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How Can Asia Boost Philanthropy?

insight

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Ping An Insurance charity run, 2018. Photo courtesy of [Henan Daily](#).

Personal wealth in Asia is not only at an all-time high; it continues to grow at an unprecedented pace. Asia accounts for 30% of the net increase in global billionaire wealth in the last couple of years; it now has more ultra-high net worth individuals than any other continent. If Asians gave up to 2% of GDP (the same as Americans) to charity, US\$507 billion in domestic resources could be unlocked. To put this number in context, it is 11 times the foreign aid flowing to the 15 economies covered by the Doing Good Index, and a third of the annual cost of achieving the United Nations Sustainable Development Goals by 2030.

And yet, philanthropy and private social investment, pathways to redistributing wealth, have not kept pace. When philanthropists across Asia are asked why they don't give more, the first answer tends to be a lack of trust in the social sector. But there is another, bigger context that this answer is nestled within: the infrastructure for the giving and receiving of philanthropic and charitable donations is, at best, underdeveloped across much of Asia.

The need to map this infrastructure and close the trust gap is greatest now, when Asian philanthropy is still seeking a model, government policy

towards the social sector is evolving, and the social economy is growing. The Doing Good Index, launched earlier this year, helps address this need by identifying the levers that best enhance local philanthropy across 15 Asian economies. Based on an extensive survey of almost 1600 social delivery organizations across Asia and 80 experts, it measures the flow (not level) of philanthropic donations, identifies bottlenecks, and creates a toolbox of measures.

Better Regulation Enhances Trust

Laws and rules governing the establishment and operation of organizations that deliver social services can enable or thwart the growth of the social sector. Regulations impact efficiency by raising or lowering the burden of becoming a non-profit. Some economies make it easier than others: organizations in Sri Lanka and Malaysia require only one clearance to set up, while China and Thailand require ten. It takes a month or less to register as a charity in most ASEAN economies. In Hong Kong, on the other hand, our respondents say it takes a year.

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Regulations can help make the sector more transparent and accountable when they aid in the proliferation of registered, and thus credible, organizations. Requiring social sector organizations to publish annual reports, or holding senior management responsible for non-compliance with the law, encourages precisely the transparency and accountability that counter the trust deficit.

Regulations also govern how easily funds can flow to the social sector. Most economies have no significant restrictions on domestic fundraising, but one-third have placed some inhibitors on the receipt of foreign funding or operations of foreign organizations. There are legitimate concerns that spur controls on foreign funds, including money laundering and terrorism financing. However, sweeping regulations that paint the entire social sector with one brush risk stifling the delivery of much-needed social services. Just under half (45%) of the organizations we surveyed across Asia receive some foreign funding. In China and India especially, organizations delivering education or health services rely on foreign funds for half their budgets on average, and can potentially be harmed by regulatory changes.

Finally, it is one thing to have these laws on paper, and another to communicate them clearly so they can be complied with. With 39% of organizations across our sample finding it difficult to understand laws pertaining to the social sector, Asian governments have some work to do in not only enshrining best practices, but ensuring they are accessible.

Fiscal Policy Plays a Signaling Role

Governments also need to fix tax and fiscal policy; specifically, incentives for individuals and corporations to donate money. Empirical and theoretical

evidence links tax deductions to increasing giving, and in Asia, tax policy has a strong signaling effect. Philanthropists and corporations like to work in tandem with governments in Asia, so when the government signals its support for the charitable sector with, say, a 250% rate of tax deduction as Singapore does, it can have an amplified impact.

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There is consensus on the importance of tax deductions: more than 90% of surveyed organizations say they are important for individual and corporate donors. Even resource-constrained economies such as Thailand, the Philippines, Sri Lanka, and Vietnam recognize the important role tax policy can play in redistribution, and offer a 100% rate of individual and corporate tax deductions.

The Ecosystem Must Nurture the Social Sector

Another group of indicators pertains to ecosystem: socioeconomic and cultural factors that favor giving. We found a good degree of institutional recognition, with philanthropy and volunteering rewarded and encouraged in the form of awards and national schemes, in most of the economies we covered. Corporations across Asia participate in doing good through volunteering programs, which help companies to be socially responsible and give back to their communities. Nearly half of surveyed organizations receive volunteers from such programs, with the proportion rising to more than 75% in Singapore, China, the Philippines, and Hong Kong.

Doing Good Index: four clusters



Ecosystem also covers good governance structures such as boards of directors, with [corporate representation on boards](#) signifying whether business experience is flowing from the corporate world to social sector boardrooms. We found that most organizations in all economies surveyed have boards. Encouragingly, almost 80% of organizations across Asia have at least one board member with corporate experience, and find their contributions valuable. At the same time, 60% find it difficult to recruit corporate board members, speaking to the distance left to travel still.

Regarding public perceptions of the social sector, 10 out of the 15 economies surveyed have had front-page scandals involving the social sector since 2014. And even those that have been scandal-free in recent years relate the negative effect past scandals have on fundraising. Still, most organizations believe they are trusted by society, speaking to the gap between perceptions of the social sector held by local communities versus those bred by national scandals.

Procurement Contracts Legitimize and Sustain Social Sector Organizations

The final set of indicators looks at whether governments contract the services of social sector organizations through procurement contracts, thus legitimizing them and encouraging their growth. A third of surveyed organizations are contracted by their respective governments for social delivery. But only two countries offer incentives for social sector organizations to apply for procurement opportunities: Vietnam and Taiwan. Vietnam offers subsidized access to state assets and exemption from some taxes, while Taiwan offers priority procurements and low-interest loans. Worryingly, 70% of organizations that have won procurement contracts feel the process was not transparent.

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At an aggregate level, we find that people are engaged while policy is lagging. This is evidenced by the average ecosystem score for Asia being higher than for the other categories, highlighting that people and institutions engage with the social sector in a variety of ways. Some encouragement comes in the form of awards; some in the high incidence of corporate volunteering and participation on non-profit boards. Universities in all but one of the economies surveyed now offer courses on non-profit management; and despite the occasional front-page controversy, social sector organizations largely feel trusted by their communities.

With societies engaged and ready for latent resource potential to be unlocked, the time is ripe for regulatory and fiscal policy to actualize this potential. A country's performance on our Tax and Fiscal Policy sub-index almost exactly mirrors its performance on the Doing Good Index.

Measures to improve the enabling environment for philanthropy are accessible to all. We did not observe any obvious correlation between economic development and policies that can make it easier for philanthropic donations to flow. Economies can progress simply by embracing policies that promote the social sector and encouraging philanthropic giving. The Doing Good Index shows us that Asia has a unique opportunity to leap ahead and put in place policies and programs that can unleash the region's potential for social investment.

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