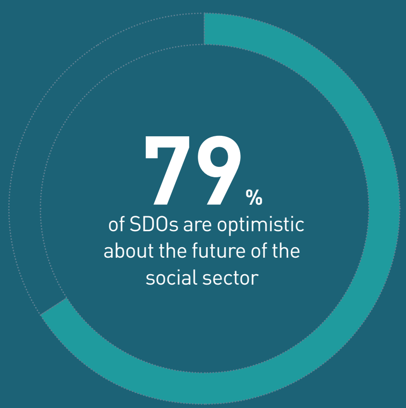
Explore and compare data on our microsite.

PHILIPPINES

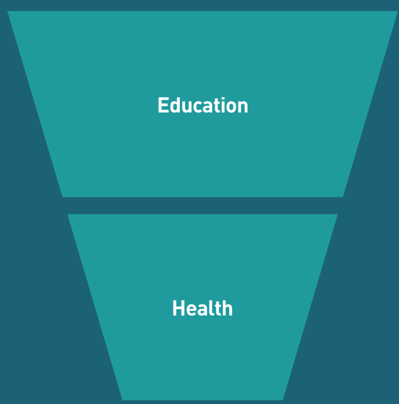
Impact of Covid-19 on SDOs



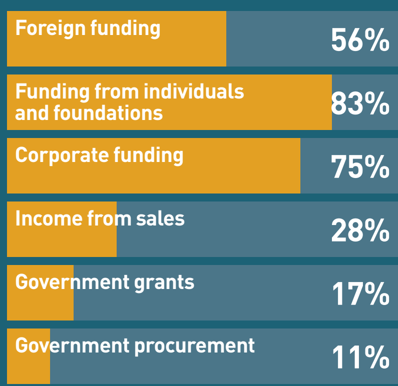
Social sector outlook



Primary areas of work

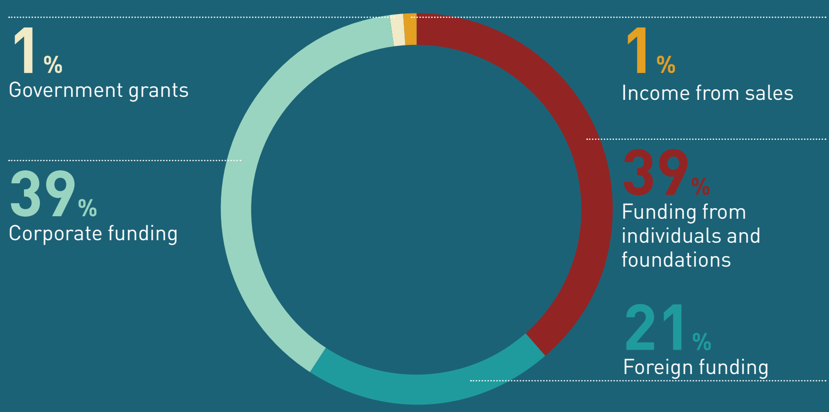


Prevalence of funding sources*



* Percentage of SDOs receiving each type of funding.

Proportion of SDO budget by funding source*



* Based on data provided by SDOs for the last financial year.

Changes in sources of funding: 2022 vs 2020*

Domestic funding 10%

Government funding -5%

Foreign funding -6%

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Individual charitable giving

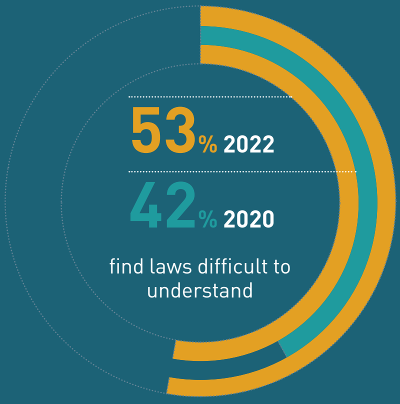
Top 2 reasons for low levels of giving

Trust in SDOs

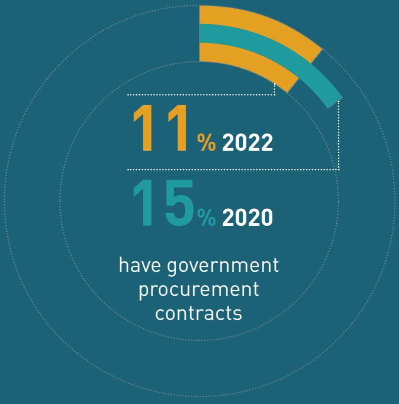
Difficulty in recruiting staff

Corporate volunteering

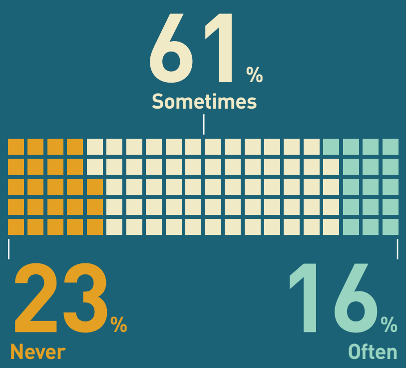
Ease of understanding laws



Government procurement



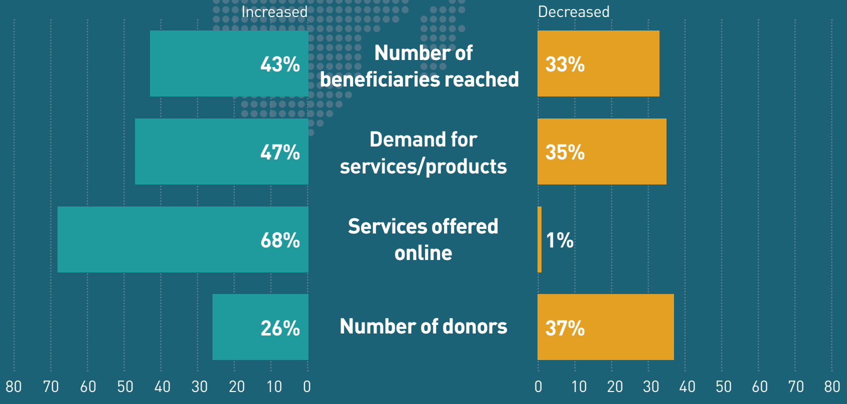
SDOs involved in policy consultations



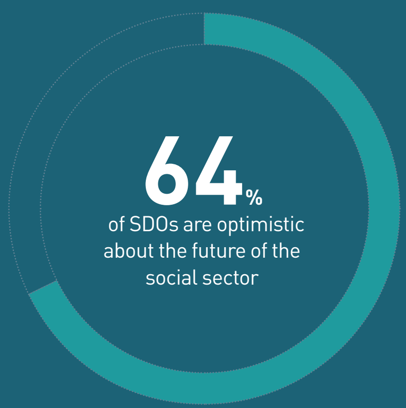
Explore and compare data on our microsite.

SINGAPORE

Impact of Covid-19 on SDOs

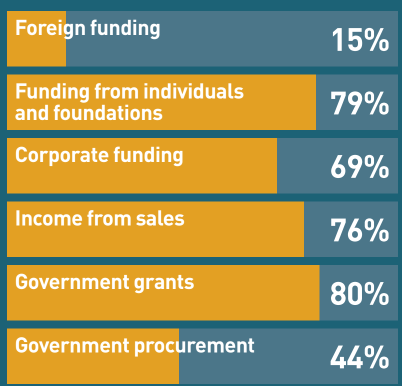


Social sector outlook



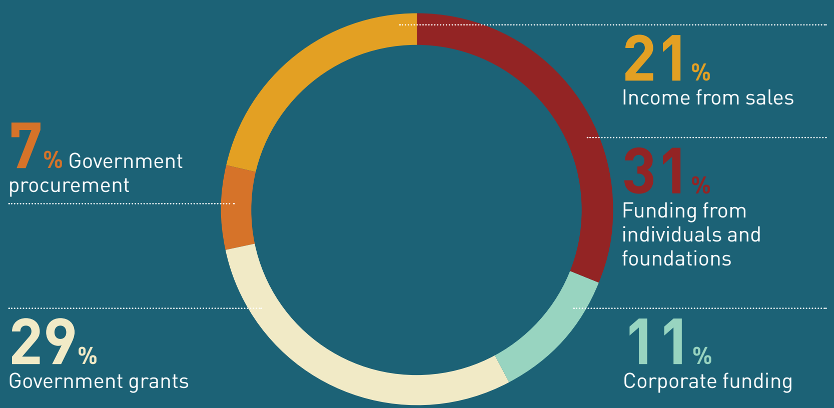
Primary areas of work

Prevalence of funding sources*



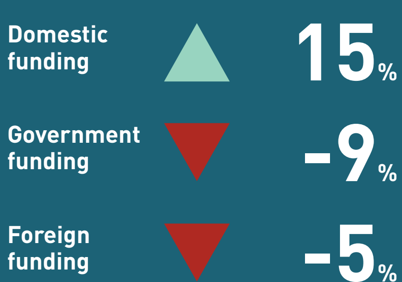
* Percentage of SDOs receiving each type of funding.

Proportion of SDO budget by funding source*



* Based on data provided by SDOs for the last financial year.

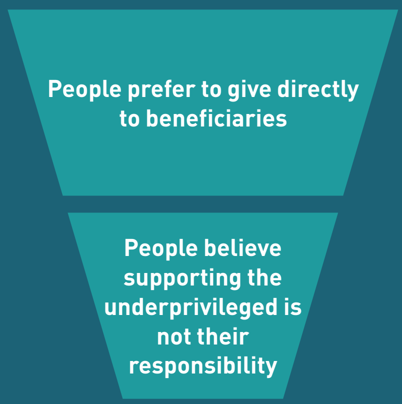
Changes in sources of funding: 2022 vs 2020*



* For the purpose of this graphic, domestic funding combines: funding from individuals and foundations, corporate funding and income from sales. Government funding combines income from procurement contracts and government grants.

Individual charitable giving

Top 2 reasons for low levels of giving

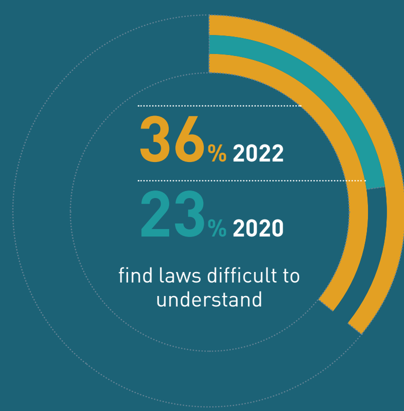


Trust in SDOs

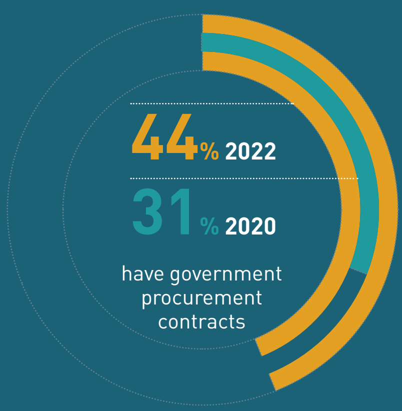
Difficulty in recruiting staff

Corporate volunteering

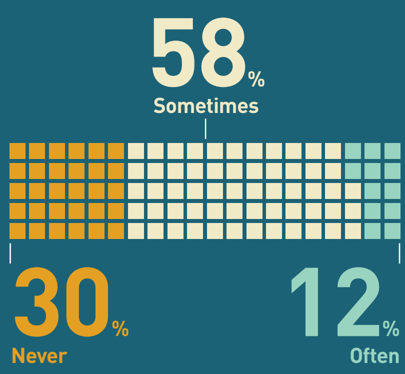
Ease of understanding laws



Government procurement



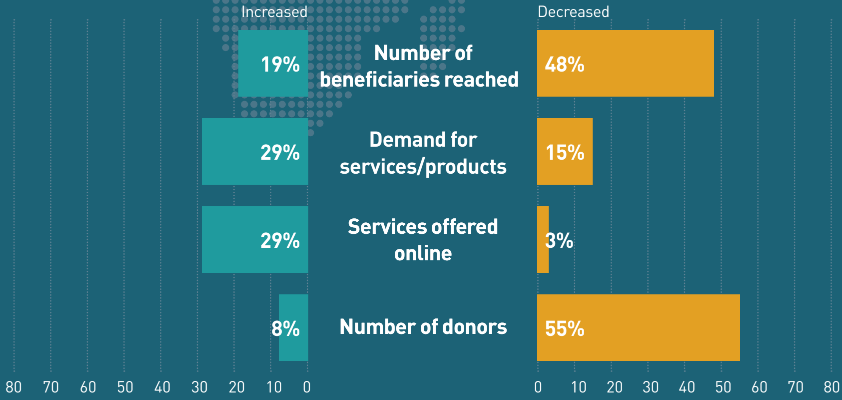
SDOs involved in policy consultations



Explore and compare data on our microsite.

SRI LANKA

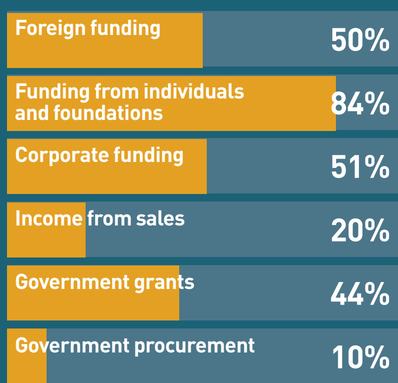
Impact of Covid-19 on SDOs



Social sector outlook

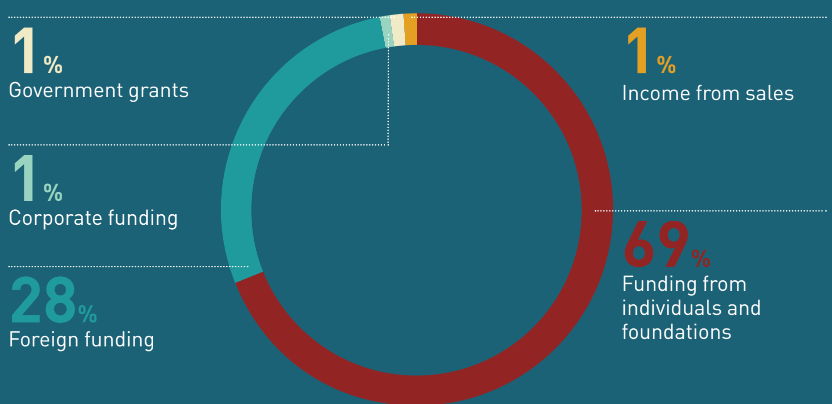
Primary areas of work

Prevalence of funding sources*



* Percentage of SDOs receiving each type of funding.

Proportion of SDO budget by funding source*



* Based on data provided by SDOs for the last financial year.

Changes in sources of funding: 2022 vs 2020*

Domestic funding ▲ 34%

Government funding ▼ -2%

Foreign funding ▼ -31%

* For the purpose of this graphic, domestic funding combines: funding from individuals and foundations, corporate funding and income from sales. Government funding combines income from procurement contracts and government grants.

Individual charitable giving

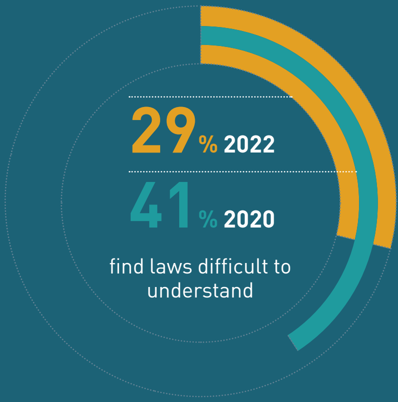
Top 2 reasons for low levels of giving

Trust in SDOs

Difficulty in recruiting staff

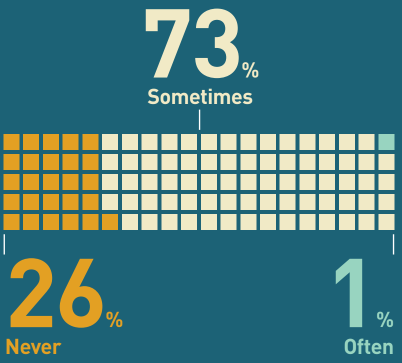
Corporate volunteering

Ease of understanding laws



Government procurement

SDOs involved in policy consultations

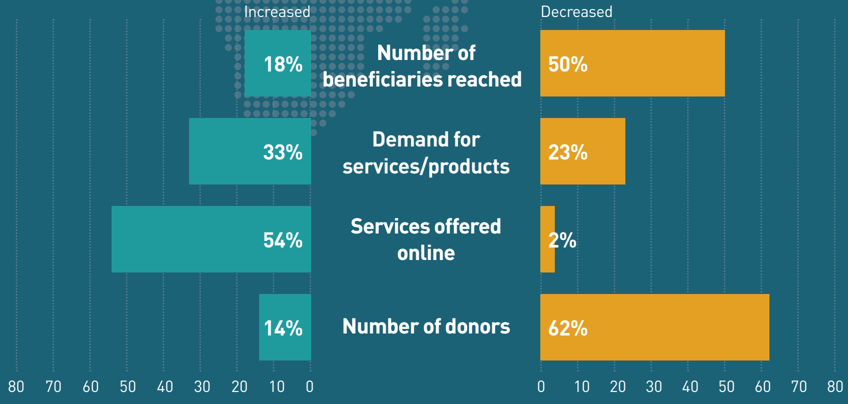


Explore and compare data on our microsite.

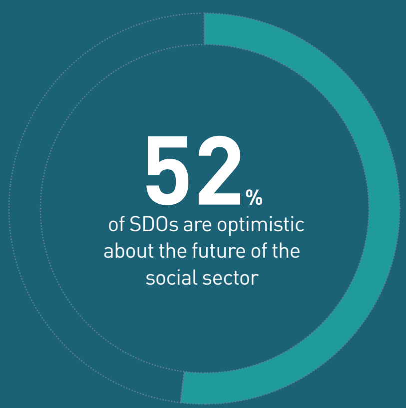
TAIWAN*

* "Taiwan" refers to Taiwan, China

Impact of Covid-19 on SDOs

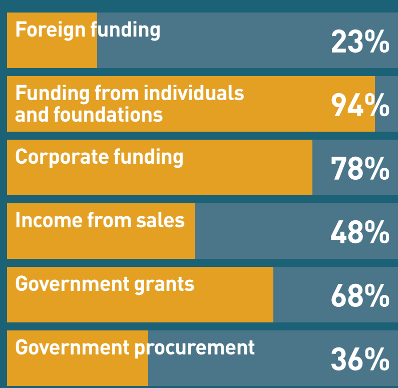


Social sector outlook



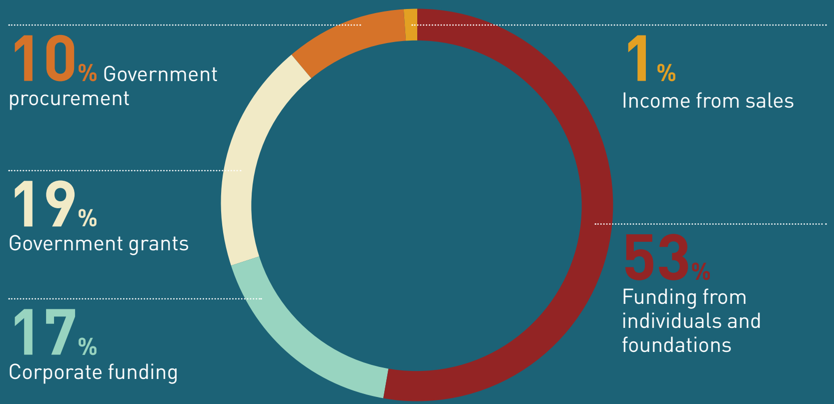
Primary areas of work

Prevalence of funding sources*

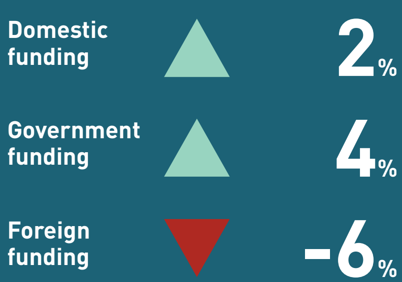


* Percentage of SDOs receiving each type of funding.

Proportion of SDO budget by funding source*



Changes in sources of funding: 2022 vs 2020*



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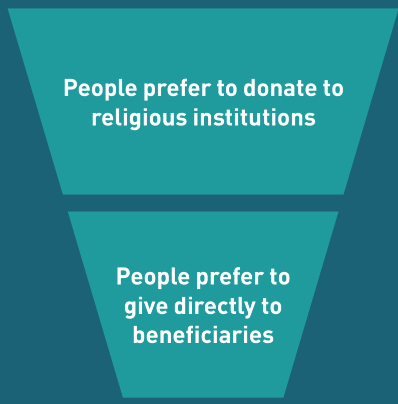
Individual charitable giving

Top 2 reasons for low levels of giving

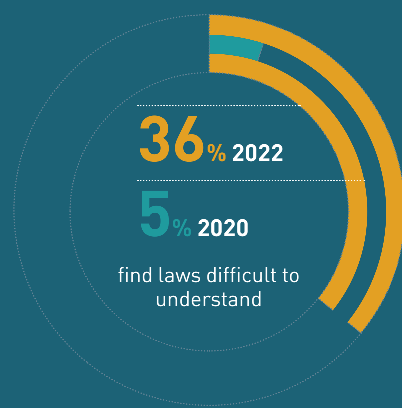


Trust in SDOs

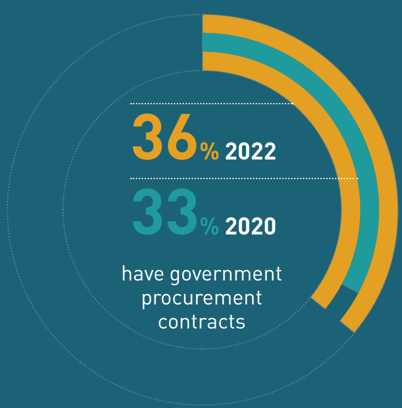
Difficulty in recruiting staff

Corporate volunteering

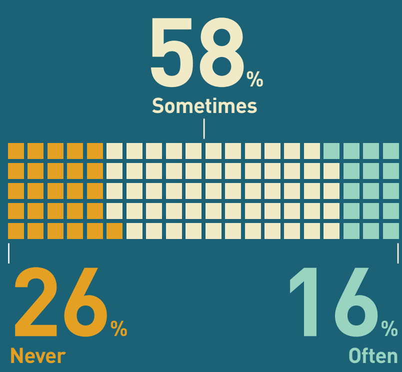
Ease of understanding laws



Government procurement



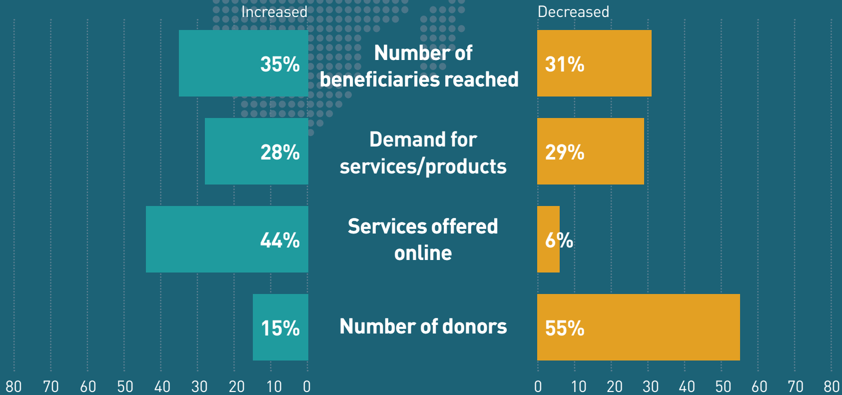
SDOs involved in policy consultations



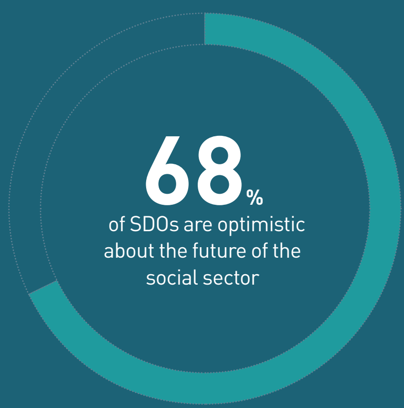
Explore and compare data on our microsite.

THAILAND

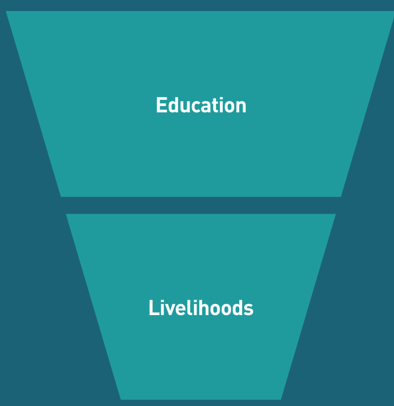
Impact of Covid-19 on SDOs



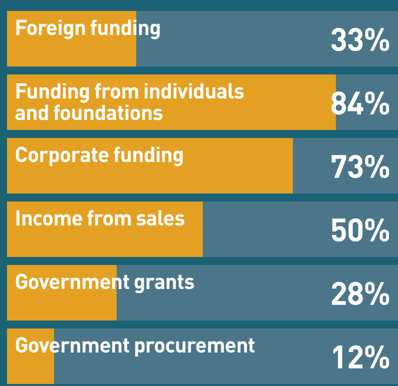
Social sector outlook



Primary areas of work

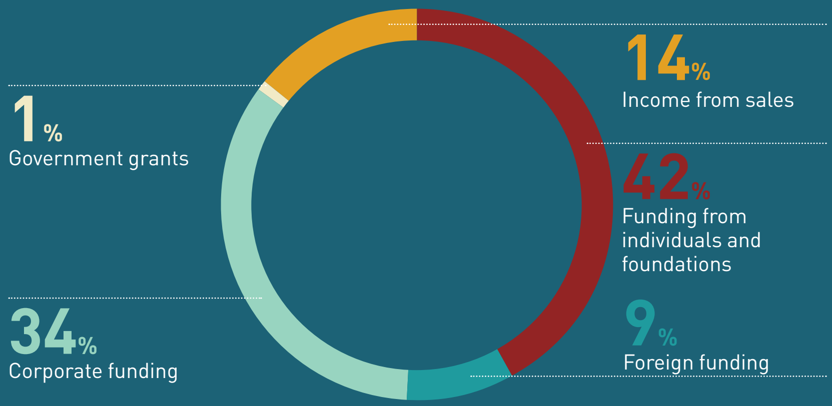


Prevalence of funding sources*



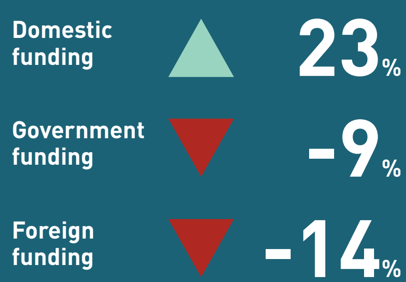
* Percentage of SDOs receiving each type of funding.

Proportion of SDO budget by funding source*



* Based on data provided by SDOs for the last financial year.

Changes in sources of funding: 2022 vs 2020*



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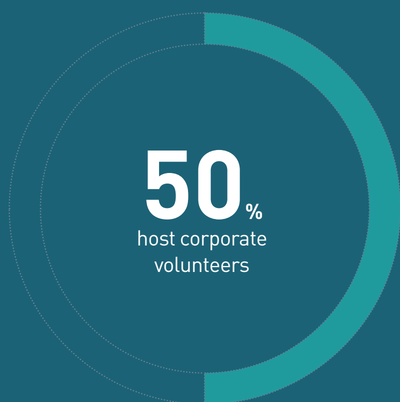
Individual charitable giving

Top 2 reasons for low levels of giving

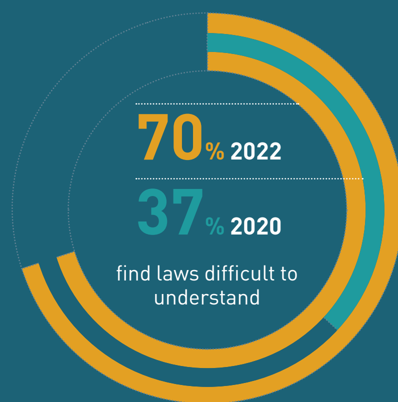
Trust in SDOs

Difficulty in recruiting staff

Corporate volunteering

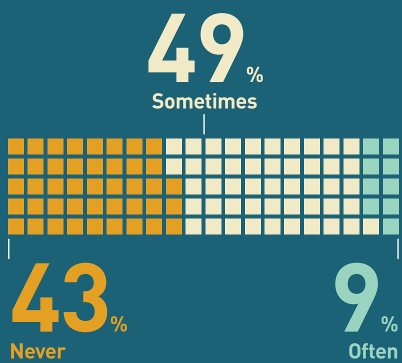


Ease of understanding laws



Government procurement

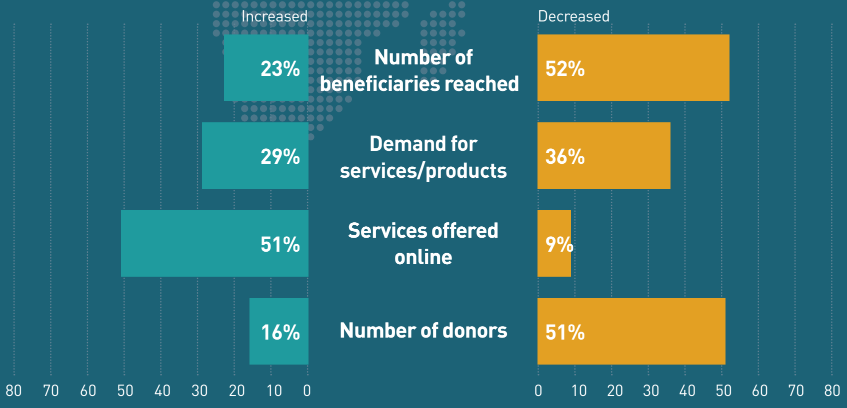
SDOs involved in policy consultations



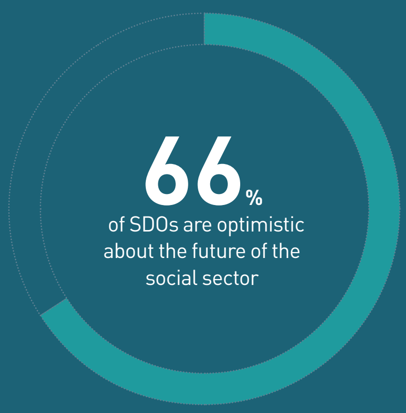
Explore and compare data on our microsite.

VIETNAM

Impact of Covid-19 on SDOs

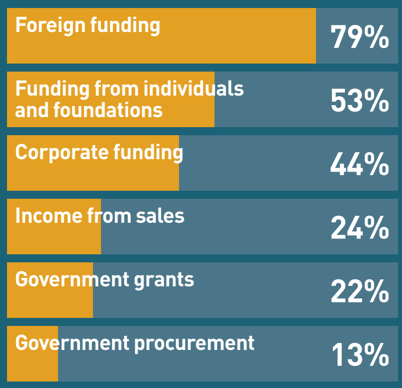


Social sector outlook



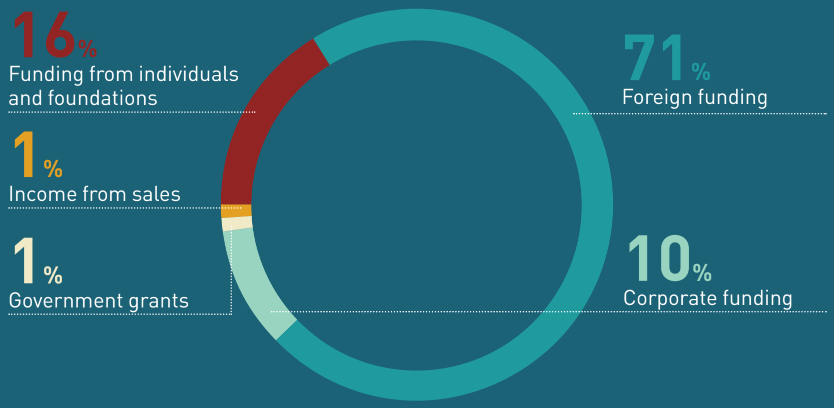
Primary areas of work

Prevalence of funding sources*



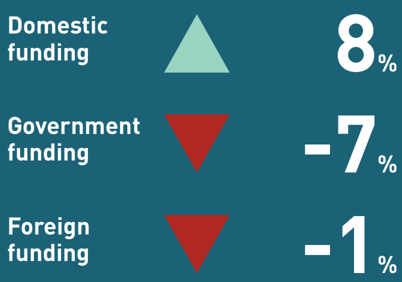
* Percentage of SDOs receiving each type of funding.

Proportion of SDO budget by funding source*



* Based on data provided by SDOs for the last financial year.

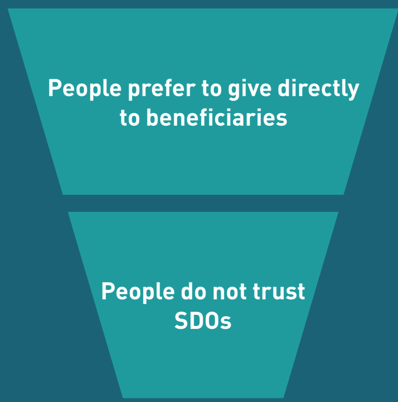
Changes in sources of funding: 2022 vs 2020*



* For the purpose of this graphic, domestic funding combines: funding from individuals and foundations, corporate funding and income from sales. Government funding combines income from procurement contracts and government grants.

Individual charitable giving

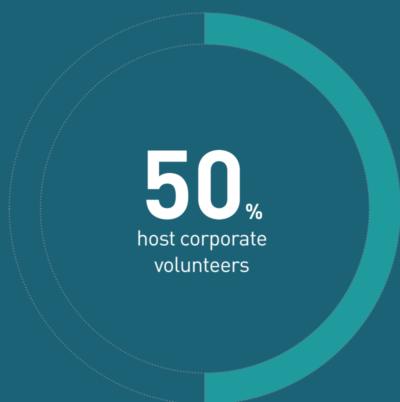
Top 2 reasons for low levels of giving



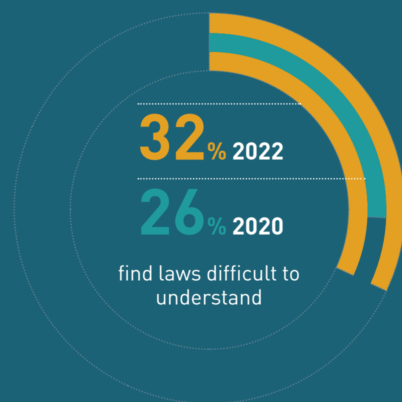
Trust in SDOs

Difficulty in recruiting staff

Corporate volunteering

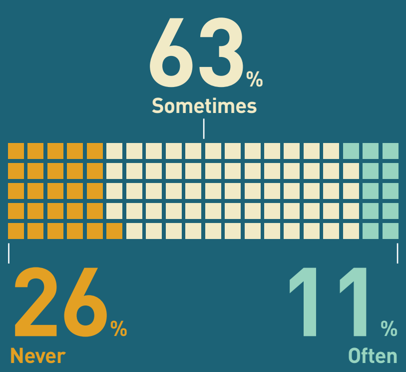


Ease of understanding laws



Government procurement

SDOs involved in policy consultations



Explore and compare data on our microsite.

APPENDIX I

WHAT IS THE DOING GOOD INDEX?

Asian philanthropy and private social investment have enormous potential to contribute to meaningful change to address shared challenges. *The Doing Good Index* is a unique and systematic **body of evidence** that aims to unleash this potential.

The *Doing Good Index* focuses on two key challenges facing philanthropists, corporations and social delivery organizations (SDOs) as they work to address the region's unmet social needs. The first is whether an economy's institutional infrastructure is conducive to private social investment. The second is a debilitating trust deficit that permeates the sector in many economies.

With these challenges in mind, the *Doing Good Index* comprises **35 indicators under four sub-indices**. Together, these provide a picture of various factors impacting the supply and demand for private social investment in a given economy. The *Index* looks at the regulatory environment that can facilitate or hinder systematic investment, fiscal incentives to donate, societal support for the social sector, and the sector's participation in government procurement. In doing so, it also identifies those factors that most contribute to the trust deficit and suggests potential remedies for addressing it.

In producing the *Doing Good Index*, CAPS hopes to assist the region to realize its potential as a global leader in social innovation. Our work is supported by a network of partners and experts in 18 economies across Asia and the varied expertise of our multinational team. Action-oriented, evidence-driven insights from our 2018 and 2020 editions of the *Index* have been presented directly to policymakers, philanthropists, social sector leaders and academics across Asia as well as to global foundations and multilateral organizations such as the World Bank and the UN.

At its heart, the *Doing Good Index* highlights **best practices and ways for economies to move forward**, made all the more relevant in light of global challenges such as the pandemic and climate change. The *Index* is a resource for philanthropists, policymakers, researchers, SDOs and engaged citizens to understand what levers can be pulled to best increase and enhance philanthropic giving in their economy. There are insights to be gleaned from examining economies comparatively and from findings at the level of each individual economy, including the **force multipliers** for growing national giving.

Asia has a unique opportunity to leap ahead and put in place policies and programs that can unleash the region's potential for philanthropic giving. In this opportunity lies the value of the *Doing Good Index*, guiding the way to help build a better tomorrow for the region.

Doing Good Index

REGULATIONS	Efficiency	• Number of registration clearances • Time required to obtain clearances • Single-window facility
	Flow of funds	• Number of foreign funding clearances • Time required to obtain foreign funding clearances • Limit on amount of foreign funding • Inhibitors on flow of funds
	Accountability	• Number of reporting requirements • Legal liability of board members • Legal liability of senior staffers • Enforcement of regulations
	Communication	• Publicly available laws • Easily understandable laws • Involvement in policymaking
TAX AND FISCAL POLICY	Incentives for donors	• Rate of individual and corporate tax incentives • Limits on tax incentives • Ease of claiming tax incentives • Tax incentives for bequests • Mandated corporate giving
	Incentives for recipients	• Tax exemption for SDOs • Availability of government grants • Penalty on operating surplus
ECOSYSTEM	Public perception	• Level of trust in SDOs • Public scandals • Level of individual giving
	Institutional recognition	• Awards for philanthropy, SDOs and CSR • National giving day and volunteering programs
	Talent infrastructure	• Recruitment of staff and volunteers • Support for capacity building • University courses on nonprofits and/or philanthropy • Compensation gap
	Good governance	• Prevalence of boards and their composition • Corporate representation on boards • Government representation on boards • Connections to elite
PROCUREMENT	Access to procurement opportunities	• Eligibility for Requests for Proposals (RFPs) • Incentives for SDOs
	Procurement process	• Access to information, transparency and ease of process

APPENDIX II

METHODOLOGY AND DATA SOURCES

Methodology

The *Doing Good Index* aggregates different indicators that are categorized into four sub-indices. These indicators are homogenized to follow a consistent direction and then normalized to produce scores between 0 and 5. These techniques maintain the variation in the data while their relative simplicity ensures transparency.

For indicators that flow in the intended direction (for example, for a greater proportion of SDOs to state that tax deductions are easy to claim in their economy—a positive outcome), we used the following formula to transform data on a scale of 0 to 5:

$$\text{Indicator}_{ik} = 5\left[\frac{X_{ik}}{Max\ [X_i k]}\right]$$

X is the raw value of indicator; *i* stands for i^th^ indicator; and k stands for economy. *Max* [X_{ik}] is the maximum value of the i^th^ indicator across the k economies in the sample.

On the other hand, for indicators that do not flow in the positive direction (for example, for a greater proportion of SDOs o report that in their economy, social sector staff should earn less than their for-profit counterparts—a negative outcome), we took the reciprocal of the indicator and then normalized it, as in the formula below:

$$\text{Indicator}_{ik} = 5\left[\frac{\frac{1}{X_{ik}}}{Min\ [X_{ik}]}\right]$$

X is the raw value of indicator; i stands for i^{th} indicator; and *k* stands for economy. *Min* [X_i] is the minimum value of the i^{th} indicator across the economies in the sample.

Similarly, binary answers were scaled into indicator values of 0 or 5 depending on the direction of the question. An answer of "yes" received a score of 5 in indicators flowing positively, while "no" received a score of 0 for negative indicators.

Weighting system

Assigning weights is a crucial aspect of index construction. For the *Doing Good Index*, weights indicate the relative importance of each indicator in measuring the effectiveness of policy environments for doing good. To determine weights, we organized a roundtable workshop with experts from the philanthropic sectors in all economies covered in this study and asked them to assign weights to each indicator. Experts first assigned a weight separately for each indicator selected under each of the four sub-indices: Regulations, Tax and Fiscal Policy, Ecosystem and Procurement. Later, they were asked to assign weights to each of the four sub-indices.

Aggregation

The *Doing Good Index* was constructed using a linear aggregation process. Separate sub-indices were first constructed for Regulations, Tax and Fiscal Policy, Ecosystem and Procurement by aggregating the relevant indicators. These four sub-indices were then aggregated to construct the overall *Doing Good Index*. The aggregation for the sub-indices has been done using the following formula:

$$\text{Sub-index}_{ik} = \sum W_i X_{ik}$$

W is the indicator weight; *X* is the indicator; and *i* goes from 1 to n.

The aggregation for the *index* was completed with the following formula:

$$\text{Index}_k = \sum W_i I_{ik}$$

W is the sub-index weight; *I* is the sub-index; and *i* goes from 1 to n.

Data sources[xli]

The *Doing Good Index* targets the question of the dearth of data available on social sectors in Asia through secondary sources. Therefore, the *Index* relies on a comprehensive data collection process. Data are sourced from two pipelines: sector experts and SDOs themselves.

Sector experts were brought together by our partners in each economy and asked to reach a consensus on each question. These expert panels typically included SDO leaders, tax accountants, lawyers, academics and government representatives. Data collected from them was further cross-checked and verified by local partners in each economy and our team.

A comprehensive SDO survey was conducted in each economy from April to August 2021 using an online survey platform. Our partners in each economy were responsible for survey dissemination, administration and monitoring. A minimum sample size for each economy was calculated, accepting a 90% confidence level with a 7.5% margin of error. Information on the total number of SDOs in each economy was sourced from our partners and then cross-checked against estimates available online.

Nine of the 17 economies collected (or exceeded) the minimum sample required. In China and Hong Kong, the response rate was lower than expected and a revised margin of error of 8.5% was accepted for them. Similarly, in Bangladesh, Nepal, Singapore, Sri Lanka, Thailand and Vietnam, a revised target with a 9% margin of error was accepted. The final number of SDOs surveyed in each economy is given below.

Sample size

Economy	Number of SDOs surveyed	Number of experts interviewed
Bangladesh	86	7
Cambodia	121	12
China	103	6
Hong Kong	99	4
India	165	8
Indonesia	130	8
Japan	471	5
Korea	125	8
Malaysia	122	5
Nepal	89	8
Pakistan	121	7
Philippines	150	16
Singapore	81	5
Sri Lanka	80	6
Taiwan	124	6
Thailand	82	7
Vietnam	90	8
Total	2239	126

Updates in 2022

We thank our partners for championing the *Doing Good Index* in their economies and for their excellent research support. In January 2020, we brought together our research partners in a virtual meeting to review the challenges in collecting data for the 2020 edition and to verify our framework for the *Doing Good Index 2022*.

Inputs for the 2022 index were drawn from 2,239 SDOs and 126 experts across 17 economies in Asia. Despite data collection challenges posed by the ongoing Covid-19 pandemic across the region, the average number of surveys per economy has continued to increase, from 105 in 2018 to 122 in 2020 and 132 in 2022. Due to limitations and challenges associated with collecting data, Myanmar was excluded from the *Index* this year. We would, however, like to thank our local partners for helping to provide a snapshot view of the economy's social sector included in the *Doing Good Index 2022*.

Consistency continued to be a key priority for this iteration of the *Doing Good Index*. No changes were made to data transformation techniques and indicator or index weights. However, two new metrics were added, based on feedback received from research partners and our own learning in the last two years. These two additional metrics feature in the Tax and Fiscal Policy sub-index and measure whether tax incentives for charitable giving for individuals and companies are limited to certain sectors.

Data processing continues to be managed completely in-house. With data management and analysis capacity added to our team, we can continue to ensure the quality of data cleaning, mining and analysis adheres to the highest standard.

[xli] Amounts cited in foreign currencies have been converted to US dollars according to international exchange rates in March 2022.

List of partner organizations

Economy	Partner
Bangladesh	Centre for Policy Dialogue (CPD)
Cambodia	Cooperation Committee for Cambodia (CCC)
	The NGO Forum on Cambodia
China	Non-Profit Incubator (NPI)
	Institute for Philanthropy Tsinghua University (IPTU)
Hong Kong	Asian Charity Services (ACS)
India	GuideStar India
	Centre for Advancement of Philanthropy (CAP)
	Centre for Asian Philanthropy India (CAPI)
Indonesia	Company-Community Partnerships for Health in Indonesia (CCPHI)
Japan	Japan NPO Center (JNPOC)
Korea	The Beautiful Foundation
	The Asan Nanum Foundation
Malaysia	myHarapan - Youth Trust Foundation
Myanmar	Yever
	Myanmar Centre for Responsible Business (MCRB)
Nepal	Chaudhary Foundation
Pakistan	Pakistan Centre for Philanthropy (PCP)
	Sustainable Development Policy Institute (SDPI)
Philippines	Association of Foundations (AF)
Singapore	Empact
Sri Lanka	Institute of Policy Studies of Sri Lanka (IPS)
Taiwan	Center for the Third Sector, National Chengchi University
Thailand	SEAMEO Regional Centre for Sufficiency Economy Philosophy for Sustainability (SEAMEO SEPS)
	School of Global Studies, Thammasat University
Vietnam	Management and Sustainable Development Institute (MSD)

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