

Lien Centre for Social Innovation
Social Insight Research Series



Levers For Change

Philanthropy in select South East Asian countries

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Philanthropy in select South East Asian countries

PRAPTI UPADHYAY ANAND

Edited by Crystal Hayling

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Definitions

Funding Organisation. The term funding organisations and or philanthropic organisations has been used to refer to institutions that make grants for charitable programs and purposes. This is because the term ‘foundation’, which in North America and Europe usually denotes a grant-making organisation, is interpreted more broadly in many South East Asian countries to include both grantmaking and grant seeking organisations.

Non-profit Organisation. The term non-profit organisation in this study refers to non-governmental organisations and other community-based organisations that receive grants to implement community development programmes (social, economic, environmental and health). In instances where secondary data used in this study include non-profit organisations other than those captured by this definition such as sports associations, labor unions, peoples’ associations etc, it is indicated as such.

Operating Foundation. The term operating foundation has been used to refer to philanthropic organisations that use the majority of their income to provide charitable services or operate their own charitable programmes. They make few grants to third party organisations.

Community Foundation. The term community foundation in this study refers to publicly-supported philanthropic organisations that pool public donations and employ them to serve a defined community or geographic area.

SYNOPSIS

Levers for Change

Philanthropy in select South East Asian countries

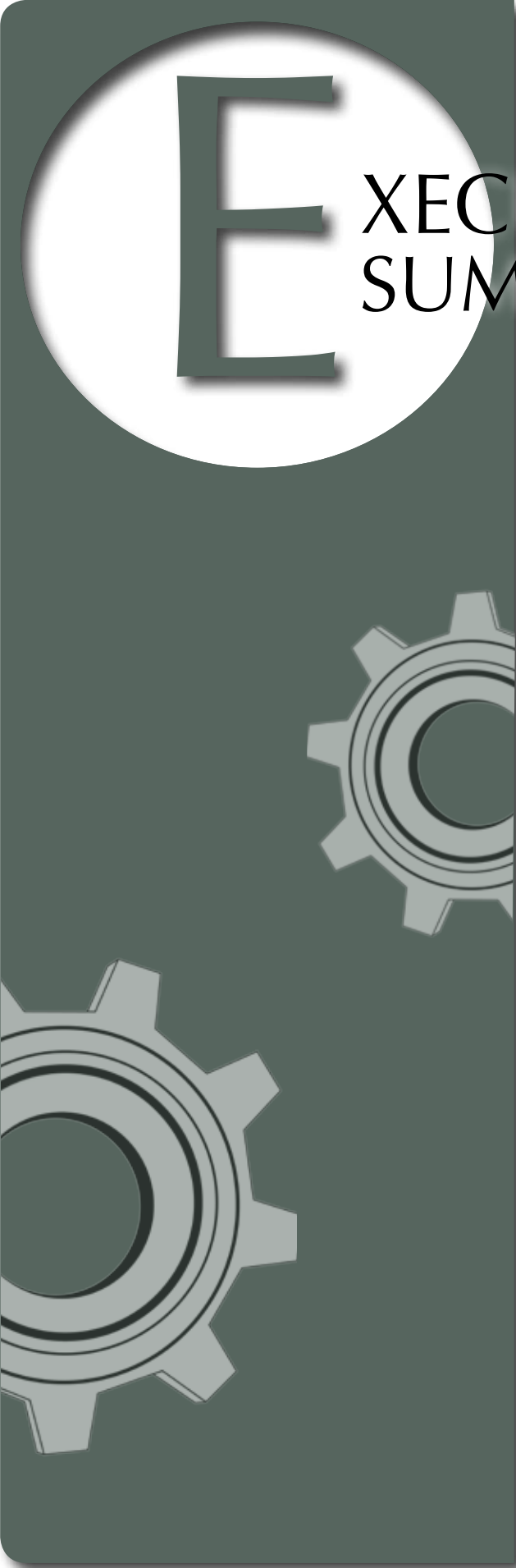
EXPLOSIVE economic growth in South East Asia has resulted in unparalleled wealth creation. Forbes magazine reports there are 386 billionaires in the Asia Pacific region. While the region's emerging economies report hopeful signs of a broadening middle class, income inequality is rising faster than living standards for the majority. There is widespread agreement that the stark income disparity must be addressed or it risks threatening political and social stability. For those interested in the social economy, key questions remain unanswered: first, will philanthropic giving match the fast pace of wealth accumulation, and second, will that philanthropy be strategic and targeted enough to address the critical social issues of the day?

Where previous studies profiled the characteristics and motivations of Asia's wealthiest givers, this report examines the public policies influencing those charitable decisions to assess whether those policies are helping or hindering the growth of philanthropy. This study looks at four roaring economies: Indonesia, the Philippines, Singapore, and Thailand.

Overall, this study finds the environment for philanthropy in the region to be quite challenging. Tax policies are either

neutral or ineffective in incentivising philanthropy; opportunities for the charitably-minded to gain the skills necessary to address complex social problems are lacking; partnerships between civil society organisations and funders that enhance the capabilities of each other are rare; and the data that would assist the nascent field in quickly prototyping and innovating are non-existent and to some extent resisted.

Certainly the tide could change. South East Asia has demonstrated incredible resilience along the steep upward climb of development. Few would have predicted the achievements of the past few decades, and it is entirely possible that the charitable sector in this region will evolve in ways currently not imagined. The purpose of this study is simply to raise questions about the assumptions that underlie so many discussions about Asian charity, wealth, and economic stability. Will the newly wealthy deploy their incredible resources to solve entrenched social problems by becoming active participants in and financial supporters of the social economy? Does growth in the charitable sector automatically follow wealth creation? The data analysed for this report suggests the answer is, not necessarily.



E

EXECUTIVE SUMMARY

INTRODUCTION

ASIA'S remarkable economic growth over the past three decades has led to a considerable focus on the impact of economic prosperity on philanthropy. Numerous surveys on philanthropic giving have been published in recent years. The more significant among these include a study on family philanthropy in Asia by the Swiss bank UBS in partnership with the INSEAD business school and a report from the Economist Intelligence Unit on 'The State of Philanthropy in South East Asia'. Both reports describe growing participation among Asia's 'new-rich' in philanthropic efforts.¹

These studies provide insights on key characteristics concerning these givers:

- Their wealth is generated through large family-owned or state affiliated corporations
- Charitable giving is family-directed, with few professional advisors
- Giving is inspired by the desire to transfer values from one generation to the next along with wealth
- Giving starts with family, then expands to clan, then to local community

Those past studies have pointed out *intrinsic* characteristics of the giving community. This study builds upon that important research, but aims to examine a different question: what role do *extrinsic* factors such as public policies play in shaping the style and size of institutional philanthropy in this region?

The terms 'institutional' and 'strategic' philanthropy are used in this study to refer to structured donations through which donors seek to achieve specific goals and outcomes for systemic social change. Private resources deployed for public good. This is related to, but distinct from 'checkbook charity', which in this context is used to describe the act of giving

The motivating question is whether public policy can increase giving and accelerate the transition from checkbook charity to strategic philanthropy.

which is based on deeply personal motivations that are not designed to create systemic change but rather to meet immediate needs. The distinction is somewhat artificial, however it provides a useful framework for recognizing the value of all expressions of the charitable impulse while also beginning to assess the likelihood of that impulse resulting in lasting social change. The motivating question is whether public policy can increase giving and accelerate the transition from checkbook charity to strategic philanthropy.

This report is based on (a) analysis of current laws, (b) examination of policy proposals, (c) study of common practice, (d) collection of data related to non-profits and charitable giving, (e) individual interviews and (f) focus group discussions with non-profit and philanthropic leaders. Selected countries are Indonesia, the Philippines, Singapore, and Thailand because they are among the largest economies and the most robust giving communities in South East Asia.

Seminal research on 'strategic philanthropy' in Asia was conducted by The Synergos Institute almost a decade ago, when the four countries that are the focus of this report had just emerged from the Asian financial crisis of 1997 and were simultaneously dealing with the loss of important international donor support due to geopolitical shifts in donor priorities.² This study attempts to capture the changes that have taken place since and to describe the barriers and opportunities for 'strategic philanthropy' in each of these countries.

INSTITUTIONAL PHILANTHROPY – WHY IS IT IMPORTANT?

A diverse and active civil society is increasingly viewed as an essential component for a stable society and equitable economic prosperity.³ Seen as including a broad array of non-governmental (NGOs) and not-for-profit organisations (NPOs), civil society is most commonly understood to include non-profit and philanthropic organisations, faith

organisations, professional associations, labour unions, cultural and recreational organisations,⁴ and increasingly social enterprises. Evidence suggests that civil society has grown rapidly in scope and scale over the past fifteen years, as globalisation has fundamentally transformed societies and led to rising income inequality and public insecurity.⁵ Civil society, because of its focus on public benefit, its connection to the citizenry and its ability to draw on private resources for public welfare, has increasingly been tapped to perform a growing number of critical functions, from delivering vital health and social services to empowering disadvantaged populations, drawing public attention to emerging societal needs and providing opportunities for religious, cultural, and artistic engagement.⁶

As the social economy has grown in scope and scale, civil society organisations have emerged as a major employer and economic force. An expansive study of the civil society sector across thirty-six countries published in 2004 found that the sector had aggregate expenditures of USD 1.3 trillion and accounted for about 5 percent of the GDP of the countries included in the study.⁷

Philanthropy and civil society are integrally connected.

Philanthropy and civil society are integrally connected. Philanthropy performs the crucial role of supporting civil society institutions. In many instances, philanthropy is a large source of income for NPOs and social enterprises, especially as they are getting started. In the West where organised, strategic philanthropy is more entrenched and has a longer history than in Asia, philanthropy has long served as an independent investor in social development. Philanthropic foundations have supported experimental programs in medicine and efforts to eradicate diseases. They have funded the delivery of essential health and social services where public provision has fallen short, supported research and advocacy for social reform, funded the arts, and facilitated the development of innovative solutions to social problems. Many foundations and strategic donors in the West consider themselves to be the 'R & D' fuel of the third sector.⁸

CHARITY AND PHILANTHROPY

THE concept of charity is deeply ingrained in most Asian cultures and is practiced widely in all four countries. Strategic philanthropy, however, remains at a very nascent stage in South East Asia. Several cultural, financial, and systemic factors appear to have constrained the growth of institutional philanthropy in the region.

Most philanthropic giving in South East Asia is informal and tied to religion, personal preference, and social connections rather than evidence of need or a desire to address systemic change

Asian cultures have a long and venerable tradition of charity, which is also a central tenant of Buddhism, Hinduism, Islam, and Christianity—the four major religions in Asia. Charitable giving has traditionally involved donations to relatives, neighbours, religious institutions, and clan associations. Even with rapid social change, religion remains the primary driver for philanthropic donations. A survey conducted in 2002 in the Philippines found that 73 percent of donors gave to churches while 29 percent gave to social service organisations.⁹ Similarly, research indicates that in Thailand, people prefer to make donations to temples over other charitable organisations. In Indonesia, *zakat*, donations required of all Muslims, is the most prevalent form of charity. This link between charitable giving and religion is nearly universal.

Wealth creation has had limited impact on strategic philanthropy

Philanthropic giving by High Net Worth Individuals (HNWIs)¹⁰ has had limited impact on institutional philanthropy in South East Asia. In instances where affluent families have established family foundations or other philanthropic entities, there appears to be a strong tendency to directly manage a few projects, instead of supporting NPOs on the ground.¹¹ One NGO leader interviewed for this study asked the poignant question, ‘Are the ultra-wealthy donors actually part of civil society?’ Currently many would seem to answer ‘No’ or at least, ‘Not Yet’.

Further, there is evidence to suggest that philanthropic giving by HNWIs in Asia has so far lagged behind the West, even in places with high concentrations of wealth such as Singapore and Hong Kong.¹² The lower level of participation in philanthropy may be attributed to the fact that these societies have become wealthy recently and HNWIs are not as yet focused on giving away their wealth in a significant and

It is important to note that any data on charitable donations in Asia is likely to underestimate true levels of giving because of the tradition of informal giving, which often results in people making unrecorded and anonymous donations.

sustained manner. Perhaps it is for this reason that a survey of HNWIs found that those in Asia prioritized philanthropic giving lower than their counterparts in the West. According to the survey, only 16 percent of HNWIs in Hong Kong and 23 percent in Singapore counted philanthropy in their top three spending priorities, compared with 41 percent in the U.S.¹³ Comparable data for the other countries included in this report is not available. However, as The Economist Intelligence Unit points out in its report, it is important to note that any data on charitable donations in Asia is likely to underestimate true levels of giving because of the tradition of informal giving, which often results in people making unrecorded and anonymous donations.¹⁴

Underdevelopment of support services has hindered the growth of strategic philanthropy

Key informants from all four countries included in this study raised the lack of donor awareness about how societal needs can inform philanthropy and the paucity of donor education as significant barriers to making charitable giving

There is a crucial need to deepen donor skills on how to work with communities.

more strategic. This study found facilitating bodies like a foundation association or philanthropy advisory services to be largely lacking in all four countries. When capacity and field-building services do exist, they are mostly directed towards building the capacity of grant-seeking NPOs and not strengthening donors' skills.

There is a crucial need to deepen donor skills on how to work with communities, particularly given the evidence indicating that strong donor support services play an important role in stimulating giving and are strongly correlated with a good legal and fiscal environment for philanthropy.¹⁵ For instance, a 2010 report on the global status of community foundations found that the best predictor of in-country growth of community foundations across the world between 2008 and 2010 was the number of organisations offering support to community foundations in 2003.¹⁶ This suggests that when donors find other donors with whom to learn and experiment, the level and quality of giving increases.

Underdevelopment of non-profit capacity has impacted public perception thus hindering greater philanthropic support

Across South East Asia, transparency regulations for NPOs vary in stringency and requirements. In many cases registration and reporting requirements are not enforced. Donors therefore question NPO accountability. On the flip side, underfunding of NPOs limits their ability to hire and retain talent, evaluate programmes, or measure impact. This lack of transparency and access to the operational and financial aspect of NPOs fosters poor public perception of charities, especially in countries like Indonesia and the Philippines, where public trust in social and government institutions is undermined by reports of corruption and bureaucratic

inefficiencies. Improving the transparency and accountability of NPOs is crucial in promoting positive public perception, yet the lack of consistent funding makes it difficult for non-profits to perform in ways that might attract more funding. This chicken-and-egg funding dilemma is not unique to South East Asia, but it was emphasised in all four countries in this study. Deeply informed strategic givers working in partnership with civil society organisations might be able to break this destructive cycle.

PUBLIC POLICY

IN addition to cultural and systemic constraints, legal and regulatory frameworks governing the non-profit sector are an important determinant of the level of philanthropy. In general, the philanthropic sector in Asia faces an unfavourable policy environment. Overall, the lack of legal recognition, limited tax incentives, and absence of support services have thwarted the creation of an enabling environment. This may bias charitable giving, making it episodic, siloed, and disconnected from on-the-ground realities.

Limited tax benefits have been inadequate to encourage philanthropic giving

Data suggests that countries with coordinated policies designed to increase philanthropy (including but not limited to tax deductions) result in higher levels of sustained giving. Evidence in more developed economies also indicates that thoughtful tax structures spur charitable giving.¹⁷ Singapore, the most affluent country in the region, supports that finding. Singapore allows tax deductions of 250 percent on donations to specific types of charities and has benefitted from increased levels of participation in philanthropy and large-scale donations in recent years. Singapore serves as an important example for how a country can accrue significant benefits through a well-developed, non-profit tax structure.

Improving the transparency and accountability of NPOs is crucial to promoting positive public perception, yet the lack of consistent funding makes it difficult for non-profits to perform in ways that might attract more funding.

However, there are important policy realities in the other countries studied, which directly limit use of the income tax policy lever to increase institutional philanthropy. In the countries included in this research, income taxes generate a much smaller portion of overall tax revenue than in more developed economies. The numbers of taxpayers is very small and their effective tax rate is likely to be significantly lower than the official rate. Tax collection from wealthy individuals and corporations is seen by many in civil society as porous, poorly designed, and difficult to enforce. Activists who might otherwise support policies to increase domestic philanthropy (especially as foreign sources began to decline) focus instead

Tax collection from wealthy individuals and corporations is seen by many in civil society as porous, poorly designed, and difficult to enforce.

on ensuring adequate tax revenues are collected for the basic functioning of government services and infrastructure. Thus many civil society organisations do not support providing tax benefits for donations from the wealthy or corporations, because of the belief that these same wealthy individuals and corporations are not paying their fair share of taxes. Not surprisingly, three of the four countries studied (with the exception of Singapore) offer very limited tax incentives for individual charitable giving. Corporate giving receives some tax benefit in all of the countries studied, but charitable breaks are only one of many tax incentives given to large corporates as countries vie to attract capital investment.

Wealth is borderless

The family-owned conglomerates that generate much of the wealth in South East Asia frequently hold assets throughout the region, favouring locales that make the most economic sense. Chasing *personal income* for taxation becomes a challenging cat-and-mouse game for each individual government and one that often reaps fewer rewards than costs. Not surprisingly, governments turn towards industry-specific levies, VATs, and import/export fees for a larger share of government

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revenue. Thus income tax and estate-planning policies that in the West have channelled billions of dollars into foundations are unlikely to be a significant factor in increasing philanthropy in the developing economies of South East Asia in the near term.

Philanthropy is borderless

If one country implements tax or estate policies to encourage philanthropy, the benefits might or might not directly accrue to the 'home' country's citizens. Singapore's position as a financial hub and the regional base for numerous private banks and corporations has resulted in a majority of Asia's wealth finding a home there. Its tax structure, which is better developed than those in neighbouring countries, and generous tax incentives have resulted in Singapore receiving some very large donations from Singaporean and non-Singaporean HNWIs from neighbouring countries. This despite the fact that Singapore has relatively smaller needs compared to other countries in the region. As these nations advance the promise of the Association of South East Asian Nations (ASEAN) as a regional power, it will be interesting to observe whether countries will be well served to examine their philanthropic and non-profit policies in relation to their neighbours and trading partners. An example to be considered is that of Transnational Giving Europe (TGE), a private initiative started by a group of foundations to facilitate tax-deductible, cross border philanthropy in the European Union. TGE covers 16 countries and enables corporate and individual donors residing in one of the participating countries to support non-profit organisations in other Member States, while benefiting directly from the tax advantages allowed by law in their country of residence.

Another phenomenon worth observing is cross-border giving for disaster relief. Several countries in South East Asia allow cross-border giving with tax benefits for disaster relief. It would be worth reviewing the impact of this type of philanthropy on long-term poverty alleviation programs in disaster-affected areas, as the success of such programs could encourage ASEAN nations to facilitate more philanthropy across their borders.

Murky legal definitions hinder the development of policy specific to the philanthropic sector

None of the countries included in this study make a legal distinction between philanthropic organisations and grant-seeking NPOs. In fact, in the Philippines, Indonesia, and Thailand, NPOs – whether grant-making, grant-seeking

or both – can only register either as ‘foundations’ or ‘associations’. Blurring the distinction between philanthropic and other NPOs confuses the unique role that philanthropy can play in a country’s investment for public benefit. It is also a barrier to the development of legislation designed to increase transparency in the philanthropic sector. Civil society leaders in each of the countries studied are crafting national and culturally appropriate definitions of philanthropy that capture the field’s unique public and private nature. One such policy proposal is being developed by Muslim NPO leaders in Indonesia, where the debate about the appropriate distribution vehicles for *zakat* will have a profound effect on the future shape of civil society. Definitions matter and the lack of them prevents a deeper understanding of the supply and demand sides of the social economy.

Lack of data transparency prevents dissemination of best practices and optimisation of philanthropic resources

Another challenge to creating a healthy and efficient civil society ecosystem in South East Asia is the lack of comprehensive and up-to-date data on the size of the philanthropic sector, including the size of foundations, areas of focus and size of grants, and the contribution of the charitable sector to the economy. In a global survey assessing the status of institutional philanthropy conducted in 2009, Indonesia, Thailand, and the Philippines all cited lack of data on institutional giving as an obstacle to the growth of the philanthropic sector and the impact of institutional philanthropy.¹⁸ While this is partly because research on institutional philanthropy in Asia is very limited, it is also due to the fact that many countries in Asia do not have laws requiring foundations and other philanthropic entities to publicly disclose data on their giving. This is often accompanied by resistance among corporate and family philanthropies, and even some governments, to disclose financial and operational information on the non-profit sector.

For instance, Singapore has the highest rate of registration among philanthropic entities and NPOs because of strict enforcement of laws and a highly organized charitable sector. However, none of the financial and operational data on philanthropic organisations and NPOs in Singapore is easily available for public or academic use.

Quality data is necessary to facilitate better utilisation of philanthropic resources, gauge efficacy and impact of investments, promote learning and minimize the risk of donors

This lack of legal recognition...is also a barrier to the development of legislation designed to increase transparency in the philanthropic sector.

repeating the mistakes of others. Some philanthropists interviewed for this study felt that public data on philanthropy was unnecessary or even antithetical to the culture. Yet the recently established Foundation Centre in China has had a catalysing effect on discussions about and studies of the sector there.

Poor enforcement weakens existing philanthropic laws

Linked closely to the transparency problem are significant lapses in enforcement of existing laws. All the countries examined have explored industry-specific corporate taxes, levies, or social responsibility requirements. For example, Indonesia’s most significant law to increase corporate social responsibility (Law No. 40 of 2007 on Limited Liability Companies) requires companies in the extractive industries to contribute 2 percent of profits to social benefit. Yet interviews with local experts revealed that currently it is almost impossible to measure or audit compliance with that law. The recent adoption in Indonesia of the Extractive Industries Transparency Initiatives while focused on tax revenues, may also strengthen enforcement of corporate social responsibility requirements as companies will need to document revenues and can thus be held accountable for abiding by the law.

Many countries in Asia do not have laws requiring foundations and other philanthropic entities to publicly disclose data on their giving.

STRATEGIC PHILANTHROPY: THE ROAD AHEAD

LEGAL and systemic constraints notwithstanding, some notable developments in philanthropy in South East Asia provide reasons to believe that strategic philanthropy could grow deeper roots in the region. Though inexact, studies support the claim that charitable giving has been on the rise in countries like Singapore and Indonesia.¹⁹ Further, positive signs of increasing strategic philanthropy include the following:

- A nascent but notable community foundation movement is developing in South East Asia that links public donations to specific projects and outcomes and could potentially provide sustainable support to local NPOs and collaborative education to donors. Most of the community foundations currently in operation in South East Asia are small-scale. Donations from community members are directed towards implementing programmes to benefit the

Quality data is necessary to facilitate better utilisation of philanthropic resources, gauge efficacy and impact of investments, promote learning and minimize the risk of donors repeating the mistakes of others.

local community. For instance, the Philippines has one that focuses on the families of sugarcane plantation workers and another that was started by an NPO network to provide loans and grants to member organisations.

- The government of Singapore has undertaken a concerted effort to establish the country as a hub for philanthropy in Asia, streamlining the process for establishing a corporation for public benefit, offering generous tax deductions on donations to government-selected charities, and providing a range of other incentives to international charities interested in establishing offices in Singapore.

- Giving, both in terms of large and small donations, has been rising in some countries. This together with several publicly recorded large-scale donations in recent years may be indicative of a growing culture of philanthropy and a shift in traditional attitudes towards strategic giving.
- Key informants in all four countries allude to a growing number of corporate foundations and charitable giving by corporations. However, a lack of data makes it difficult to gauge the breadth of corporate philanthropy across South East Asia.
- Emerging initiatives to pull together donors for strategic discussions, co-education, and possibly co-funding are worth noting as they may gather traction. One model is donor giving circles. Another is the creation of networks such as the Asian Venture Philanthropy Network, based in Singapore but serving all of Asia.
- Emergency relief is another area where charitable giving is evolving and resource distribution is becoming more efficient. All of the countries studied in this report (with the exception of Singapore) have unfortunately had first-hand experience with calamitous natural disasters. Interviewees cited examples where charitable donors started giving for disaster relief, but deepened their giving after the disaster to provide community development resources in impacted communities.
- Media and social media play increasingly important roles in citizen communications and could become important platforms for crowdfunding.

CONCLUSION

Philanthropy, at its best, spurs social change by providing the excluded and the marginalised with resources to assume full agency and participate in building a fair and just society. It can only achieve this when donors understand the social problems they are addressing and are informed enough to move beyond short-term fixes to community-generated solutions. The authors saw some examples of donors in the Philippines, Thailand, Indonesia, and Singapore who are becoming thus engaged—partnering with NGOs, providing sustained support and capacity-building, and listening to community needs. They are leading the way to the development of the region's unique brand of strategic philanthropy. Only time will tell if they will become the rule, or remain the exception.

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Country Profile

INDONESIA

INTRODUCTION

NEARLY two decades after the Asian financial crisis of 1997 ushered in a period of economic and political upheaval, Indonesia has emerged as a stable democracy with a strong economy, an active civil society, and a growing philanthropic sector. Indonesia's rapid economic growth (around 5–6 percent per annum) over the past decade has made it the largest economy in South East Asia, lifting thousands out of poverty and generating substantial wealth for many. In fact, Indonesia has the fastest growing population of High Net Worth Individuals (HNWIs)¹ in Asia, with one report indicating that the population of HNWIs grew by 67 percent between 2007 and 2011 and held combined wealth of USD 241 billion.² At the same time, democratisation and the decentralisation of power to local governments has created a participatory environment in which civil society has thrived. Non-profit organisations, which were tightly regulated by the country's powerful regime, have grown rapidly and become important elements in social development.

Against this backdrop of rising wealth and a supportive operating environment, philanthropy in Indonesia has grown and evolved. Notable developments in the past decade include the following:

- Individual giving, particularly religious donations (*zakat*) have been rising on an annual basis. Some local NPOs have pioneered the use of *zakat* for public welfare programmes with notable success. However, using *zakat* for public welfare is a relatively new practice with enormous potential that remains to be fully tapped.
- Like several other countries in the region, Indonesia has witnessed an overall decline in donations from foreign philanthropies since the late 1990s as its economy prospered. Domestic institutional philanthropy has been slow to fill the gap.
- Media philanthropy, which refers to fundraising for social causes by print and electronic media, has been growing in recent years and has fast become an important and unique feature of philanthropy in Indonesia. While it started in the immediate aftermath of the 2004 Asian tsunami, media philanthropy has become an ongoing effort by many media companies and in some instances has led to the creation of stand-alone philanthropic organisations.
- A 2007 government regulation mandating that corporations in the natural resources sector contribute 2 percent of their profits to charity or to Corporate Social Responsibility (CSR) activities, along with rising corporate wealth, has reportedly led to increased corporate engagement in the social sector. However, the lack of oversight or comprehensive data on corporate giving, combined with the tendency of many corporate foundations to employ resources for self-directed projects, makes it difficult to ascertain the true impact of corporate giving in growing local philanthropic resources.
- The growing ranks of HNWI's has led to some large family foundations being established in recent years.

Although philanthropy seems to have taken root in Indonesia, it is apparent from a review of the literature and conversations with non-profit and philanthropy professionals in the country that a majority of philanthropy in Indonesia is ad hoc and unstructured. While many institutional philanthropic organisations in the country have clear strategies for their giving, institutional philanthropy accounts for only a small segment of the larger philanthropic sector. This is mostly because philanthropy in Indonesia, like in many other countries in South East Asia, is driven by individual giving which tends to be based on faith and personal preferences rather than an objective assessment of societal needs. Adding to this, a weak legal framework and inadequate support structures for donors and non-profits alike are also seen as stymieing the development of large-scale strategic philanthropy. Of late,

There has been growing concern among non-profit professionals that Indonesia's nascent philanthropy sector could be adversely affected by Law No. 17 of 2013 on Societal Organizations.

there has been growing concern among non-profit professionals that Indonesia's nascent philanthropy sector could be adversely affected by Law No. 17 of 2013 on Societal Organizations (hereafter referred to as the Law on Societal Organizations), which was enacted by parliament in 2013. The law essentially increases government scrutiny of NPOs, imposes a variety of obligations and prohibitions on NPO activities, and places strong limitations on the creation of foreign-funded organisations. The law and its potential impact are discussed in greater detail later in this chapter.³

Despite Indonesia's economic and political gains in recent years, the country still faces serious challenges that it must address in order to improve the quality of life and well-being of its large populace. For instance, poverty remains widespread with more than 32 million Indonesians (12.5 percent of the population) currently living below the poverty line.⁴ Recent investments to expand and upgrade basic infrastructure—roads, water, and sanitation—are considered to be inadequate. Essential health services are mostly lacking in rural areas and, when available, are of poor quality. Corruption is reportedly pervasive at all levels and is cited by many as one of the biggest challenges to Indonesia's growth.⁵

Philanthropy can be an invaluable resource in reducing social inequalities and ensuring that Indonesia's economic gains are harnessed for the greater good. However, for philanthropy to have lasting impact, more needs to be done to spur domestic philanthropy and align it more closely with existing and emerging needs. Domestic philanthropy currently contributes only marginally to the income of NPOs in Indonesia as a result of which the non-profit sector still relies heavily on international donors.⁶ Non-profit professionals interviewed for this study agree that strengthening the legal framework for NPOs, expanding tax incentives which are currently limited in scope (both for individual and corporate donors),

raising public awareness about philanthropy, and developing support services for potential donors are essential to increasing domestic philanthropic giving and advancing the sector in Indonesia.

OVERVIEW OF THE NON-PROFIT SECTOR

NPOS have been engaged in community development efforts in Indonesia since the early 1970s, when widespread poverty and unemployment created a need for socioeconomic development initiatives.⁷ The New Order Regime headed by President Soeharto, which governed Indonesia from 1965 to 1998, recognised the value of partnering with NPOs to share the cost of development, but did so with tight control over their activities. NPOs were prohibited from engaging in any kind of advocacy and were restricted to implementing government-approved development programmes, primarily in the areas of health services, water and sanitation, poverty alleviation, and education. The work of these early NPOs was so singularly focused on basic social and infrastructure services that they were commonly referred to as ‘developmental non-government organisations’.⁸ Political reforms instituted after the onset of democracy restored basic freedoms of speech and assembly and eased repressive regulations, enabling NPOs to expand their scope of work and participate in political decision making.⁹ Subsequently, Indonesia’s non-profit sector experienced rapid growth under an open and enabling environment.

NUMBERS AND TRENDS

The number of NPOs currently operating in Indonesia is unknown and any effort to determine the figure is challenging in the absence of official data on the size of the non-profit sector. According to key informants, although NPOs are

Many NPOs, especially those located in rural areas, do not conform to the law and are not officially registered.

required to register with the Ministry of Law and Human Rights as per the Law on Foundations amended in 2004, the law is not strictly enforced. As a result many NPOs, especially those located in rural areas, do not conform to the law and

are not officially registered.¹⁰ Further, since NPOs can operate just on the basis of a Certificate of Registration (*Surat Keterangan Terdaftar*, or SKT) from the local branch of the Ministry of Home Affairs, many smaller NPOs—especially those in rural areas—seem to opt for this more convenient option. Therefore, the number of NPOs officially registered with the Ministry of Law and Human Rights (around 21,000 in 2010), is likely to be a significant underestimation of the actual number of NPOs currently operating in Indonesia.¹¹ It is important to note that this number includes both philanthropic and grant-seeking organisations, since the legal framework in Indonesia does not differentiate between the two.

AREAS OF FOCUS

The non-profit sector has been a vital partner in Indonesia’s reformation and has been credited with safeguarding human rights and advancing gender equality, legal reforms, and environmental sustainability.¹² Further, the unequal pace of

Today Indonesia has a diverse non-profit sector with organisations working on a breadth of community development, social, and economic issues.

development across the country has created inequalities in infrastructure and services, making many rural communities reliant on NPOs for the provision of a host of basic infrastructure and health and social services.¹³

Today Indonesia has a diverse non-profit sector with organisations working on a breadth of community development, social, and economic issues. Based on a review of available literature, the primary thematic areas of focus can be classified as human rights, community development (including health and social services, infrastructure development, education, and economic development), environmental management and preservation, and gender equality. Of these, community development is the largest area of focus, with a majority of NPOs in Indonesia filling gaps in essential services created by underdeveloped social safety nets and deficient infrastructure.¹⁴

With the removal of political restrictions from the past, there has been a surge in the number of advocacy organisations and it is increasingly common for most NPOs to include an advocacy component in their work.

With the removal of political restrictions from the past, there has been a surge in the number of advocacy organisations. It is increasingly common for most NPOs to include an advocacy component in their work because they see it as an essential mechanism to advance their goals. Another noteworthy change in the non-profit sector in democratic Indonesia has been the emergence of NPOs focused on governance and civic education. There are several watch-dog groups devoted to checking undemocratic practices by government and public institutions. These organisations are also more broadly involved in building civic awareness.

CHALLENGES

Conversations with non-profit professionals in the field and a review of past research efforts indicates that financial sustainability is the biggest challenge facing NPOs in Indonesia. Sustainable sources of local funding are scarce due to limited domestic philanthropy and government support. As a result,

NPOs are heavily reliant on foreign donors and subsequently more vulnerable to shifts in funding priorities.¹⁵ While some may argue that the rampant growth of NPOs in the post-Soeharto era needed to be curtailed to improve the effectiveness and accountability of the sector, the lack of stable funding sources has been a serious challenge even for NPOs with a proven track record.

Financial and capacity constraints are holding NPOs back from taking advantage of new opportunities to engage in local policy and planning processes that have been made possible by Indonesia's ambitious decentralisation plans.

Besides making sustainability more tenuous for many NPOs, key informants also indicate that financial and capacity constraints are holding NPOs back from taking advantage of new opportunities to engage in local policy and planning processes that have been made possible by Indonesia's ambitious decentralisation plans initiated in 1999.¹⁶ A handful of funders have responded to this need by targeting resources to build the capacity of local NPOs to participate in local budget and policy planning, but currently these efforts are limited in scale.

Figure 1: Indonesia's Non-Profit Sector at a Glance

<p>PRIMARY THEMATIC AREAS</p> <ul style="list-style-type: none"> 1 Human rights 2 Community development 3 Environment management 4 Gender issues 	<p>REGULATORY BODY</p> <p>Ministry of Home Affairs</p>
<p>EMERGING THEMES</p> <ul style="list-style-type: none"> 1 Governance 2 Civic education 	<p>21,000</p> <p>officially registered NPOs in 2010</p>

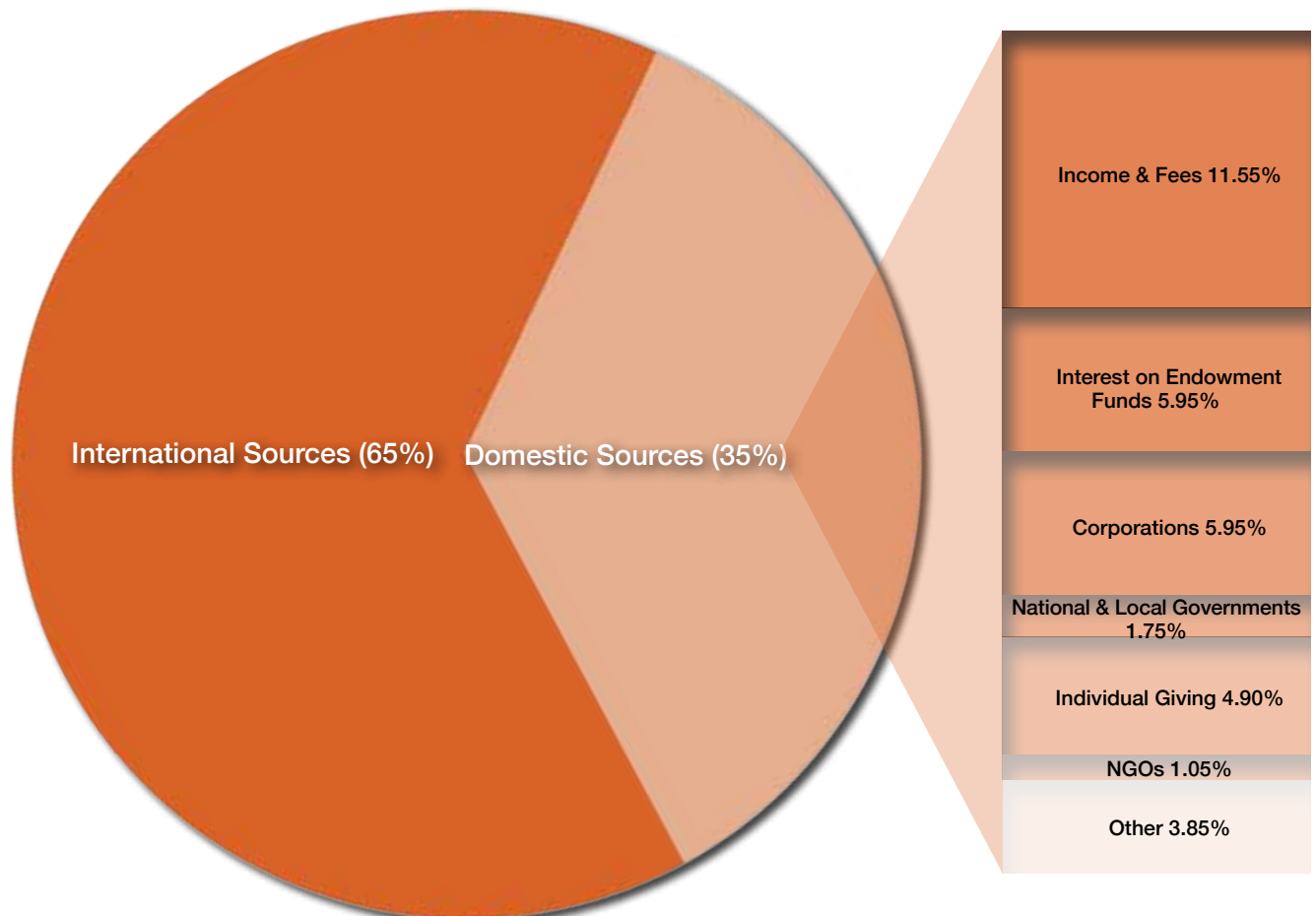
OVERVIEW OF INSTITUTIONAL PHILANTHROPY

CHARITABLE giving in Indonesia, as in much of Asia, is driven by local customs, community ties, and religious values. Strategic philanthropy¹⁷ is a relatively new concept in Indonesia and has reportedly become more prevalent in the aftermath of the monetary crisis of the 1990s and various natural disasters that followed. Overall, philanthropy in Indonesia has grown in terms of the volume and size of charitable contributions. Individual donations have kept pace with the country's robust economic growth, and a 2007 law mandating Limited Liability Companies to contribute 2 percent of their profits to Corporate Social Responsibility programmes has led to the private sector becoming more socially engaged.¹⁸ A notable development in philanthropy in Indonesia has been the rise of Islamic philanthropy and media philanthropy. 'Islamic philanthropy' refers to charitable acts directed or encouraged by Islamic tenets, while 'media philanthropy' refers to fundraising drives conducted by media companies, most often around natural disasters.

While updated data on individual charitable giving

has become available since 2000, when the Public Interest Research and Advocacy Center (PIRAC) started conducting its biannual surveys on volunteerism and individual giving in Indonesia, data on institutional philanthropy remains sparse.¹⁹ The only data available on institutional philanthropy is from a study of local funding organisations conducted in 2000.²⁰ The study looked at domestic operating foundations, and found that 65 percent of the revenue of these foundations came from international sources and 35 percent from domestic sources. Domestic sources consisted of earned income and fees (33 percent), interest on endowment funds (17 percent), corporations (17 percent), individual giving (14 percent), others (11 percent), national and local government (5 percent), and NGOs (3 percent). The absence of recent research and reliable data makes it difficult to determine how this scenario may have changed in the last decade, but key informant interviews imply that domestic institutional philanthropy is still underdeveloped, mostly because the bulk of philanthropy in Indonesia is driven by individual donations which tend to be ad hoc and unstructured. Subsequently, foreign philanthropic institutions still account for the bulk of large-scale, strategic philanthropic investments being made in Indonesia.²¹

Figure 2: Revenue Sources for Domestic Operating Foundations in 2000



KEY FUNDERS

International Funders

Indonesia, like other erstwhile ‘Tiger Economies’, has witnessed big reductions in support from international foundations over the past decade as its economy has grown steadily. Yet international donors, including bilateral agencies such as the Australian Agency for International Development (AusAID), the United Kingdom’s Department for International Development (DFID), and the United States Agency for International Development (USAID)—along with various United Nations (UN) development agencies and a few international foundations like the Ford Foundation, and the Asia Foundation — still make up the biggest funding block, due to the volume and size of their donations as compared to domestic philanthropic support. These organisations support a diverse range of issues, including poverty reduction and social development, human rights, environmental protection, women rights and gender equality, good governance, transparency, and anti-corruption. Major international foundations funding in Indonesia include the following:

The Asia Foundation. The foundation’s work in Indonesia focuses on building the capacity of democratic institutions, increasing women’s political participation, strengthening legal and judicial systems, and supporting reform of the corrections system. While much of this work involves partnerships with the government, the foundation also partners with Indonesia civil society to advance development policy and good governance in the country. One example is the foundation’s ‘Civil Society Initiative Against Poverty’, a partnership among grassroots organisations, mass-based Muslim organisations, and advocacy and economic reform groups to mobilise poor communities to advocate for pro-poor government policies.²² The Asia Foundation is currently funding at its highest level in Indonesia (approximately USD 30 million per year) since the foundation established a presence in the country.

Ford Foundation. The Ford Foundation has a long presence in Indonesia, having opened its office in Jakarta in 1953. The foundation’s work in Indonesia centres around increasing political participation among the underserved, expanding livelihood opportunities for the poor and marginalized, promoting sustainable development, advancing public service media, and improving sexual and reproductive rights.

Local funding organisations

The majority of domestic foundations in Indonesia are operating foundations. Similar to the organisations that they

assist, Indonesia’s foundations obtain the greatest portion of their funds from foreign sources. Key local funders in Indonesia include, Kemitraan, Kehati and Tifa Foundations.

Kemitraan. Also known as ‘The Partnership for Governance Reform’, Kemitraan is a multi-stakeholder organisation established to promote governance reform. It partners with government agencies, civil society organisations, the private sector, and international development partners in Indonesia to support human rights, anti-corruption, civil society empowerment, economic governance, and environmental management. The partnership was established in March 2000, in the aftermath of the Asian monetary crisis and the fall of Soeharto’s New Order Regime, as a United Nations Development Program (UNDP) project designed to help Indonesia realize good governance at all levels of government. It became an independent legal entity in 2003 and has transitioned to an Indonesian-managed organisation. The foundation has raised over a USD 100 million since it was founded. In the past year, Kemitraan disbursed approximately USD 10.4 million in grants.²³

Indonesian Biodiversity Foundation (IBF). Better known as KEHATI, the foundation was established in 1995 to address environmental challenges and their societal consequences in Indonesia. Initial support was provided by the United States through USAID, in the form of a USD 16.5 million endowment. Although KEHATI has functioned almost entirely as an independent organisation since it was founded, a ten-year cooperative agreement between USAID and KEHATI ended in 2005, marking an official end to American influence over the investment funds as well as an end to U.S. financial purview over the foundation. In addition to its endowment fund, since 2007 KEHATI has also been managing three other trust funds in the amount of USD 72 million, funded through overseas development assistance (ODA) from the United Kingdom and United States governments and some private companies. During the last five years KEHATI disbursed an average of USD 900,000 in grants per year to support biodiversity conservation, community empowerment, protection of forestry and marine ecosystems.²⁴

Tifa Foundation. Established at the end of 2000 in partnership with the Open Society Institute, New York, the Tifa Foundation’s mission is to promote an open society in Indonesia by supporting human rights, democracy, governance, equality, the cause of migrant workers, and access to justice, media, and information. Tifa is an operating foundation and receives funding from large donors such as the Open Society

Institute, the Ford Foundation, AusAID, the World Bank, and the Japan Social Development Fund. The average size of its grants range from Rupiah (also known as IDR) 11,000,000 (USD 1,000) to IDR 900,000,000 (USD 80,000).²⁵

A major impetus for the growth in corporate charitable engagement has been a 2007 law mandating Limited Liability Companies (LLCs) operating in the natural resources sector in Indonesia to invest 2 percent of their profits into corporate social responsibility programmes (CSR).

Corporate philanthropy

Available data and conversations with non-profit professionals in the field indicate that corporate social and charitable engagement has been growing in Indonesia. While rising corporate profits stemming from a booming economy may account for some of this, according to several key informants, a major impetus for the growth in corporate charitable engagement has been a 2007 law mandating Limited Liability Companies (LLCs) operating in the natural resources sector in Indonesia to invest 2 percent of their profits into corporate social responsibility programmes (CSR).²⁶ Though Law No. 40 of 2007 on Limited Liability Companies (hereafter referred to as The Company Law), is intended to encourage ethical business practices, particularly for companies mining or utilising the country's natural resources, it seems to have had a broader impact in promoting social awareness among private sector companies in general. More importantly, by allowing companies to discharge their CSR obligations by either implementing programmes themselves or through third-party organisations, the Company Law has created a potentially significant and sustainable source of funding for NPOs in Indonesia. However, maximising the social impact of the Company Law will require strong monitoring procedures and

plans to ensure that CSR programs and contributions address persistent and emerging social issues in the country.

Whether as a consequence of the Company Law or rising corporate profits or both, several corporate foundations have been established in Indonesia in recent years. The more well known among them include Yayasan Dharma Bakti Astra (YDBA), Yayasan Rio Tinto, the Djarum Foundation, Yayasan Unilever Peduli, the Coca-Cola Foundation Indonesia, and the Sampoerna Foundation. Data on the strategic initiatives of corporate foundations and the size of their giving is not easily available, but according to key informants, corporations in Indonesia and their foundations tend to support causes seen as 'safe', such as education, health, environmental conservation, and the development of small businesses. Corporate support for social policy advocacy is rare.

Overall, the growth in corporate social engagement appears to have had limited impact in growing domestic philanthropy so far, since it has not translated into a sustainable source of revenue for Indonesia's non-profit sector. This is partly because most corporate charitable support tends to be sporadic and inconsistent. Another reason, according to non-profit professionals in the field, is that corporations and their foundations tend to utilise their philanthropic resources for self-directed programmes instead of making grants to third-party NPOs. In fact, as several key informants pointed out, in many instances corporate foundations in Indonesia raise funds from foreign donors and in doing so are essentially competing with local NPOs for already limited sources of philanthropic support.

Family foundations

As in many other parts of Asia, the lines between corporate foundations and family foundations are blurred in Indonesia, where many of the country's largest corporations are owned by families and many corporate foundations are run by members of the family. However, there are some well-known family foundations that have been established by Indonesian conglomerates in the past decade, including the Eka Tjipta Foundation (ETF), Arsari Djojohadikusumo, and the Tanoto Foundation. Similarly to corporate foundations in Indonesia, family foundations also tend to focus on education and health, and in some cases, environment conservation and the arts. Data on the financial operations of family foundations are not publicly available as a result of which, it is not possible to determine the size of their contributions to NPOs in Indonesia.

Islamic philanthropy

Islamic philanthropy is among the fastest growing areas of philanthropy in Indonesia. The term ‘Islamic philanthropy’ in this report refers to the formal types of giving inspired and directed by Islamic teachings. These include *zakat* (obligatory monetary payments), *sadaqa* (voluntary charitable acts which could be monetary or in-kind), and *waqaf* (philanthropic endowments for the welfare of others).²⁷ Among these, *zakat* is the most important source of financing for Islamic philanthropy, as all capable Muslims are obligated to pay it. *Zakat* is generally calculated at 2.5 percent of annual income. Perhaps because it is a recorded, monetary contribution, *zakat* seems to be the most documented form of Islamic philanthropy in Indonesia and elsewhere.²⁸

The growth in *zakat* collection in Indonesia has been fuelled by rising religious donations and the emergence of non-profit organisations engaged in the management of *zakat* who have professionalised its collection and distribution of *zakat* and expanded its use to benefit public welfare.²⁹ In Indonesia there are two types of *zakat* management institutions: the state-supported *zakat* collecting board (BAZNAS, known as BAZ) and the privately run institution of National *Zakat* Collectors (LAZ). Given that Indonesia is home to the world’s largest Muslim population (around 240 million),³⁰ the potential for harnessing *zakat* for public welfare and community development is enormous. The amount of *zakat* collected in Indonesia reportedly reached IDR 1.73 trillion (USD 165 million) in 2011, a 15 percent increase from the previous year.³¹ While this is a significant amount, it is still well below the potential amount of *zakat* funds that could be collected.

Various sources have estimated the potential *zakat* collection in Indonesia to be anywhere from IDR 19 trillion (approximately USD 2 billion)³² to IDR 217 trillion (approximately USD 22 billion).³³

There are specific categories of *zakat* recipients stipulated by the Quran, mostly involving assistance to fellow Muslims in need and activities that promote and safeguard Islam. Although there appears to be a divergence of opinion about whether *zakat* can be used for community development and general public welfare purposes, several countries, including Indonesia, have done this in recent years with notable success. For instance, international *zakat* collectors, especially online platforms based in the U.K., seem to have adopted a broader and more progressive usage of *zakat* funds by including community development in addition to charity. In Indonesia, private *zakat* collectors (LAZ institutions) like Dompot Dhuafa (Wallet for the Poor), Rumah *Zakat* (*Zakat* House), and PKPU (Pos Keadilan Peduli Umat, or People Caring Justice), have pioneered the use of *zakat* for public welfare. These organisations are structured as NPOs and function like operating foundations, where they collect *zakat* and employ it to support public welfare programmes either operated by themselves or by third-party organisations. They have supported a range of programmes including education, free and integrated health services, economic development, and disaster risk management. In fact, the effectiveness of these NPOs in directing *zakat* to public welfare programmes has brought them considerable public recognition and has made them among the largest *zakat* collectors in Indonesia (see Table 1 below).³⁴

Table 1: Six Largest *Zakat* Institutions in Indonesia in 2008³⁵

NAME OF INSTITUTION	TOTAL ZAKAT, SADAQA AND WAQAF COLLECTIONS (Rupiah in billions)	ZAKAT COLLECTION AS A PERCENTAGE OF THE TOTAL COLLECTION
Dompot Dhuafa	75	70
Rumah <i>Zakat</i>	71	50
Pos Keadilan Peduli Umat	35	70
Yayasan Dana Sosial	35	30
Dompot Peduli Ummat	20	-
BAZ (State)	16	-

Community philanthropy

Other forms of organised community philanthropy, besides Islamic Philanthropy, are limited in Indonesia. A new effort to advance social justice philanthropy in Indonesia by mobilizing local resources has been launched recently by the State Islamic University (UIN), Jakarta. The Social Trust Fund, launched in 2012, hopes to develop a local model for social justice philanthropy in Indonesia focused on addressing the root causes of poverty and social inequalities. The Social Trust Fund's goals include 1) mobilizing and managing social funds transparently and accountably, 2) providing more opportunities for the poor and disadvantaged populations, 3) linking with philanthropic, non-profit and stakeholder networks to facilitate peer-learning and dissemination of best practices.³⁶

Media philanthropy

Another area of growth in Indonesia's philanthropic sector is media philanthropy, an example of which would be fundraising drives organised by and advertised in daily newspapers. Positive public perception and trust in the media has made mass media entities in Indonesia highly effective fundraising vehicles and has led to media philanthropy becoming a central aspect of the philanthropic landscape in the country. What started as fundraising drives by the media in the immediate aftermath of natural disasters and other social crisis has grown to become an on-going effort for many mass media companies in Indonesia. Several key informants see this as an outcome stemming from the Asian tsunami of 2004, in the aftermath of which, media outlets played a key role in mobilising local resources for reconstruction and rehabilitation efforts. In fact, one survey found that almost 150 media outlets had participated in raising funds to aid the post-tsunami recovery, with two of the largest media companies, Metro TV and Kompas, collectively raising IDR 20 billion (USD 2.34 million) in just three weeks after the tsunami.³⁷ Since then, media companies have expanded their philanthropic engagement from just soliciting donations for social causes to planning and implementing programmes to address a range of social needs. The popularity of mass media as fundraising vehicles and their growing involvement in philanthropy has given rise to new concerns about the capacity of media entities to execute social programmes and about their transparency in utilising funds raised for philanthropy. In response, some philanthropic and civil society organisations, including Perhimpunan Filantropi Indonesia (PFI), PIRAC, the Tifa Foundation, and Dewan Pers, have developed a 'Mass Media Philanthropy Code of Ethics' to promote better

self-regulation among media companies, aimed at improving the governance and effectiveness of media philanthropy.³⁸

SOCIAL SECTOR INFRASTRUCTURE

OVERALL, the social sector infrastructure in Indonesia is very limited and consists mainly of organisations that provide capacity-building services related to specific issue areas. Networks and field-building organisations that cut across thematic areas are mostly lacking. Further, the majority of existing support services are directed towards

Another area of growth in Indonesia's philanthropic sector is media philanthropy, an example of which would be fundraising drives organised by and advertised in daily newspapers. Positive public perception and trust in the media has made mass media entities in Indonesia highly effective fundraising vehicles.

grant-receiving NPOs, leaving a void in philanthropic support services. In fact, Perhimpunan Filantropi Indonesia (PFI), the only association of foundations in the country, is also the only organisation providing services tailored for philanthropic organisations. Similarly, the newly formed Konsil LSM Indonesia (Indonesian NGO Council) is the only heterogeneous association of NPOs that is not limited to organisations working on a single issue—it is focused instead on improving the capacity and accountability of NPOs in Indonesia in general.

Financial sustainability is the foremost challenge facing the non-profit and philanthropic sectors in Indonesia. In the absence of substantial domestic philanthropic resources, NPOs and some local foundations will continue to depend on international donors and be beholden to shifting donor priorities. Yet, significant individual and corporate wealth that

has been generated in recent years in Indonesia that could be directed towards philanthropy. What is missing are advisory services and field-building organisations that can harness this wealth for domestic philanthropy by raising awareness about philanthropy and advocating for policies and incentives that could spur charitable giving.

The table below provides information on organisations providing capacity-building and support services to NPOs.

Table 2: Service Providers³⁹

ORGANISATION NAME	SERVICES PROVIDED
PFI	<ul style="list-style-type: none"> • Capacity-building services, networking and knowledge sharing opportunities for members • Advocacy related to philanthropy • Facilitation services to strengthen and advance philanthropy in Indonesia
Kemitraan (Partnership for Governance Reform in Indonesia)	<ul style="list-style-type: none"> • Strengthening the capacity of civil society organisations working to improve human rights, public services and governance in Indonesia
YAPPIKA (Civil Society Alliance for Democracy)	<ul style="list-style-type: none"> • Capacity building for democratic local governance • Strengthening CSO governance and accountability • Strengthening integrity and accountability programmes in public service delivery
Perhimpunan untuk Peningkatan Keberdayaan Masyarakat (Association for Community Empowerment)	<ul style="list-style-type: none"> • Capacity building for NPOs/CSOs • Policy dialogue and advocacy
Konsil LSM Indonesia	<ul style="list-style-type: none"> • Capacity building • Improving accountability and transparency of NPOs • Improving public perception of NPO sector
KEHATI (Indonesia Biodiversity Foundation)	<ul style="list-style-type: none"> • Trainings (workshops, seminars, etc.), technical assistance, networking/convening, and advocacy activities for NGOs working on biodiversity conservation
Yayasan Indonesia Business Links	<ul style="list-style-type: none"> • Promoting environmental and social justice through CSR • Building capacity of businesses for CSR through education

REGULATORY ENVIRONMENT

SINCE the onset of democracy in 1999, constitutional amendments aimed at safeguarding basic civil liberties and human rights have had the overall effect of improving Indonesia's legal framework for civil society organisations. The country's legal system, which is a convergence of laws inherited from the period of Dutch colonisation and Indonesia's modern law and was considered by many to be inadequate in addressing the needs of Indonesia's diverse and vibrant civil society is likely to become more restrictive with the recent implementation of the Law on Societal Organizations.

NPOs in Indonesia can choose between two legal incorporation structures: an association (*Perkumpulan*), or a foundation (*Yayasan*). An association is defined by law as a membership organisation, whereas a foundation is an organisation with a collection of assets, is not membership-based, and is formed with the intention to achieve certain objectives. NPOs that are not membership-based include grant-making and grant-receiving NPOs, and are therefore registered as foundations (*Yayasan*).

OVERVIEW OF LAWS GOVERNING NPOS

For many years, the legal requirements to establish a foundation were minimal, requiring only a notarised document listing the founders, structure, composition of the board, location, and assets. There were no clearly stated limitations on the activities that could be carried out by a foundation and many used the lax regulations for profit-making activities. In response, the Indonesian government drafted stricter guidelines in the Law on Foundations, ratified in 2001. The law was amended and implemented in 2004.⁴⁰

The amended law restricts an NPO's (*Yayasan*) activities to non-profit or social causes. Any business or commercial undertaking by a foundation to support its objectives can be done by establishing a business entity or engaging in a business through shareholder ownership of up to 25 percent of its asset value. The law also requires a foundation to have a Board of Advisors/Trustees, which has the highest authority; a Board of Executives/Directors (BOE), which manage the operation of the foundation; and a Board of Supervisors that monitor and advise the BOE.

The Law on Foundations imposes stricter reporting requirements on organisations that seek to receive or provide

donations from foreign entities (this includes foreign philanthropic organisations and international charities) as elaborated later in this chapter.

The recently implemented Law on Societal Organizations, adds to the regulatory and reporting requirements for NPOs as mandated by the Law on Foundations, and makes it mandatory for most NPOs to seek approval from the Ministry of Home Affairs to operate.

INCORPORATION AND REGISTRATION

Incorporation and registration for local NPOs

Any citizen (not including a minor) or legal entity can establish a foundation or association. There is no specific rule for associations but as a general rule in the Indonesian Civil Code, there must be a minimum of two people to start an association. Foundations (i.e., *Yayasan*, which include philanthropic and non-grantmaking NPOs) started by Indonesian citizens must have assets of IDR 10 million (USD 970) at the time of establishment.⁴¹

To obtain legal status, NPOs must register with the Ministry of Law and Human Rights. Legal status confers benefits enjoyed by other legal business entities, including the ability to establish a bank account in the organisation's name and to appear before the court as a legal entity.⁴² As stated earlier, the law is not strictly enforced and the majority of NPOs, mainly those operating in the provinces, have not adapted to the new law and are not yet registered with the Ministry of Law and Human Rights. Since NPOs can still operate just on the basis of a Certificate of Registration (*Surat Keterangan Terdaftar*, or SKT) from the local branch of the Ministry of Home Affairs, many NPOs opt for this easier option.

According to the Law on Foundations, the Ministry of Law and Human Rights must respond within thirty days after the request for a foundation registration is received. In case a confirmation from a relevant ministry/institution is needed, the Ministry must respond within fourteen days after confirmation is received or thirty days after the request for a confirmation is submitted.⁴³

Incorporation and registration for foreign NPOs and philanthropic organisations

Indonesia permits foreign citizens together with Indonesians or otherwise, to establish philanthropic organisations but they must adhere to an additional set of stringent requirements.

Most notably, foreign philanthropic organisations (those set up by foreign nationals or entities in Indonesia or abroad) can operate in Indonesian territory only in partnership with an Indonesian philanthropic organisation with similar objectives and goals and only in social, religious, and humanitarian areas. The law requires such partnerships to be ‘safe from the political, legal, technical and security perspectives’ without defining further what is meant by these terms.

To register, foreign philanthropic organisations must submit proof of minimum assets of IDR 100 million (approximately USD 9,000); submit a statement of assurance that the work of the foundation will not be detrimental to Indonesian society; have a minimum of one Indonesian member on the executive board, who must serve as the foundation’s Chair, Secretary, or Treasurer, and; have only residents of Indonesia on the executive board.⁴⁴

Similarly, International NPOs must also adhere to additional criteria in order to operate in Indonesia. Specifically, they must originate from countries that have diplomatic relationships with Indonesia, and they are prohibited from engaging in political, missionary, commercial, and fundraising activities in Indonesia.⁴⁵ As of 2013, as per the Law on Societal Organizations, Foreign nationals who wish to start an NGO in Indonesia must have at least five consecutive years of legal residency in Indonesia, and must deposit IDR10 billion (US\$1 million) of their personal wealth in the organization.⁴⁶

An important requirement for foreign philanthropic organisations and NPOs is the need to cooperate with the Ministry of Home Affairs. Regulation No. 15 of 2009 requires a foreign philanthropic organisation or charity wanting to operate in Indonesia to: (1) secure approval from the Indonesian government; (2) get an appointment letter from the Ministry of Foreign Affairs to cooperate with the Ministry of Home Affairs; (3) set up a representative office in Indonesia; (4) secure a legitimate source of funding; (5) be listed as an NGO in its home country; (6) secure an approval from its headquarters in the appointment of its representative officer in Indonesia; and (7) secure a recommendation letter from the embassy of its home country.⁴⁷

TAX POLICIES FOR NPOS

Since 2008, following an advocacy campaign led by a coalition of NPOs and civil society leaders, Indonesia has offered tax exemptions for NPOs working in certain areas. However,

Income tax exemptions and tax deductions for donors are limited in scope and are considered by many to be insufficient to spur domestic giving and large-scale institutional philanthropy in Indonesia.

these income tax exemptions and tax deductions for donors are limited in scope and are considered by many as being insufficient to spur domestic giving and large-scale institutional philanthropy in Indonesia. NPOs are generally subject to income tax (25 percent). Religious donations (zakat, awfaq, etc.) and some grants (those directed to national disaster management, research and development, educational facilities, sports coaching and the development of facilities, and infrastructure in the public interest) are not taxed so long as there is no business or ownership relationship between the parties. Besides this, only the following types of income are tax exempt: income used by NPOs to provide scholarship funds and the income of NPOs working in the area of education or research and development that is re-invested in the work.

Individual and corporate donors can claim tax deductions only for charitable contributions to natural disasters, research and development activities, development of social infrastructure, education facilities, and sports. Deductions are limited to 5 percent of net income of the previous fiscal year.

To obtain tax exemptions, an NPO must be registered with the sectoral Ministry in charge of their activities and have a Taxpayer Identification Number (TIN). To obtain the TIN, non-profit organisations must be legally incorporated.

ACCOUNTABILITY AND REPORTING REQUIREMENTS

Annual reports & public disclosure of information

The Law on Foundations requires NPOs (i.e., those registered as Yayasan, or foundations) to publish the abridged version of their annual report on an announcement board in its office. The report must be prepared based on the Indonesian Standards of Accountancy and should be prepared no later than five months from the closure of the accounting year of

a foundation. The report should contain objective, activities and accomplishments of the foundation for the year, and a financial report.

Furthermore, foundations that have received donations from the state, overseas parties, or third parties totalling IDR 500 million (approximately USD 55,000) or more, or that

possess assets other than endowed assets of over IDR 20 billion (approximately USD 2.2 million), must be audited by a public accountant and have their annual report summaries published in an Indonesian-language daily newspaper.⁴⁸ Table 3 provides a summary of the legal framework governing, NPOs and registration and reporting requirements.

Table 3: Summary of Incorporation, Reporting, and Tax Regulations for NPOs

ORGANISATION TYPE	YAYASAN (Foundation)	PERKUMPULAN (Association)
Reporting/Regulatory body	Ministry of Law & Human Rights	Ministry of Law & Human Rights
Formal incorporation	Yes (although not strictly enforced)	Yes
Formal accounting standards	Yes	None
Public reporting	Yes	None
Income tax requirement	Yes (25%)	Yes (25%)
Entitled to tax-free donations	Religious donations, grants, income used for scholarship funds, income invested in education, research & development	Religious donations, grants, income used for scholarship funds, income invested in education, research & development
Governed by	Law on Foundations	Staatsblad 1870–64; Indonesian Civil Code

POLICY INNOVATIONS AND INHIBITORS

FOLLOWING years of strict regulations under an autocratic regime, Indonesia’s non-profit sector grew and thrived in a relatively open environment in the years after the onset of democracy. Constitutional amendments intended to safeguard civil liberties and human rights, along with specific pieces of legislation under successive democratic governments, made some improvements in the legal framework for civil society.⁴⁹ Adding to this, Indonesia’s ambitious decentralisation plan, which devolved authority and the responsibility for a range of public services to local governments, created new opportunities for NPOs and other civil society organisations to participate in local planning and budgetary processes. However, the recently implemented Law on Societal Organizations could potentially restrict the supportive operating environment that civil society has

enjoyed since the fall of the New Order Regime as it places new bureaucratic controls on CSOs and exposes them to increased government scrutiny.

As with several other countries in South East Asia, regulatory and legal frameworks in Indonesia treat philanthropic organisations the same as any other yayasan in the country and as such there are few legislative and policy measures that have been enacted specifically for the philanthropic sector.

POLICY INNOVATIONS

The most significant piece of legislation impacting philanthropy and the larger non-profit sector—Law No. 36 enacted in 2008—provides income tax exemption on a) religious donations, b) the income of NPOs working on education and research and development, so long as the profit is re-invested in the said programmes or in supporting public

infrastructure and c) income that an NPO uses to provide scholarship funds. Similarly, individual and corporate charitable donations for national disaster management, research and development, educational facilities, sports coaching and development of facilities, and infrastructure in the public interest qualify for tax deductions from income tax. However, tax deductions allowed by Law No 36 are limited in scope and size. It does not include the most common areas of focus of NPOs in the country such as, providing social services, healthcare, environmental conservation etc. Further, deductions are capped at 5 percent of net income. Non-profit professionals interviewed for this study are of the opinion that to grow domestic philanthropy substantially and harness the considerable private wealth that has been generated in recent years, Indonesia must raise the cap on individual tax deductions and expand tax exemptions to include a wider range of social programmes and services.

Another notable piece of legislation that could potentially benefit the non-profit sector by creating a sustainable source of domestic philanthropic support is Law No. 40 from 2007. As mentioned earlier in this chapter, the law seeks to encourage responsible business practices, particularly among mining companies and those utilising Indonesia's natural resources, by mandating that they spend at least 2 percent of their profits on CSR programmes. Many key informants seem to believe that clear guidelines from the government linking the mandatory CSR spending to Indonesia's future education, health, and human resources needs or mechanisms to ensure that it addresses persistent social challenges, would serve to increase the law's potential social impact and would also create a sustainable revenue stream for NPOs working in these areas.

POLICY INHIBITORS

The recently enacted Law on Societal Organizations, is seen by non-profit professionals and civil society advocates as a significant policy inhibitor as it threatens the operational independence of NPOs and places burdensome bureaucratic requirements on them. Civil society advocates argue that by requiring incorporated and unincorporated NPOs to seek permission to operate from the Ministry of Home Affairs, the law politicises the existence of NPOs, even those that do not warrant a high level of scrutiny, such as recreational groups, social clubs etc. The law further impacts the independence of NPOs as it holds them accountable to vague requirements that have not been defined, such as an obligation to support "national unity and integrity" and respect for monotheism

regardless of their religious or secular orientation, and exposes them to government action if they are seen as not meeting these requirements. Finally, it places strict restrictions on the registration and operation of foreign NPOs by raising residency and capital requirements. As per the law, to start an NPO, a foreign national must have resided in Indonesia for five years and must deposit IDR 10 billion (USD 1million). It restricts foreign NPOs from engaging in activities that may disrupt stability and diplomatic relations, without clarifying what constitutes such activities. The law has been strongly opposed by Indonesian and international civil society advocates who see it as indicative of a less tolerant official approach to civil society in Indonesia.

CONCLUSION

IN conclusion, Indonesia's transition to democracy has benefitted the non-profit sector immensely and vice versa. Philanthropic and civil society organisations in Indonesia have been crucial partners in safeguarding civil rights, strengthening governance, alleviating poverty, and improving access to health and education. Their engagement and contribution remains critical to the government's efforts to tackle persistent social and developmental challenges facing the country. However, for Indonesia's non-profit sector to remain strong and contribute meaningfully to the country's social and economic development, it is imperative to grow domestic philanthropy to protect the status of NPOs. Some measures that are essential to growing strategic philanthropy in Indonesia and strengthening the non-profit sector include:

- expanded tax exemptions for NPOs working on some of the more pressing social challenges that currently do not qualify for exemptions. They include poverty alleviation, gender equality, health and social services and environmental management
- public education programs designed to raise awareness about the importance of philanthropy in Indonesia and to transform individual and corporate giving by channeling it more closely to needs on the ground
- tax policies to tap into the considerable corporate and private wealth that has been generated in recent years
- philanthropic support services to facilitate strategic philanthropy, including donor advisory and knowledge-sharing platforms

While some of this requires a policy response, existing philanthropic organisations and donors also have a crucial role to play in mobilising local resources and strengthening the philanthropic ecosystem.

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Country Profile

PHILIPPINES

INTRODUCTION

INSTITUTIONAL philanthropy in the Philippines has a robust history. Some suggest it started during the Spanish occupation when the Catholic Church directed alms to charitable purposes, while others trace its roots to the welfare organisations in the 1950s that supported post-war relief and reconstruction work.¹ Whether as a consequence

Institutional philanthropy in the Philippines also seems to have benefitted from networks that are a hallmark of the country's non-profit sector and from a political environment that is open to collaboration.

of a long history or an enabling environment fostered by progressive legislation and strong field-building organisations, the Philippines today has a breadth and diversity of philanthropic institutions not seen in the other countries included in this study.

Institutional philanthropy in the Philippines also seems to have benefitted from networks that are a hallmark of the country's non-profit sector and from a political environment that is open to collaboration. For while the Philippines, like several other countries in South East Asia, has seen overseas development assistance and foreign donations decline steadily over the past decade, innovative funding mechanisms borne out of efforts of the country's civil society leadership have provided non-profit organisations (NPOs) in the Philippines with access to more sustainable sources of local philanthropy than elsewhere in the region. Although strategic philanthropy,² the focus of this paper, is still a small segment of the philanthropic sector in the Philippines, it appears to be more widely practiced by local foundations, as well as some corporate philanthropies, than in many other parts of Asia.

A review of recent literature, supplemented by key informant interviews and conversations with practitioners in the field, reveals some key features of the institutional philanthropic sector in the Philippines:

- Organised philanthropy in the Philippines is characterized by a mix of private and publicly supported organisations.
- The largest funders in the country are three publicly endowed foundations: the Foundation for the Philippine Environment, the Foundation for a Sustainable Society, and the Peace and Equity Foundation — the latter formed via debt swaps and by tapping private capital markets.
- Corporate donations are an increasingly important source of income for NPOs in the Philippines. In fact, for NPOs working in health care and community development, corporate donations are a sizeable source of income, after fees for services and grants.³
- Government support for the non-profit sector is primarily in the form of fees for services and contracts.
- Though a recent phenomenon, there is a growing movement in community philanthropy in underdeveloped areas of the country, with several hybrid versions of community foundations having been established in the past decade.
- International philanthropic resources have been declining steadily, making it more urgent for the Philippines to mobilise and expand domestic philanthropy.

The Philippines has witnessed tremendous wealth creation in recent years as its economy grew steadily over the past decade. In fact, in recent quarters it has outpaced the rate of growth of economies in India and China.

While these features illustrate a fairly mature philanthropic sector in the Philippines as compared to other countries in South East Asia, non-profit professionals interviewed for this study indicate that domestic institutional philanthropy has not been sufficient to fill the void created by declining foreign donor support. As a result, most key informants indicate that sustainability remains the biggest challenge facing NPOs in the country. In many cases, the lack of funds has impacted the ability of NPOs to sustain their work and attract and retain personnel. Yet the Philippines has witnessed tremendous wealth creation in recent years as its economy grew steadily over the past decade (with an average growth rate of 4.5 percent in the past five years). In fact, in recent quarters it has outpaced the rate of growth of economies in India and China, and is expected to be among the fastest growing economies in South East Asia for the next few years. Consequently, the population of High Net Worth Individuals (HNWIs) in the Philippines is expected to grow as well, with one report estimating the Philippines will have 38,000 HNWIs by 2015.⁴ There is a clear opportunity to harness the new wealth being generated in the country for philanthropy and to sustain the work of the non-profit sector.

While civil society in the Philippines has so far proved to be an excellent alternate provider of services to the poor and an effective advocate for social policy reform, civil society's effectiveness and ability to engage constructively in national development is being threatened by limited sustainable sources of funds. Mobilising additional local resources is essential to sustain the efforts of the non-profit sector in tackling pressing social problems and to ensure that philanthropy in the Philippines keeps pace with existing and emerging social needs.

OVERVIEW OF THE NON-PROFIT SECTOR

CIVIL society in the Philippines encompasses a variety of non-government and non-profit groups, including professional organisations, arts and culture groups, sports organisations, academe, media, religious organisations, people's organisations (POs), non-governmental organisations (NGOs), and cooperatives and is widely regarded as being among the most vibrant and advanced in the world.⁵ This study focuses on NGOs, POs⁶ (community-based organisations), cooperatives,⁷ and philanthropic institutions—jointly referred to as NPOs in this study—because of their primary focus on development and social welfare.

Two crucial features set the non-profit sector in the Philippines apart from others in Asia: the presence of numerous NPO networks and coalitions created to foster multi-sectoral collaborations, provide support services, and advance the sector; and advocacy as a central component of the work of NPOs.

In contrast to some countries in South East Asia, where government–civil society relations often tend to be strained, the non-profit sector in the Philippines enjoys constitutional recognition as an integral partner in national development. This in turn has set the tone for the largely supportive regulatory and political environment for NPOs in the country, and has also helped to foster positive public perception of the sector. Two crucial features set the non-profit sector in the Philippines apart from others in Asia: the presence of numerous NPO networks and coalitions created to foster multi-sectoral collaborations, provide support services, and advance the sector; and advocacy as a central component of the work of NPOs.

The tipping point for the non-profit sector, however, was the People Power Revolution in 1986 ... with the 1987 Constitution of the Philippines explicitly acknowledging civil society's role in development and affirming its right to participate in decision making.

Charity is deeply rooted in the religious and cultural traditions of the Philippines, but it wasn't till the 1960s that an organized non-profit sector began to take shape. Around this time, various sectors came together to address widespread urban poverty and underdevelopment of the countryside.⁸ Several major civil society and non-profit network organisations that were established around this time have remained instrumental in building the field since then and have become hallmarks of the Philippines' non-profit sector. Among the earliest networks was the Philippine Business for Social Progress (PBSP), established in 1970 with an initial membership of fifty corporations. It has grown to include more than 230 members and has disbursed approximately PHP 7 billion (USD 166 million) in grants and loans to date.⁹ Another network, the Association of Foundations (AF), was founded in 1972 as the country's first heterogeneous network of NGOs and foundations. It now has well over a hundred members and is among the primary capacity-building resources for the non-profit sector in the country.¹⁰

The tipping point for the non-profit sector, however, was the People Power Revolution in 1986, which ended twenty years of authoritarian rule under Ferdinand Marcos. The leadership provided by several grassroots groups in the movement for democracy led to constitutional recognition of civil society's contribution and value, with the 1987 Constitution of the Philippines explicitly acknowledging civil society's role in development and affirming its right to participate in decision making (Article II, section 23; Article XIII, section 15).¹¹ The progressive legal and political environment, combined with a massive influx of foreign grants in the aftermath of the revolution, led to the rapid growth of the non-profit sector.

SIZE OF THE SECTOR

It is difficult to provide an accurate assessment of the size of the non-profit sector in the Philippines since registration is not mandatory and there is no single source for up-to-date, comprehensive data. While a study of the country's civil society sector conducted in 2011 found 107,163 non-stock, non-profit corporations¹² registered with the Securities and Exchange Commission (SEC) in 2009, key informants indicate that this number is likely to be an underestimation of the true size of the sector as there are a sizeable number of unregistered NPOs in the Philippines.¹³ Several surveys of the non-profit sector in the Philippines have been conducted over the past two decades but their estimates of the size of the sector vary considerably because of differences in definitions and analytical frames. Table 1, taken from a study conducted

by the Civil Society Resource Institute in 2011, summarises the findings from various surveys of the non-profit sector in the Philippines to date.

Despite the considerable differences in their assessments of the size of the sector, it is evident from the various studies listed below that the non-profit sector in the Philippines is considerable in size and has grown rapidly over the past twenty years. However, according to multiple sources, this growth appears to have tapered in recent years, mainly due to the steady decline in foreign grants since the mid-1990s.¹⁴ Relevant literature and key informants both indicate that this has caused some NPOs to cease operations, while others have become more reliant on volunteers to reduce overhead costs.¹⁵

Table 1: Estimated size of the non-profit sector in the Philippines¹⁶

AUTHOR	TYPE OF ORGANISATION INCLUDED IN THE STUDY	ESTIMATED SIZE
Brillantes (1992) ¹⁷	Non-government organisations	15,000 to 30,000
Aldaba (1993) ¹⁸	Non-government organisations	20,000
Cariño (2002) ¹⁹	Non-government organisations	48,713 to 67,674
Cariño (2002)	Civil Society organisations	249,000 to 497,000
Clarke (2008) ²⁰	Non-stock, non-profit organisations	81,436
Securities and Exchange Commission (2009)	Non-stock, non-profit organisations	107,163

THEMATIC AREAS OF FOCUS

Today NPOs in the Philippines are involved in a range of activities, the most common being service delivery. Typical services provided by NPOs are education, training and human resource development, and community development. Other areas of work include sustainable development and environmental protection, health and nutrition, livelihood development, social services, microfinance, and cooperative development. Widespread poverty and inequity has led many NPOs to advocate for asset reform and redistribution programmes, including such programmes as agrarian reform for landless farmers and tenants, ancestral domain for indigenous people,

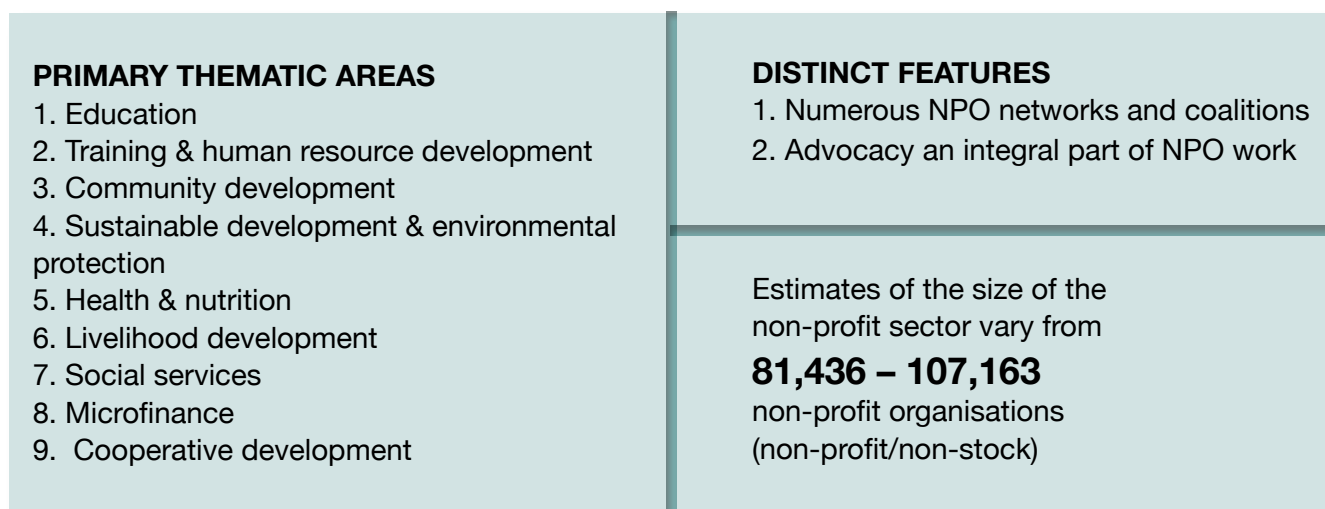
Widespread poverty and inequity has led many NPOs to advocate for asset reform and redistribution programmes, including agrarian reform for landless farmers and tenants.

delineation of municipal waters for small fishers, and socialized housing for the urban poor and informal settlers.²¹

The non-profit sector in the Philippines leads its counterparts in South East Asia in terms of engaging in social policy advocacy. A high level of organisation and cooperation among NPOs fostered by the numerous networks and coalitions spanning the sector, along with positive public perception of the sector, and the presence of strong allies in government are critical elements that have contributed to the non-profit sector's successes in social policy reform.²² NPOs in the Philippines have been at the forefront of advocacy against social inequities and have been the main stakeholders in some crucial policy reforms. These include the Law on Violence Against Women and Children, the Urban Development and Housing Act, the Juvenile Justice Law, an extension of the Comprehensive Agrarian Reform, the Magna Carta on Women, and the Magna Carta for Disabled Persons.

The non-profit sector in the Philippines leads its counterparts in South East Asia in terms of engaging in social policy advocacy ... NPOs in the Philippines have been at the forefront of advocacy against social inequities and have been the main stakeholders in some crucial policy reforms.

Figure 1: The non-profit sector at a glance



OVERVIEW OF INSTITUTIONAL PHILANTHROPY

WHILE there is considerable literature on NPOs in the Philippines, studies on philanthropy, and philanthropic organisations specifically, are scarce. The most comprehensive data on institutional philanthropy in the Philippines is from case studies and a survey conducted by the Synergos Institute and the Association of Foundations in 2000.²³ At the time, survey findings revealed that organized philanthropy was growing steadily. There were fifty-six indigenous foundations in 2000, which had collectively

The Philippines today has a fairly structured philanthropic sector that is in many aspects more advanced than elsewhere in South East Asia.

facilitated approximately USD 10 million in grants. A majority were operating foundations that gave grants to NPOs while also implementing their own programmes. Only twenty were purely grantmaking organisations.

The Philippines today has a fairly structured philanthropic sector that is in many aspects more advanced than elsewhere in South East Asia. The sector consists of a mix of private and publicly supported organisations. Strategic philanthropy has been embraced by the largest funders in the country and some of the more active family and corporate funders, who direct their giving based on an objective assessment of needs and tie it to specific, targeted outcomes. Yet it is apparent from a review of the literature and interviews with professionals on the ground that, with foreign donations declining steadily, local philanthropic resources are unable to address the financial needs of the vast non-profit sector. As a result, many NPOs continue to rely on a smattering of foreign grants, which appear to have become increasingly erratic. While several key informants believe that there is some value in encouraging NPOs to consolidate their efforts, mobilising additional local resources is still critical to sustain the non-profit sector and maintain the effectiveness of philanthropy in the Philippines.

KEY FUNDERS

The presence of strong field-building groups and the high level of organisation and cooperation that characterize the country's non-profit sector have also fostered the philanthropic sector in the Philippines. When the Philippines faced declining donations from overseas development agencies (ODAs) and foreign foundations in the mid-1990s as its economy strengthened relative to other countries, leaders in the non-profit sector began exploring alternative sources of income. Their efforts led to the creation of three locally endowed foundations that are now the largest national funders in the country:

The *Foundation for the Philippine Environment (FPE)* was established via a debt-for-nature swap after a group of NGOs, POs, and academics lobbied the U.S. government to relieve the country of some of its debt burden by endowing a locally managed foundation. Start-up financing came from the United States Agency for International Development, or USAID, which created an endowment fund with PHP 953.3 million (USD 21.8 million). The foundation supports biodiversity conservation and the sustainable development of communities.²⁴

The *Foundation for a Sustainable Society Inc (FSSI)* was created in 1995 when the government of Switzerland cancelled the debt owed to it by the Philippines and endowed a fund equivalent to 50 percent of the debt's face value (approximately USD 17 million). FSSI was tasked with disbursing the interest earned on the endowment. Its mission is to serve as a resource for the economic empowerment of enterprising rural and urban communities in the Philippines. FSSI funds sustainable enterprises that are community oriented and ecologically sound.²⁵ In the past two years, FSSI has been leading an advocacy campaign to have the country's parliament legislate a social enterprise bill. The bill, which was introduced in parliament in 2012, seeks to promote and protect social enterprises that primarily serve the economic interests of the poor through a range of support programmes, including access to non-collateralized loans, research and development assistance, and capacity- and market-development support, among others.

The *Peace and Equity Foundation (PEF)* was formed when the Caucus of Development NGO Networks (CODE-NGO), along with some investors, came up with the idea of tapping the capital markets to raise funds to support the work of NPOs. They did this by issuing zero-coupon bonds, locally referred to as 'PEACe Bonds' (an acronym for Poverty Eradication and Alleviation Certificates). PEF was endowed with a fund of PHP 1.318 billion (USD 32 million), and 10 percent of the money raised went to CODE-NGO to invest in building the capacity of its member NPOs, particularly around governance and accountability. Using the interest earned from its endowment, PEF supports a wide range of community development and empowerment programmes.²⁶

The *Philippine Business for Social Progress (PBSP)* group is another major local foundation in the Philippines. Founded in 1970 by fifty prominent business leaders to promote the business sector's engagement in social development, the foundation has since grown to include 230 companies. Members contribute 1 percent of pre-tax net income to PBSP for social development programmes. Since it was founded, it has partnered with over two thousand organisations and disbursed approximately PHP 7.3 billion (USD 166 million). Its programmes are a combination of grantmaking, credit, and direct operations, and span a range of issues including development and livelihood assistance, management training for civil society and government personnel, and promotion of corporate citizenship.²⁷

The rise of corporate foundations in the Philippines is not without its critics.

Corporate Giving

Corporate donations through individual corporate foundations, corporate social responsibility (CSR) programmes, or contributions to organisations like PBSP have become an increasingly important source of income for non-profit organisations in the Philippines. The League of Corporate Foundations (LCF), a network of corporate foundations and corporations involved in social development, has seen its membership grow from sixty in 2005 to seventy seven in 2012. The current government's focus on forging public-private partnerships to tackle social challenges presents new opportunities for the private sector to engage in philanthropy in the Philippines and could lead to additional resources being mobilized for local philanthropic efforts. Education, environment, health, and enterprise development are the primary causes that corporations tend to support. Of these, education specifically has benefitted from some successful partnerships between the government, civil society, and the private sector.

The rise of corporate foundations in the Philippines is not without its critics. As in the case of Indonesia, key informants in the Philippines point out that most corporate foundations do not give grants to third-party NPOs, preferring to employ philanthropic funds for self-implemented programmes. Moreover, in many cases corporate foundations fundraise from the same sources as grant-seeking NPOs and in that sense have created additional competition for already scarce resources. Further, many of these corporate-directed programmes are perceived as perpetrating top-down solutions that do not build local capacity and therefore do not provide long-term solutions. Corporate donors on the other hand, counter that many NPOs lack internal governance controls that would give donors confidence. These tensions can create a cycle of distrust and underfunding that limits the efficacy of the sector. Several key informants cite the example of GT Metro Foundation, the family foundation of Metrobank founder George Ty, as a corporate foundation that is engaged in strategic philanthropy with long-term goals. GT Metro Foundation's goal is to promote equitable access to quality health care for disadvantaged populations. To achieve this, the foundation invests in upgrading health care services and advancing medical knowledge, and is the leading advocate for increased investments in healthcare programmes in the Philippines.

ADOPT-A-SCHOOL PROGRAM

The Philippines Department of Education's Adopt-A-School Program is one example of a public-private partnership for social development. Started in 2003, the programme aims to upgrade and modernize public elementary and high schools through multiple partnerships with the business sector, NGOs, foundations, individuals, and other private entities in the Philippines and abroad, to generate funding outside traditional funding streams and the national budget. Through the programme, organisations can adopt a public school of their choice anywhere in the country and provide necessary resources for infrastructure, facilities support, teaching and skill development, monitoring and evaluation, learning support, equipment, and food and nutrition. In return for their support, adopting entities can avail of tax incentives of up to 150 percent. By 2006, some 22,000 schools had benefitted from more than PHP 50 million (USD 1.1 million) provided by 300 donors under the AAS Program.

Community and family philanthropy

Community foundations and family philanthropies are the remaining players that make up the philanthropic landscape. While there are some large, well-established family foundations in the Philippines, giving by family foundations is still small. As several key informants point out, this could be because the separation between family and corporate philanthropy in the Philippines, like elsewhere in Asia, is often blurred. Wealth among HNWI's in the Philippines is typically held in family conglomerates and many of them prefer to give through their corporations and receive tax benefits rather than as individuals or via family foundations.

Education is the main area of focus of family philanthropies.

Previous research and interviews with philanthropy professionals conducted for this study reveal some overarching trends in family philanthropy in the country:²⁸

- Most family foundations give to domestic causes, with respondents to the UBS-INSEAD survey indicating that 66 percent of their charitable contributions were directed within the country in 2010
- As with the other countries included in this study (Thailand, Indonesia, and Singapore) education is the main area of focus of family philanthropies
- Second- and third-generation family members are carrying on the tradition of high net worth families giving back to the community, indicating a commitment to philanthropy
- Philanthropy by wealthy Chinese business families has grown in recent years but they tend to give privately, reportedly to avoid frequent solicitations for donations and scrutiny from tax authorities.

Community foundations

Community foundations are a recent but growing phenomenon in the Philippines. Although the ones that are currently operating are small in size and scale, they represent innovative models of philanthropy at a local level. Of the three local foundations that operate as community foundations, only the Pondong Batangan Community Foundation Incorporated

Community foundations are a recent but growing phenomenon in the Philippines.

(PBCFI) fits the usual community foundation structure, which involves raising funds from the community to re-invest in the community. Championed by the Archbishop of Lipa, PBCFI was launched in 2000. It has built up a small endowment fund of about USD 200,000 from individual donations from its followers, which it uses to support projects in four major programme areas: social credit/micro finance, educational scholarships, food, and health.²⁹

The other two community foundations, the SIMAG Foundation and the Coalition of Social Development Organizations in South Cotabato (CSDO-SC), are hybrid models. The SIMAG Foundation was formed to serve sugarcane plantation workers and their families. It is governed by members from two associations of plantation workers and is funded primarily from liens paid by planter members. The foundation supports health and sanitation, education (including scholarships), livelihood projects, and infrastructure development in the areas where its members live and work. Lastly, the Coalition of Social Development Organizations in South Cotabato (CSDO-SC), in Mindanao, is a provincial network of NGOs, people's organisations, and cooperatives. Through a small endowment fund, the network provides grants and loans to its members.

Community giving

A successful and notable example of community giving in the Philippines is the TEN Moves! campaign. An acronym for The Entire Nation Moves, the campaign was launched in 2011 and is spearheaded by LCF and PBSP with the Department of Education. The goal of the campaign is to raise enough resources to build ten thousand classrooms in public schools all over the Philippines by enlisting two million people to donate PHP 10 (USD 0.22) per day for ten months or PHP 3,000 (USD 68.50) per person annually. Strategic use of social media along with traditional media outlets has garnered extensive public support for the campaign with approximately PHP 37 million (approximately USD 900,000) cash and in-kind donations being contributed so far.

SOCIAL SECTOR INFRASTRUCTURE

IN sharp contrast to the other three countries included in this study, the non-profit sector in the Philippines is marked by a strong presence of networks and coalitions. The field-building efforts of these networks are widely credited with creating a supportive legal and regulatory environment, advancing social policy reforms, and building a constructive relationship with the government. In fact, the presence of strong networks and facilitating organisations is a unique feature of the non-profit sector in the Philippines and one of its greatest strengths.

Numerous umbrella organisations and networks have

been formed in the long history of Philippine civil society, and membership in networks is widespread across different sectors. Almost two-thirds (63 percent) of the 120 NGOs in the Civil Society Index organisation survey indicated that they were part of a network or coalition that meets regularly.³⁰ Although the Association of Foundations is the only network with a particular focus on philanthropy, many philanthropic organisations are members of various non-profit networks in the Philippines. The various networks that span the non-profit sector provide a range of capacity-building services in addition to fostering cooperation and peer-learning among members. The table below lists the major national networks and a description of their core areas of work.

Table 2: Service Providers³¹

ORGANISATION NAME	SERVICES PROVIDED
Caucus of Development NGO Networks	<ul style="list-style-type: none"> • Strengthening capacity of member organisations • Advocating for a supportive operating environment for the non-profit sector • Facilitating learning and dissemination of best practices • Fostering linkages with international NGO networks
Association of Foundations	<ul style="list-style-type: none"> • Building capacity of member organisations • Serving as a resource and information centre on Philippine NGOs, foundations, and the civil society sector • Fostering community philanthropy to mobilise local resources • Steward of the Philippine Foundation Center (PFC)
Philippine Business for Social Progress	<ul style="list-style-type: none"> • Promoting CSR • Providing technical assistance and advisory services for corporate philanthropy and CSR
League of Corporate Foundations	<ul style="list-style-type: none"> • Promoting the practice of strategic CSR • Providing advisory and research services on social development to private sector companies and member organisations
Philippine Council for NGO Certification	<ul style="list-style-type: none"> • Certifying NPOs for donee institution status • Providing financial management training and free auditing services to small NPOs to build their financial management capacities.

REGULATORY ENVIRONMENT

THE legal and regulatory environment for NPOs in the Philippines is considered to be generally supportive of robust development of the sector. Constitutional recognition of the sector's importance to national development has been backed by several pieces of legislation to ensure that constitutional provisions are operationalized. Of particular importance among these is the Local Government Code of 1991, which authorizes civil society organisations to participate in local government planning and delivery of services and ensures their representation in local legislative bodies.³²

In addition, civil society organisations receive significant tax breaks on income, donations, and gifts. Substantial tax incentives are also given to corporations for charitable donations, but tax incentives for individual donors are more restricted. To receive tax deductions on charitable donations, individual donors must donate to organisations with a 'donee status' (explained in greater detail later in this chapter) and must file itemized tax filings. However, as key informants point out, most middle-class donors do not file itemized tax filings. Therefore, increasing individual tax deductions is unlikely to have much effect on philanthropy in the Philippines, since a large section of the populace does not itemize taxes and consequently does not benefit from tax deductions.

INCORPORATION AND REGISTRATION

NPOs are not required to register by law, but registration is necessary for an organisation to obtain a legal personality in order to open bank accounts, enter into contracts, receive

funding from government or private donor agencies, and raise public funds.

Registration criteria for NPOs

The SEC is the primary registration authority for NPOs and funding organisations, which, under the Corporation Code, fall in the category of Non-Stock Corporations. The SEC rules and policies on registering non-stock, non-profit corporations are straightforward and easily accessible via the SEC website or through published materials available in the SEC headquarters and regional offices.

Filing fees for non-stock, non-profit corporations are fairly inexpensive and cost around PHP 1,400 (USD 25). Name verification costs PHP 40 per name (available for a period of thirty days); articles of incorporation, PHP 500 (USD 11.50); and bylaws, PHP 500. However, NPOs must have an initial contribution of PHP 5,000 (USD 120) to register with the SEC.³³

Registration criteria for philanthropic organisations.

Although regulations and legal structures in the Philippines do not differentiate between grant-making and grant-seeking organisations, since 2008 additional reporting and capital requirements have been put in place for 'foundations' whether they actually make grants or are foundations in name only. As per the new requirements, which were implemented to combat and prevent money laundering, grant-making foundations must have an initial contribution of PHP 1 million

Table 3: Registration Requirements for Cooperatives³²

CATEGORIES OF COOPERATIVES (in terms of membership)	PAID-UP CAPITAL	FILING FEES
Laboratory Cooperatives	Not required	No filing fees
Primary Cooperatives	PHP 2,000 - PHP 500,000	PHP 500.00
	> PHP 500,001	PHP 500.00 + (1/10 * 1% of paid-up share capital)
Secondary Cooperatives	PHP 2,000 - PHP 500,000	PHP 1000.00
	> PHP 500,001	PHP 1000.00 + (1/10 * 1% of paid-up share capital)
Tertiary Cooperatives	Not required	PHP 3000.00

(approximately USD 20,000) and must sign a statement of willingness to let the SEC conduct audits. The new capital and audit requirements are applicable only to foundations established after 2008.

Registration criteria for people's organisations and cooperatives

People's organisations (other than trade unions, workers' organisations, and homeowners' associations) also register legal in the Philippines as non-stock corporations with the SEC.³⁴

The Cooperative Development Authority (CDA) is the only government agency mandated to register all types of cooperatives. Information on organizing and registering a

cooperative is readily available on the CDA official website.³⁵

TAX POLICIES FOR NPOS

All NPOs in the Philippines enjoy exemption from income tax, duty, and foreign donations, and exemption from donor's gift tax (if the organisation has donee status, which is explained in detail below). NPOs are exempted from taxation even if they engage in income-generating activities, so long as they do not issue dividends to their members and their revenues are used solely for non-profit purposes.³⁷

Requests for tax exemption have to be filed with appropriate government agencies through a second registration after primary registration. Table 4 provides further information.

Table 4: Registration Process for Tax Exemption ³⁶

REGISTERING AGENCY	TAX INCENTIVES (and their legal basis)
Bureau of Internal Revenue (BIR)	Income tax exemptions for non-profit corporations certified by the Philippine Council for NGO certification. (<i>National Internal Revenue Code; BIR-National Economic & Development Authority Regulations</i>)
Department of Finance (DOF)	Special exemption privileges from customs duties and tariffs of specific importation, evaluated on a case-to-case basis. (<i>Tariff and Customs Code; NIRC; DOF and NEDA Guidelines</i>)
Department of Social Welfare and Development (DSWD)	Endorsement of duty-free importation of foreign agencies registered as SWDAs. (<i>Tariff and Customs Code</i>)
Department of Labor and Employment (DOLE)**	Income tax exemption for labour organisations. (<i>Labor Code of the Philippines</i>)
Cooperative Development Authority (CDA)**	Tax exemptions for cooperatives: <ul style="list-style-type: none"> • All business transactions with members; • For cooperatives with net savings of not more than PHP 10 million: <ul style="list-style-type: none"> > exemptions from all national, city, provincial, municipal, or barangay taxes of any nature, > exemptions from duties and tariffs on importation of machinery and equipment not locally available; • Taxes on transactions with banks and insurance companies. (<i>Cooperative Code of the Philippines and the Cooperative Development Authority Act</i>)

*Specific government agencies may also have other special requirements for non-profit organisations (e.g., financial reports, articles of incorporation/constitution and by-laws, pertinent organisational information, registration fees, etc.).

**The latter two agencies extend tax incentives to their NPOs upon the latter's primary registration.

NPOs are exempted from taxation even if they engage in income-generating activities, so long as they do not issue dividends to their members and their revenues are used solely for non-profit purposes.

NPOs with a 'donee institution' status enjoy additional benefits, namely, exemption from the donor tax and the advantage of tax-deductible donations for their donors. The Philippine Council for NGO Certification (PCNC)—organized by six national NPO networks, including CODE-NGO, in partnership with the Department of Finance (DOF) and the Bureau of Internal Revenue (BIR)—certifies non-stock, non-profit corporations for donee status after a stringent review of their qualifications. The evaluation covers six core areas: vision, mission, and goals; governance; administration; programme operations; financial management; and networking.³⁸ The certification then becomes the basis for the Bureau of Internal Revenue to grant donee institution status to the organisations. While donors of non-certified NPOs are entitled only to limited deductibility from income taxes (5 percent of taxable income for corporate donors and 10 percent for individual donors), donors of certified NPOs are entitled to full deductibility.

According to key informants, many NPOs do not pursue PCNC certification primarily because the tax incentive obtained through the certification is only valuable to NPOs that receive corporate donations. Individual donors are generally unable to take advantage of the limited tax deductions. So far the PCNC certification has served as a mechanism to facilitate tax deductions and not a measure of an organisation's programmatic and governance effectiveness. Therefore, the lack of donee status has not prevented NPOs from receiving grants, especially from foreign donors. The cost of applying for PCNC accreditation, which ranges from USD 230 to USD

700, could also be a deterrent for smaller NPOs. As a result, only a thousand organisations have been certified since the process was implemented and of these, five hundred certifications are active currently.

Tax incentives for cooperatives have been improved in the Cooperative Code of 2008 to benefit cooperatives and their members. Cooperatives are now exempted from the 20 percent final tax on members' deposits and dividends, documentary stamps, and real estate tax.³⁹

NPOs with a 'donee institution' status enjoy additional benefits, namely, exemption from the donor tax and the advantage of tax-deductible donations for their donors.

ACCOUNTABILITY AND REPORTING REQUIREMENTS

Registered NPOs are required to submit annual reports, including financial statements, to their respective registration agency. However, apart from the Cooperative Development Authority (CDA), enforcement of reporting requirements is lax. While the CDA supervises and monitors cooperatives and publishes reports regularly on registered and non-operating cooperatives, the other agencies reportedly only inspect NPOs under their authority in response to complaints.

The SEC has the authority to revoke the registration of NPOs who do not comply with reporting requirements for five consecutive years. As a result, the number of registered non-profit, non-stock corporations decreased to 77,000 in 2008 from 152,000 in 2002.

Table 5 (next page) provides a summary of the legal framework governing NPOs and registration and reporting requirements.

Table 5: Summary of Incorporation, Reporting, and Tax Regulations for NPOs

ORGANISATION TYPE	NON-STOCK, NON-PROFIT CORPORATIONS (Including people's associations, foundations, and associations)	COOPERATIVES
Reporting/Regulatory body	Securities and Exchange Commission (SEC)	Cooperative Development Authority (CDA)
Formal incorporation	Required to receive tax exemptions	Yes, strictly enforced and required to receive tax exemptions
Formal accounting standards	Registered NPOs must submit annual financial statements to SEC. Philanthropic organisations established after 2008 must submit to SEC audits when asked.	Yes, in accordance with generally accepted accounting standards, shall be published annually and filed to CDA within 60 days of the end of each financial year
Public reporting	Yes	Yes, with strict enforcement
Income tax requirement	Exempted from income tax	<ul style="list-style-type: none"> Cooperatives that transact with only members and not the general public are exempted from any government tax and fees Cooperatives dealing with the general public and has assets of not more than PHP 10 million (USD 300,000) enjoy tax exemption Cooperatives dealing with the general public and has assets of more than PHP 10 million (USD 300,000) are subjected to income tax and sales tax in their dealing with the general public who are not members
Entitled to tax-free donations	<ul style="list-style-type: none"> Full deductibility if NPO has 'donee institution' status 5% deductible of taxable income for corporate donors and 10% for individual donors if NPO is not certified as 'donee institution' 	Donations to charitable, research and educational institutions and reinvestment in socio-economic projects within the area of operation of the cooperative may be tax deductible
Governed by	Corporation Code of the Philippines	Cooperative Code of the Philippines; Cooperative Development Authority Act

POLICY INNOVATIONS AND INHIBITORS

SINCE the People Power Revolution in 1986, the non-profit sector in the Philippines has mostly enjoyed an open and supportive environment. Constitutional safeguards together with legislation to facilitate grassroots participation and representation in local and national policy and planning processes have been reinforced by the field-building work of various networks and coalitions that are the hallmark of the non-profit sector in the Philippines. This has served to create an environment in which the non-profit sector has flourished and where organised, strategic philanthropy has taken root.

However, it is important to note that like many other Asian countries, the legal and regulatory frameworks for NPOs in the Philippines do not differentiate philanthropic organisations from other NPOs. As a result, the Philippines does not have legislation or policy specific to philanthropy. Legislative and policy measures that have been implemented in the country are relevant to civil society as a whole and therefore impact philanthropy in varying degrees.

POLICY INNOVATIONS

The Local Government Code of 1991 has been the most important policy driver for the non-profit sector in the Philippines. In devolving power from the central government to local government units and mandating representation of civil society organisations in local legislative and special bodies (local health boards, local school boards, peace and security councils, and local bids and awards committees), the Local Government Code of 1991 created opportunities for NPOs to participate in local planning and delivery of services. It also formalized mechanisms for local governments to enter fee-for-service arrangements with NPOs to provide social and welfare services, and made available financial and other forms of state assistance to build local capacity.⁴⁰

The role of NPOs as partners in development was further augmented when the Philippines adopted the Philippine Agenda 21 (PA21) as its blueprint for sustainable development in 1996. PA21 envisions a multi-sectoral partnership between government, civil society, and the private sector to achieve five goals: poverty reduction, social equity, empowerment, good governance, and ecological integrity.⁴¹ Non-profit professionals indicate that partnership agreements between the government and NPOs have become more pervasive since the adoption of PA21 and that there is growing government interest in contracting NPOs to provide certain services

An advocacy campaign for a social enterprise bill led by FSSI is another effort with potential ramifications for the social sector.

(mainly health), as well as to monitor services provided by government entities. In fact, CODE-NGO, the largest NPO network in the country, is looking to advocate with the government to institute fee-for-service type arrangements with NPOs that are called upon to monitor government programmes, as a means to build more sustainable revenue streams.

An advocacy campaign for a social enterprise bill being led by FSSI is another effort with potential ramifications for the social sector. The bill, which has been introduced in parliament, seeks to make economically disadvantaged communities partners in development by protecting and promoting social enterprises that engage the economic interests of the poor. The bill seeks to promote the development of social enterprises in which economically disadvantaged communities are involved by providing preferential tax treatment, access to non-collateralised loans, research and development assistance, and capacity and market development support, among other incentives.

Specific to philanthropy, the government has created the Commission on Filipinos Overseas to encourage diaspora giving for socio-economic development. According to official estimates, there are around nine million Filipinos living and working overseas.⁴² This amounts to 10 percent of the total population (ninety-four million) and presents an enormous opportunity to channel remittances to pressing socio-economic challenges. Remittances from Filipinos living and working overseas has been growing steadily and reached a record high of USD 21.391 billion in 2012, accounting for 8.5 percent of the country's total economic output. Remittances are clearly an important part of the social safety net as these cash transfers help people to meet their day-to-day needs, but they also present a larger opportunity for strategic philanthropy. Although there have been some efforts in the past

to harness diaspora giving for philanthropy, it is an area that has remained largely untapped. According to key informants, there are many NPOs that work directly with diaspora associations to raise charitable donations, but these efforts are mostly small-scale. Remittances could be a significant source of revenue for strategic philanthropy if development organisations and hometown associations developed effective strategies with long-term goals.

POLICY INHIBITORS

Non-profit and philanthropy professionals in the Philippines seem to agree that the tax structure in its current form is a significant barrier to mobilising local philanthropy, as it provides little incentive to individual donors. The 10 percent tax deduction for individual donors and 5 percent deduction for corporations may not be substantial enough to encourage sustained philanthropic giving by HNWI and, therefore, is insufficient to spur large-scale domestic philanthropy. Incentivising charitable giving for the country's growing numbers of HNWI and corporations could prove to be an effective lever in spurring sustained philanthropic giving, though the potential would need to be weighed against the cost of accountability and verification requirements. Building the capacity of more NPOs to qualify for donee status and providing assistance with the application process would expand the pool of NPOs that can provide tax deductions to their donors, and could be a draw for new donors.

CONCLUSION

THE philanthropic sector in the Philippines is in many respects among the most diverse and structured in South East Asia. Pioneering efforts to create sustainable funding mechanisms have left the Philippines with the largest number of locally established institutional philanthropic

organisations among the four countries included in this study. These domestic philanthropic institutions have not only been an invaluable source of support to NPOs in the country in an era of declining foreign donations, but have also professionalised the sector and fostered the practice of strategic philanthropy.

Philanthropic investments in health, education, social services, and in building public infrastructure, developing social enterprises, supporting sustainable development, and advancing equitable social policies, provide evidence of philanthropy's impact and its continued importance to socio-economic development in the Philippines.

However, despite the country's commendable success in developing sustainable funding mechanisms and experimenting with new forms of philanthropy to mobilise local resources, domestic philanthropy at current levels is insufficient to meet the needs of the country's non-profit sector. Growing domestic philanthropy is imperative to supporting NPOs to tackle persistent social challenges and to enable them to advocate for policies that are responsive to needs on the ground. This will require a combination of policy measures and public education. Raising the limit on tax deductions to encourage the country's growing population of HNWI to give in a sustained manner and enabling more NPOs engaged in social welfare to receive donee institution status could be the right levers to spur large-scale giving. Similarly, public education and advisory services designed to channel philanthropic giving to persistent and emerging social needs would not only raise awareness about the importance of philanthropy but would also raise the likelihood of it having a lasting impact.

ENDNOTES

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- 2 Strategic philanthropy is defined in this paper as structured donations that are made based on an evidence of need, through which donors seek to achieve specific goals and outcomes.
- 3 Caucus of Development NGO Networks [CODE-NGO], *Civil Society Index: Philippines, An Assessment of Philippine Civil Society*, (Quezon City: Caucus of Development NGO Networks & CIVICUS, March 2011).
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- 5 Asian Development Bank, *Civil Society Briefs: Philippines*, (Mandaluyong City, MLA: Asian Development Bank, 2013), accessed 23 May 2013, <http://www.adb.org/sites/default/files/pub/2013/csb-phi.pdf>.
- 6 People’s organisations are membership-based organisations, primarily formed on a voluntary basis along sectoral or issue-based lines (trade unions, environmental advocacy groups, etc.), involved in a range of activities from service provision to advocacy.
- 7 Cooperatives, though not entirely non-profit because of their income-generating activities, fall under the gambit of civil society in the Philippines because of their contribution to economic development, mainly by increasing access of poor populations to credit and essential goods and services.
- 8 The Synergos Institute, “Innovations in Strategic Philanthropy – Comparative lessons from Asia, Africa, Latin America and Central and Eastern Europe: The Case of the Philippines” (paper prepared for the International Network on Strategic Philanthropy, 2004).
- 9 *Philippines Business for Social Progress* (2013), accessed 23 May 2013, <http://www.pbsp.org.ph/>.
- 10 *Association of Foundations, Philippines* (2013), accessed 23 May 2013, <http://www.afonline.org>.
- 11 Patrick Wilson O. Lim, “Civil Society in the Philippines,” in *An ASEAN Community For All: Exploring the Scope for Civil Society Engagement*, ed. Terrence Chong and Stefanies Ellies, (Singapore: Friedrich Ebert Stiftung, 2011), 97; Lydia N. Wu Jose, *Civil Society Organisation in the Philippines: A Mapping and Strategic Assessment*, (Quezon City): Civil Society Resource Institute, 2011), <http://www.ausaid.gov.au/publications/documents/cso-mapping-assessment.pdf>.
- 12 Non-stock corporations include non-profit schools, non-profit hospitals, civic organisations, professional and business associations, NGOs, and some people’s organisations. The Security and Exchange Commission does not have a separate category for NGOs.
- 13 Jose, *Civil Society Organisations in the Philippines*.
- 14 Lim, “Civil Society in the Philippines;” “Centre for Alternative Development Initiatives,” accessed 18 August 2013, http://www.cadi.ph/philippine_civil_society.htm.
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Country Profile

SINGAPORE

INTRODUCTION

PHILANTHROPY in Singapore has been growing steadily in recent years, fuelled by the country's remarkable economic growth and favourable tax policies.¹ Singapore ranks among the most prosperous countries in the world, with a higher Gross Domestic Product (GDP) than many developed countries and one of the largest concentrations of High Net Worth Individuals (HNWIs) globally—a group of almost 180,000 individuals whose collective wealth amounted to USD 857 billion in 2012.² Private charitable contributions have grown with the enormous wealth creation that has taken place in Singapore and have been rising annually since 2006.³ Along with charitable giving, there are

The government has been proactive in fostering philanthropy in Singapore and has implemented specific policy and regulatory measures to advance the sector.

indications that institutional philanthropy is also growing, with several new foundations established in the past ten years and philanthropic organisations and corporations accounting for a larger portion of the income of registered charities than ever before.⁴

For its part, the government has been proactive in fostering philanthropy in Singapore and has implemented specific policy and regulatory measures to advance the sector. These include generous tax incentives for donations to registered charities, regulatory reforms, and significant investment in a support infrastructure for philanthropy and the larger non-profit sector. Additionally, since 2007, the government has sought to position Singapore as a non-profit hub in Asia and, to facilitate this effort, has established the International Organisations Programme Office (IOPO), a unit within the Economic Development Board (EDB).

In an environment of robust economic growth backed by favourable tax incentives and specific policies, there have been notable developments in philanthropy in Singapore in recent years:

- Private charitable contributions to registered charities have more than doubled in the past five years, fuelled by economic prosperity, a progressive tax framework, and government incentives such as matching grants programs.
- Institutional philanthropy has become more prevalent with increasing charitable donations from corporations and philanthropic organisations.
- While private philanthropy has grown steadily, the government still remains the largest funder of the non-profit sector and government-sponsored organisations continue to play a dominant role in delivering social and welfare services.
- In sharp contrast to many other countries in the region, the supporting infrastructure for the larger non-profit sector—and to some extent, philanthropy in Singapore is well developed. Several factors have contributed to this, including significant government investment in facilitative and capacity-building entities, bank advisory services directed to Singapore's growing population of HNWIs, and the recent entry of international non-profits, some of whom are support service providers for philanthropic and non-profit organisations.
- Like most Asian countries, education is the top area of focus for most private philanthropy, followed by health-care and social development.

Private philanthropy often lacks long-term strategic focus and tends to address the fallout from social challenges rather than their root cause.

While Singapore has witnessed a steady rise in philanthropy over the past decade, there are growing concerns that giving patterns are not addressing existing and emerging social needs adequately. Several non-profit leaders are of the opinion that public and private philanthropy often lacks long-term strategic focus and tends to address the fallout from social challenges rather than their root cause. They also see the strict regulatory environment for non-profits, combined with the reluctance of donors to take risks, as constraining the impact and effectiveness of philanthropy in addressing pressing social issues.

Yet, after years of rapid economic growth, structural changes in the economy and demographic shifts are posing new socio-economic challenges that warrant strategic and sustained investments in social and welfare services. For instance, the rise of the super rich in Singapore has been accompanied by wage stagnation for a large segment of the workforce, resulting in rising income inequality.⁵ At the same time, the mix of an ageing population and declining birth rates is making relative poverty, especially among the elderly, a growing concern.⁶ However, as several key informants point out, the majority of private philanthropy in Singapore tends to be ad hoc and is not targeted to the most pressing social needs. Further, although philanthropic donations have been rising, they still lag in comparison to other countries with similar GDPs.⁷ Given the substantial concentration of wealth in Singapore and the relatively small size of its disadvantaged population, there is a clear opportunity to harness private philanthropy more effectively, so that it has a lasting impact in addressing emerging social needs.

OVERVIEW OF THE NON-PROFIT SECTOR

SINGAPORE'S non-profit sector has been shaped by its state-led development approach, where the state has been the dominating authority in advancing the country's economic

The non-profit sector has mostly played a supporting role by implementing government-approved programs.

and social development. In addition to overseeing remarkable economic growth under its reign, the People's Action Party, which has ruled Singapore since 1965, has played a central role directly or via government-affiliated organisations in meeting the essential needs of the population—education, housing, healthcare, and employment—and in the process has minimised the space, and some would say, need, for NPOs in the social sector. The non-profit sector has mostly played a supporting role by implementing government-approved programs. Additionally, for much of Singapore's post-independence history, civil society and its activities have been closely managed by the government to avert any potential risk to social stability and continued economic growth. Against this backdrop, the government has partnered with organisations that advance its social development goals, supporting them to provide approved social services and, in effect, creating a landscape where quasi-government and government-affiliated organisations play leading roles in community development and the provision of social services.⁸ Consequently, a large proportion of Singapore's non-profit sector consists of organisations affiliated with or supporting the work of the government, while independent NPOs, particularly those engaging in advocacy, are a small minority.

Voluntary Welfare Organisations (VWOs) are the primary providers of social and welfare services in Singapore. The term “VWO” is not a legal definition, but a term used to describe NPOs providing specific social services that benefit the community at large. They work closely with the government in delivering a range of essential services, including eldercare, childcare, youth development, disability services, and family support services. VWOs receive approximately 50 percent of their funding from the government, with the remaining 50 percent coming from private donations, primarily raised by Community Chest—the public fundraising entity for NPOs in Singapore.⁹

At the community level, the **People's Association (PA)** provides citizen engagement, social service, education, and recreational programs via an extensive network of grassroots organisations, community development councils, and neighbourhood committees and youth councils, among others. Established as a statutory body to maintain social cohesion in the aftermath of widespread race riots in the 1960s, PA serves as a channel for communication between the government and the citizenry. It falls under the direct purview of the Ministry of Culture, Community and Youth (MCCY) and receives more than 90 percent of its budget from the government.

Finally, there are the **ethnic self-help groups** that were initiated by the government to maintain social cohesion within and among the four major ethnic groups in Singapore. These include the Chinese Development Assistance Council (CDAC), the Singapore Indian Development Association (SINDA), the Council for the Development of the Singapore Muslim Community (MENDAKI), and the Eurasian Association. Each group delivers education and social programs designed to serve the needs of its constituents. These groups are sustained by an annual government endowment, government grants (from Ministry of Social and Family Development, Workforce Development Agency, Ministry of Home Affairs, Ministry of Education, etc.), and through a Central Provident Fund donation scheme, which deducts monthly individual contributions from Singaporean Citizens and Permanent Residents of the respective ethnic groups, based on their gross income.

Independent NPOs (akin to non-governmental organisations), particularly **advocacy organisations**, make up a small segment of Singapore's non-profit sector. Restrictions on advocacy over the years have muted civil society activism and rendered policy-making an exclusive domain of the government.¹⁰ While there are a handful of NPOs championing specific causes, such as women's rights, environmental protection, foreign workers' rights, etc., the operating environment for advocacy organisations is challenging. They face the constant risk of wading into 'political' territory, as the boundaries between political activity and advocacy are not clearly defined. Activities deemed political can result in an NPO being gazetted as a 'political organisation', which brings additional restrictions (e.g., political organisations cannot receive foreign funds, must disclose donors above SGD 5,000, (USD 4,014) and cannot allow foreigners to participate in events).¹¹ Further, raising funds poses a significant challenge for these organisations, as private donors are generally disinclined

The most recent entrants in the non-profit sector in Singapore are a growing number of international NPOs—the outcome of a dedicated government effort started in 2007 to make Singapore a non-profit and philanthropy hub in Asia.

to support advocacy efforts and most advocacy organisations are ineligible for public funds, as advocacy by itself is not deemed a charitable purpose in Singapore. According to practitioners in the field, the government has adopted a more open attitude towards civil society since the late 1990s and has taken incremental steps towards encouraging public participation, though the extent of the openness is not known.¹²

The most recent entrants in the non-profit sector in Singapore are a growing number of *international NPOs*—the outcome of a dedicated government effort started in 2007 to make Singapore a non-profit and philanthropy hub in Asia. The IOPO, which was set up especially to oversee this effort, serves as a liaison for international NPOs interested in establishing a presence in the country. In order to attract international NPOs, the government provides tax breaks and other incentives, including subsidised office space and, in some cases, grants for core operating support. The government's efforts seem to be paying off so far, as there are more than eighty local and international NPOs now based in Singapore.¹³ Included in the mix are large international charities (e.g., Mercy Relief and the World Wide Fund for Nature), inter-governmental organisations (e.g., ASEAN+3 Macroeconomic Research Office and the World Bank), affinity and trade groups (e.g., the International Air Transport Association), and a small number of philanthropic organisations (e.g., Ashoka). While international charities seem to be attracted to Singapore for its global connectivity, pro-business environment, and its high concentration of wealth for fundraising purposes, the government on its part hopes to broaden Singapore's

international appeal and tap into new employment, training, and volunteer opportunities for its citizens.

SIZE OF THE NON-PROFIT SECTOR

The size of the non-profit sector in Singapore is quite modest even though the number of organisations registered each year and the income of the sector have both been rising steadily over the last ten years.¹⁴ Much of the growth of the sector in recent years has been driven by a handful of large NPOs, particularly tertiary education institutions, religious charities, and some large VWOs (see Figure 1). Of the 2,130 registered NPOs in Singapore in 2012, more than half were religious entities.¹⁵ Only 17 percent were social service organisations, and 4 percent were community organisations. Similarly, a handful of large NPOs accounted for most of the capital flowing into the sector. Therefore, while the income of the non-profit sector in 2011 was approximately SGD 11.3 billion (USD 8.7 billion), only 6 percent of the total sector (120 charities) accounted for 85 percent of this income (Figure 2). Among the 120 large charities, defined as those with incomes above SGD 10 million, only 18 are social welfare organisations.¹⁶ The majority of NPOs in Singapore are small operations with annual incomes less than SGD 250,000 (USD 203,467).

Figure 1: Distribution of total donations to registered charities by sector¹⁷

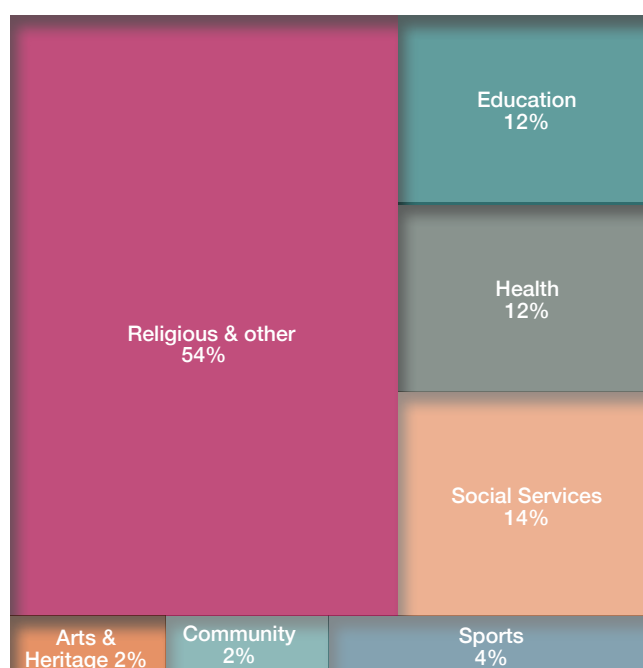


Figure 2: Distribution of charities' income by charity size¹⁸

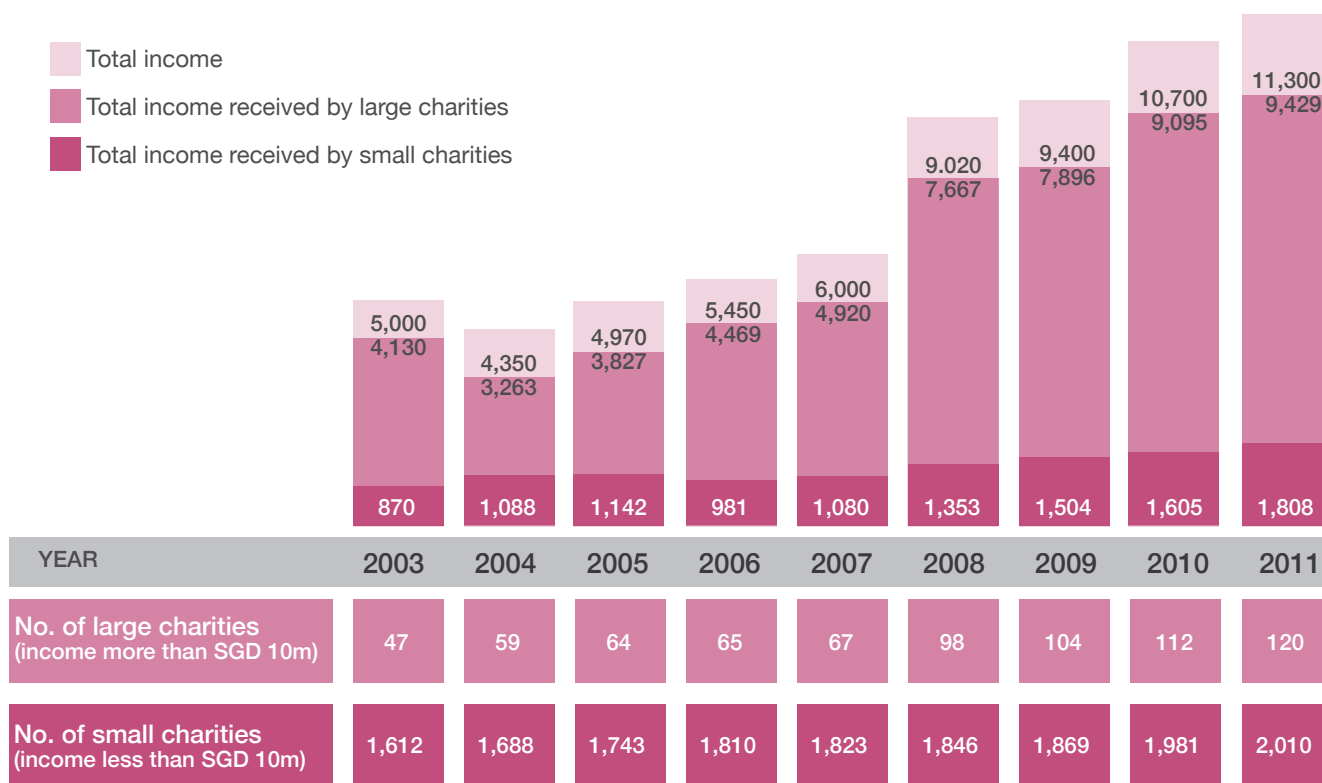
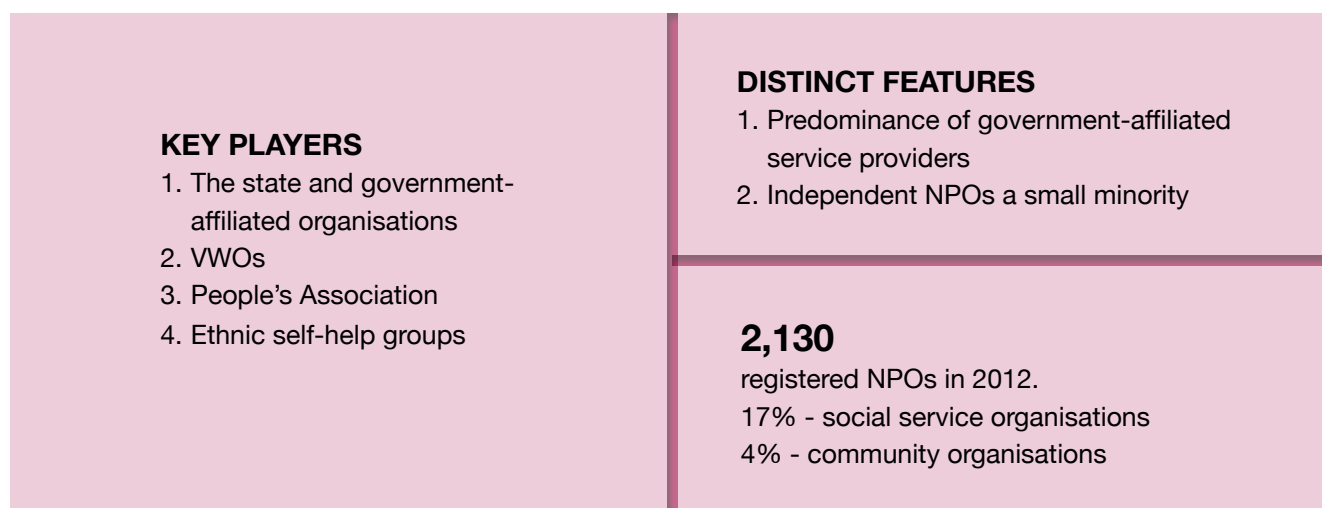


Figure 3: Singapore's non-profit sector at a glance



Government funds are largely directed towards services that address the implications of social challenges rather than their root cause, while private philanthropy is mostly ad hoc and even when it is structured, is targeted to areas that are perceived by donors to be safe.

OVERVIEW OF INSTITUTIONAL PHILANTHROPY

Rising prosperity and favourable tax policies have fuelled a resurgence of philanthropy in Singapore in the past decade.¹⁹ Private charitable giving (by individuals and philanthropic organisations) has been rising every year since 2006 and several new foundations, including the Community Foundation of Singapore, the Temasek Foundation, and the CapitaLand Hope Foundation, have been established within the past ten years.²⁰ A breakdown of the income of the charity sector indicates that institutional philanthropy (i.e., giving by corporations and private philanthropies) is becoming more prevalent in a sector that has traditionally relied on charitable donations from individuals and families.²¹ In fact, donations from corporations and philanthropies to registered charities grew by 16 percent between 2011 and 2012, to reach SGD 701 million.²²

Despite the steady growth of philanthropic donations, many non-profit professionals are of the view that giving patterns do not address social challenges adequately. They cite a general absence of long-term strategies and the reluctance of donors to take risks as the main barriers preventing philanthropy in Singapore from being more responsive and effective. According to key informants interviewed for this study, government funds are largely directed towards services that address the implications of social challenges rather than their root cause, while private philanthropy is mostly ad hoc and even when it is structured, is targeted to areas that are perceived by donors to be safe (e.g., education, healthcare, and the arts). Other constraining factors are tied to the slow rate of professionalisation of philanthropy and the limited capacity of the charity sector. The tendency among family philanthropies to maintain operational control and direct much of

their giving to causes favoured by family members is seen as limiting the potential impact of family philanthropy and hampering the level of professionalism of the sector as a whole. Practitioners in the field also point to the need for donors to build the capacity of NPOs on the ground, to enable them to expand their work from solely implementing state-approved services and to prepare them to address social needs that may go beyond prevailing government priorities.²³

Another reason for the lack of data is that current laws do not require NPOs or philanthropic organisations to disclose their financial details publicly unless they complete the additional step of registering as a charity.

SIZE OF THE PHILANTHROPIC SECTOR

Information on the philanthropic sector is more readily available for Singapore than for the other three countries included in this study. Yet, comprehensive data on assets and grants given by philanthropic organisations in the country is still lacking. This is partly because there are three different incorporation options available to NPOs (explained in detail later in this chapter), including philanthropic organisations, each of which falls under a different regulatory body. Another reason for the lack of data is that current laws do not require NPOs or philanthropic organisations to disclose their financial details publicly unless they complete the additional step of registering as a charity (a process explained in detail later in this chapter).

Singapore's organised philanthropic sector consists of private and family foundations; corporate foundations and funds; government-related/affiliated organisations (philanthropic institutions established by statute or administered by particular government entities); religious charities and funds; and special interest/affinity groups (e.g., ethnic self-help groups, Chinese clan associations, etc.).²⁴

KEY FUNDERS

Significant government support

The Ministry of Social and Family Development (MSF; previously MCYS) is the primary entity through which

government funds to social sector non-profits are disbursed. Another entity known as the Tote Board, a statutory board funded by gambling proceeds (from horse races and lottery sales), has a grant program to which any registered charity can apply. The Ministries of Health and Education oversee government funds earmarked for charities and social service providers in the health and education sectors.

Government funding accounts for a significant portion of the income of the non-profit sector in Singapore.

Given the dominance of organisations sponsored by or affiliated with the government in the social sector, it should not be surprising that government funding accounts for a significant portion of the income of the non-profit sector in Singapore. While a precise estimate is not possible, conversations with social sector players and a sense of the scale of government involvement based on available figures, point to government support accounting for more than 60 percent of the total support to social and welfare service providers. The non-profit sector in Singapore includes Institutions of Public Character (IPCs – a subsection of registered charities explained in greater detail later in this chapter) and non-IPC registered charities. Donations to IPCs in the social and welfare services sector in 2010 amounted to SGD 277 million.²⁵ Of this amount, SGD 54 million was raised and disbursed by the National Council of Social Service (NCSS) through the Community Chest – its public fundraising arm.²⁶ The government also provided SGD 127 million in support to VWOs and self-help community groups and SGD 21 million to support NPO capacity-building institutions (through NCSS and the National Volunteer and Philanthropy Centre).²⁷ In addition, the government statutory Tote Board provides significant funding support to the social sector, amounting to between SGD 100 million and 400 million annually.²⁸

Family philanthropy

Field interviews indicate that there are numerous family foundations in Singapore but data on the exact number and the size of their giving is not publicly available. However, as philanthropy advisors and non-profit professionals interviewed for this study point out, many family foundations are

run as charitable trusts, a financial planning tool typically chosen by philanthropists to disburse their charitable giving to select issue areas and limit administrative costs. The prevalence of charitable trusts in Singapore reflects the emphasis among donors on financial planning rather than establishing purpose-built philanthropic entities. Secondary data analysis and key informant interviews highlight other discernible trends in family philanthropy.²⁹

- Education is the top funding priority of family philanthropies in Singapore and while it has traditionally been an area of focus, giving to education has risen sharply in recent years because of the government's highly successful matching-fund initiatives, which enable such donations to be leveraged.
- Social development and healthcare are other priority areas and in recent years several family philanthropies have embraced the cause of eldercare, in response to the growing needs of an ageing population in Singapore.
- Not surprisingly given its multicultural make-up, a survey of Singapore family philanthropies found more trans-national giving than in other parts of Asia, with most families giving to their countries of origin.
- Family philanthropies rarely support civic engagement and advocacy issues.
- Family foundations often lack formal structures for selecting grantees/projects and tend to limit grantmaking decisions to family members even if they have professional staff.

Several large gifts from family philanthropies have been recorded in recent years in Singapore, which may be indicative of a willingness to move away from the informal, anonymous giving which has long characterised philanthropy in Asia, to a more deliberate and strategic approach. The gifts included a SGD 120 million (USD 96.3 million) donation from the Lee Foundation in 2011 to the new medical school at Nanyang Technological University; a SGD 100 million (USD 80.3 million) donation from Chew Hua Seng, the founder of Raffles Education, in 2009 to educate disadvantaged youth in Singapore and Asia; and SGD 80 million (USD 64.2 million) from the estate of Tan Sri Khoo in support of the Duke-NUS Graduate Medical School.

Community Foundation of Singapore

Launched under the initiative of the National Volunteer & Philanthropy Centre (NVPC), the Community Foundation of Singapore (CFS) was established in 2008. Although the foundation's operational model and portfolio of services are

Several large gifts from family philanthropies have been recorded in recent years in Singapore, which may be indicative of a willingness to move away from informal, anonymous giving which has long characterised philanthropy in Asia.

similar to community foundations elsewhere, it only manages donations above SGD 1 million (USD 0.8million), limiting its client base to high net worth donors. So far donors have pledged SGD 44 million (USD 35.30 million) and the value of endowments under management stand at SGD 14 million (USD 11.20 million). In the four years since it was established, CFS has given SGD 10 million (USD 8 million) in grants to a range of community-based projects.³⁰ As the only foundation without family or corporate ties and with considerable resources, CFS is an invaluable addition to the philanthropy sector in Singapore. While the true impact of its giving may not manifest for several years, CFS has the potential to go beyond linking donors and beneficiaries, to educating donors about community needs and promoting a more strategic and deliberate approach to philanthropy.

SOCIAL SECTOR INFRASTRUCTURE

THE field infrastructure for non-profits in Singapore, which till recently consisted mainly of government-supported groups like the NVPC and the National Council of Social Service (NCSS), has grown to include a cluster of philanthropy advisory services, organisations promoting strategic philanthropy, and academic think tanks conducting research on issues pertinent to the sector.

In sharp contrast to the other countries included in this study, the government of Singapore has invested substantially in developing the support structure for the non-profit sector. NVPC and NCSS, the dominant capacity-building and facilitation bodies for NPOs and philanthropy, were seeded by the government. In recent years, international organisations have entered the field to cater to the new crop of international NPOs moving to Singapore and the growing population of HNWIs.

In sharp contrast to the other countries included in this study, the government of Singapore has invested substantially in developing the support structure for the non-profit sector.

NVPC is a national body, established in 1999 to promote philanthropy and volunteerism in Singapore. It is led by an appointed member of parliament and is widely regarded as the primary resource for NPOs and philanthropic organisations in the country.

Centre for Non-Profit Leadership (CNPL) is an initiative of the National Volunteer and Philanthropy Centre and focuses on building the capacity of the executive leadership of non-profits.

NCSS is the coordinating body for VWOs that are its members. It identifies gaps and needs in the social service sector in Singapore and provides capacity-building services to address those needs.

IOPO at the Economic Development Board was established specifically to provide information and on-the-ground assistance to international NPOs interested in establishing a base in Singapore.

Asian Venture Philanthropy Network (AVPN) is a field-building organisation that promotes venture philanthropy and social enterprise in Asia. Although based in Singapore, AVPN's 120 members span nineteen countries across Asia.

Philanthropy advisory is an area of growing activity, as private banks and international advisory services seek to cater to the growing population of HNWIs in Singapore and the region. With the exception of Charities Aid Foundation South East Asia (CAF), the majority of advisory services are provided by private banks. UBS, the Swiss private bank, has a dedicated philanthropy practice, which according to some sources is the most advanced, but others like Standard Chartered, Credit Suisse, Coutts, and the Royal Bank of Scotland also offer some form of philanthropy advisory.

The extent and range of advisory services offered by banks varies. Though all private banks seem to have a few staff dedicated to philanthropic advising, only one bank, Credit Suisse, has an in-house IPC (SymAsia Foundation) that allows

clients to assume maximum tax deductibility for disbursing charitable giving through the foundation. The other banks mostly offer back-end support services, including monitoring projects for clients, and facilitating donor-advised funds.

Table 1: Support Service Providers

ORGANISATION NAME	SUPPORT SERVICES
National Volunteer & Philanthropy Centre (NVPC)	<ul style="list-style-type: none"> • Information and reference centre • Managing online platforms that facilitate volunteerism and charitable giving – SG Gives and SG Cares • Administering approximately SGD 600,000 in grants annually for programs focused on raising volunteerism and tackling community needs • Conducting research, public education and outreach to promote volunteerism and philanthropy • Facilitating knowledge sharing and dissemination of best practices among NPOs and philanthropists
Centre for Non Profit Leadership (CNPL)	<ul style="list-style-type: none"> • Building the capacity of the executive leadership of non-profits • Conducting leadership and board development programs, executive coaching, volunteer-match services for non-profit boards and mentorship programs for executive directors of NPOs
National Council of Social Service (NCSS)	<ul style="list-style-type: none"> • Education and training through the Social Service Training Institute • Fundraising for VWOs through Community Chest, it's fundraising arm • Coordinating shared administrative services for VWOs to improve efficiencies • Administering a range of grants and funds to improve capacity of social services providers
International Organisation Programme Office (IOPO)	<ul style="list-style-type: none"> • Providing information and on-the-ground assistance to international NPOs interested in establishing a base in Singapore such as client engagement services, assistance with navigating government processes • Providing subsidised office space to qualifying organisations
Asian Venture Philanthropy Network (AVPN)	<ul style="list-style-type: none"> • Promoting venture philanthropy and social enterprise in Asia • Providing learning and networking services to members
Philanthropy Advisory Services: - Charities Aid Foundation (CAF) - UBS - Standard Chartered - Credit Suisse (SymAsia Foundation) - Royal Bank of Scotland (RBS)	<ul style="list-style-type: none"> • Offering philanthropy advisory services to HNWI in Singapore and the region • Back-end support services such as, monitoring projects for clients and facilitating donor-advised funds

REGULATORY ENVIRONMENT

THE regulatory framework for non-profits in Singapore, derived primarily from English law, consists of explicit laws enshrined in the constitution and ‘out of bounds’ markers on public speech, which together are seen as contributing to a controlled operating environment for non-profits.³¹ According to *Philanthropy and Law in Asia*, a seminal review of non-profit law and policy in the region, many of the laws in Singapore are either not directly related to the non-profit sector, or have outlived their purpose.³² The Societies Act, which is the main legislation governing NPOs, was enacted by the British to control secret societies, while the focus of the Charities Act 1995, which was legislated to improve the regulation of registered charities, is on policing rather than cultivating an enabling environment.³³

Recent reforms to the Charities Act, instituted in the wake of a very public scandal concerning governance at a leading charity, have led to the most significant changes to the legal framework in Singapore’s history.³⁴ The traditional emphasis on policing has been adjusted and specific measures have been implemented to promote philanthropy and create a more supportive environment for charities. A dedicated charity unit has been created to support the Commissioner of Charities and a tiered approach to monitoring, with an emphasis on larger charities, has been adopted. As part of its effort to make Singapore a non-profit hub in Asia, the government has also instituted specific changes to spur philanthropy. Specifically, it has raised the limit for tax deductions on donations to registered charities to 250 percent (from 200 percent) and eased certain governance and reporting requirements for grantmaking organisations.

OVERVIEW OF LAWS GOVERNING NPOS

By definition, an NPO in Singapore is a legally constituted organisation whose main purpose is to support or engage in activities of public or private interest without any commercial or monetary profit.

An NPO may be set up as a company, a society, or a trust and the registration process depends on the form sought by the particular organisation (see table 2). Most NPOs are registered as a society or company.

Once incorporated, NPOs operating exclusively for charitable purposes must apply to register as a ‘charity’ with the Commissioner of Charities (COC). The law in Singapore

makes an additional distinction between charities and ‘Institutions of Public Character’ (IPCs), the latter being a sub-set of charities that are authorized to receive tax-deductible donations from the public. So while a charity may not be an IPC, an IPC is always a charity with an additional status. There were 580 approved IPCs as of December 2012.

Most NPOs fall under the purview of MSF. The office of the COC, is responsible for supervising charities and IPCs.

INCORPORATION AND REGISTRATION

In Singapore, an NPO may be registered as a (i) public company limited by guarantee, (ii) a society, or (iii) a charitable trust.

Public Company Limited by Guarantee

Organisations engaged in “non-profit-making activities that have some basis of national or public interest” can be incorporated as a ‘Public Company Limited by Guarantee’. Members guarantee/undertake to contribute a predetermined sum to the liabilities of the company, which becomes due in the event of the company being closed. Public Companies Limited by Guarantee limit the liability of their members and face less scrutiny over their objectives but have more complex reporting requirements. NPOs structured as a public company must register with the Accounting and Corporate Regulatory Authority (ACRA). They must audit their accounts annually and file annual returns with ACRA.

Associations registered as a company limited by guarantee in Singapore are exempt from corporate tax if surplus funds are from members’ contributions, or if 50 percent of gross revenue receipts are from members and are not tax-deductible for members. For full tax exemption, the company must apply for charity status after its registration. Many VWOs and larger institutional philanthropies fall under this category.

Society

A society is defined as a club, company, partnership, or association of ten or more persons. Societies must register with the Registry of Societies (ROS) and are governed by the Singapore Societies Act. The act makes it mandatory for all associations to register with the government. Failure to do so makes a society unlawful and its members liable to penal sanctions. The Societies Act restricts the activities and purposes of societies. Only societies that vouch not to partake in political activities enjoy automatic registration. Purposes that

the government deems a prejudice to public peace, public welfare, and good order in Singapore are prohibited.

There is no distinction between an association and a foundation in the Societies Act. Although there is no stipulated time for the Registry of Societies to accept or reject registrations, the registration process can take four months to a year.

Societies are required to audit accounts annually and file annual returns with the ROS. The same rules for tax exemption for public companies limited by guarantee are applied to societies. Societies may be easy and inexpensive to incorporate but most donors prefer formal business structures. Many NGOs, small-scale social clubs, and neighbourhood councils are registered under this category.

A Charitable Trust is a useful structure for narrowly prescribed transactional giving.

Charitable Trust

A Charitable Trust commits assets or income for charitable causes and provides a structure for on-going giving. It is not a separate legal entity and all liability arising from the charity is borne by the trustees. To register a Charitable Trust, an application must be filed with MCCY. A Charitable Trust is a useful structure for narrowly prescribed transactional giving. It benefits from limited public disclosures, as it is only required to maintain a simple record of accounts, under the Trustees Act. According to key informants, most family philanthropies and funding bodies that require minimal administrative operations and have a narrowly prescribed giving focus (such as scholarships and sponsorships) fall under this category.

Charities

Organisations operating exclusively for charitable purposes must complete the additional step of applying to register as a charity with the Commissioner of Charities (COC), within three months of establishment. While the Charities Act does not explicitly define what constitutes ‘charitable purpose’, according to the COC, programs and activities seeking to address poverty alleviation, religious and educational

Taking the additional step of registering as a charity in Singapore has added financial benefits.

advancement, health promotion, advancement of citizenship and community development, advancement of arts and science, environmental protection and improvement, animal welfare, and advancement of sports, can be deemed charitable purposes.

The COC is responsible for regulatory oversight of all charities and IPCs. The responsibilities of the COC have been expanded significantly in recent years to improve governance of the charity sector—particularly large charities and IPCs with annual incomes exceeding SGD 10 million—and the conduct of commercial and third-party fund-raisers. The COC has the authority to approve or deny registration of a charity, monitor newly registered charities, ensure compliance with governance and fundraising rules, conduct investigations, and check abuses.

Taking the additional step of registering as a charity in Singapore has added financial benefits. All registered charities receive automatic income tax exemption. Only registered charities can raise funds publicly and claim tax exemptions on funds raised. These added tax benefits, however, come with greater scrutiny since charities must comply with strict reporting and governance requirements. They must submit annual financial statements and an annual report detailing activities conducted and proposed future plans. They must maintain accounting and donation records, hold annual general meetings and disclose key financial and non-financial information online.

TAX POLICIES FOR NPOS

NPOs structured as societies and public companies limited by guarantee receive conditional income tax exemptions, as detailed earlier in this chapter. Only registered charities and IPCs benefit from full tax exemption. Since 2008, all registered charities in Singapore enjoy automatic income tax exemption. They can raise funds publicly and claim tax exemptions on funds raised, provided 80 percent of those funds are used to benefit communities and causes in Singapore.

Only donations to a charity that is an approved IPC are tax deductible. Donations made for foreign charitable purposes are not tax deductible, even if they are made to an approved IPC. To promote charitable giving during the global financial crisis in 2008 the tax deduction for donations was raised from 200 percent to 250 percent, and this policy will remain in effect till 2015.

FUNDRAISING

A fundraising permit is required for charities to raise funds publicly.

Charities must subscribe to the 80:20 rule for funds raised from the public, which requires 80 percent of the funds raised to be applied within Singapore. The rule is waived for appeals to aid major disaster relief and for private donations. The office of the Commissioner of Charities has the discretion to allow a lower percentage to be applied within Singapore.

As part of its effort to establish Singapore as a hub for philanthropy in the region, the 80:20 rule was relaxed in 2007 for funds raised for international charitable purposes. Philanthropists and charities whose work is focused outside

Table 2: Summary of Incorporation, Reporting, and Tax Regulations for NPO

ORGANISATION TYPE	PUBLIC COMPANY LIMITED BY GUARANTEE	SOCIETY	CHARITABLE TRUST	CHARITY
Reporting/ Regulatory body	Accounting & Corporate Regulatory Authority (ACRA)	Registry of Societies (ROS)	Monetary Authority of Singapore (MAS)	Commissioner of Charities (COC)
Formal incorporation	Yes	Yes	Yes	Yes, must first be registered as one of the above before filing for charity status
Formal accounting standards	Yes, must submit audited accounts to ACRA	Yes, annual returns to be filed with ROS	No, unless required by trust deeds	Yes, must submit annual report and statement of account to COC; Institutions of Public Character (IPC) and charities with >\$250k in income must submit audited financials
Public reporting	No	No	No	Yes
Income tax requirement	Exempted if surplus funds are from members' contributions or if 50% of gross revenue receipts are from members.	No	Exempted if registered as charity	Exempted
Entitled to tax-free donations	No	No	No	Yes, only for charities with IPC status
Governed by	Singapore Companies Act	Singapore Societies Act	Singapore Trust Companies' Act	Charities Act

Singapore no longer have to subscribe to this rule for funds raised privately. The rule still applies to proceeds from public fundraisers. However, there appears to be a lack of clarity in the definitions of public and private fundraising, which has made this rule contentious. Further, it presents an inherent conflict for many of the international non-profits that are establishing a base in Singapore but whose work is mostly focused outside the country. The next section elaborates further on the confusion caused by this rule.

POLICY INNOVATIONS AND INHIBITORS

HISTORICALLY, the operating environment for civil society in Singapore has been highly regulated and is seen as having inhibited the development of the non-profit sector. Reforms to the regulatory framework in recent years have shifted the traditional emphasis on policing NPOs and civil society organisations to some extent. While some scholars and non-profit professionals point to the need for the government to develop a more consensual and less directive relationship with the non-profit sector, incremental regulatory reform, along with policy measures to spur philanthropy, signify the government's interest in creating a more supportive environment for philanthropy and the non-profit sector.³⁵

Singapore has among the most progressive tax structures for charitable organisations and philanthropic giving. All registered charities enjoy tax-free status in Singapore.

POLICY INNOVATIONS

Progressive tax structure

Singapore has among the most progressive tax structures for charitable organisations and philanthropic giving in the region. All registered charities enjoy tax-free status in Singapore. To encourage charitable giving during the financial crisis of 2008, the government raised the tax deduction for donations to IPCs from 200 percent to 250 percent and this policy is likely to stay in effect until 2015. These efforts seem to have paid off as individual charitable donations in

Singapore have more than doubled in the past six years, from SGD 381 million in 2004 to SGD 1 billion. The same is true for the average amount donated, which grew from USD 123 per donor to USD 263 over the same period.³⁶ It will be interesting to see what happens to individual charitable giving once the tax deduction rate reverts to 200 percent after 2015.

Investment in building the capacity of the sector

The government has invested substantially in developing the supporting infrastructure for the non-profit and philanthropy sectors. NVPC and NCSS, the main capacity-building and facilitation bodies in Singapore, were seeded by the government and continue to receive significant government support on an on-going basis. The government has also invested SGD 45 million (USD 36.6 million) in a capability fund to build the professional and service delivery capacity of VWOs.

Matching fund initiatives

To encourage investments in higher education, the government offers matching fund initiatives through which educational institutions can leverage private donations from families and corporations to seek government funds. This has resulted in several large philanthropic gifts being made to universities in recent years.

Despite recent reforms, policy and administrative restrictions continue to hamper the growth of a robust philanthropic sector.

The regulatory framework in Singapore still restricts cross-border philanthropy, which is proving to be particularly challenging for international organisations opening offices in the country.

POLICY INHIBITORS

Restrictions on cross-border giving and fundraising for international charitable purposes

The regulatory framework in Singapore still restricts cross-border philanthropy, which is proving to be particularly

challenging for international organisations opening offices in the country. The 80:20 rule for funds raised in Singapore is still an area of confusion even though the government has stated it has relaxed the rule for international charitable initiatives. The rule requires 80 percent of proceeds from public fundraisers to be used ‘wholly or substantially’ to benefit communities in Singapore. However, organisations interviewed for this study state that the definition for what constitutes a public or private fundraising effort is vague, making it possible for several forms of private fundraising to fall in the ‘public’ fundraising category. Several key informants also highlighted restrictions placed by the COC even on private fundraising efforts, limiting organisations to conducting only one fundraiser a year and that, too, within stipulated times of the year.

Tax benefits tied to charity status

Registering a charity in Singapore is still a tightly controlled process and is especially challenging for philanthropies and organisations engaged in international work. Besides limiting charity status to organisations focused on specific areas (described in the Regulatory Environment section of this chapter), only registered charities can benefit from income tax exemptions and raise funds publicly. This puts all other NPOs without a charity status at a distinct disadvantage.

Lack of data on giving and needs on the ground

Like many other countries in Asia, comprehensive data on the true size of the philanthropic sector and its giving are severely lacking. This is perhaps the biggest challenge in making philanthropy effective and strategic in Singapore. This is exacerbated by the fact that official statistics on pressing social needs are often not released to the public. Social

sector practitioners highlight this as a barrier to developing appropriate social interventions.

CONCLUSION

SINGAPORE has witnessed a resurgence in philanthropy in the past decade, driven by solid economic growth, regulatory reforms and proactive policies designed to advance the sector. In fact, Singapore has been a leader in South East Asia in a) devising innovative tax policies to encourage its growing ranks of HNWI to make substantial philanthropic donations, b) channelling philanthropy to develop priority sectors like education and, c) investing public resources to build a supporting infrastructure for the non-profit sector.

The government’s efforts to grow philanthropy are very timely as Singapore tackles complex socio-economic challenges stemming from structural changes in the economy and demographic shifts. Philanthropy can have a lasting impact in addressing these emerging social challenges in Singapore. It is essential that measures to channel philanthropic investments where they are needed most and to facilitate an operating environment where NPOs can devise and implement effective social interventions are undertaken. According to scholars and non-profit professionals interviewed for this study, essential measures include, targeted donor education to raise awareness about pressing and emerging social challenges, philanthropic investments in building the capacity of NPOs to address emerging social needs, a less directive and more constructive partnership between the government and NPOs and access to official socio-economic data to enable NPOs to develop appropriate social interventions and encourage more strategic philanthropy.

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Country Profile

THAILAND

INTRODUCTION

PHILANTHROPIC giving in Thailand has a long history and is largely rooted in religious and fraternal beliefs, which emphasise moral and civic responsibilities to help the less fortunate. This has traditionally manifested itself as donations to temples, charities patronised by the royal family, and well-known public charities. Since these charitable acts are mostly predicated on religious, cultural, and personal ties, charity by individuals constitutes a large part of philanthropy in Thailand.¹

By contrast, strategic philanthropy is still emerging. Interviews with non-profit professionals and a review of the literature point to some key factors that have contributed to the limited scale of strategic philanthropy in Thailand. These include:

- An overriding preference among the general public to make donations to religious entities or for religious purposes.²
- Declining foreign donor support stemming from Thailand's transition to upper middle-income country status,³ which has led many international funding organisations to shift their resources to other less-developed countries.⁴
- Limited tax exemptions for non-profit organisations and scant tax privileges for donors.⁵

Thailand has a growing population of High Net Worth Individuals (HNWIs), with one report indicating that there are more than a million individuals with assets above Thai baht (THB) 5 million (USD 155,000).

Thailand has made remarkable progress in social and human development since the 1980s and is hailed as a development success story. Sustained economic growth over the past decade-and-a-half (including an average growth rate of 4 percent from 2003 to 2012),⁶ combined with sound policies and investments in social infrastructure, has resulted in impressive poverty reduction—from a high of 27 percent in 1997 to 8 percent in 2009—which in turn has helped lower social disparities. At the same time, wealth generated from strong economic growth has led to a growing population of High Net Worth Individuals (HNWIs).⁷ One report indicates that there are more than a million individuals with assets above Thai baht (THB) 5 million (USD 155,000) and a Forbes magazine report states that Thailand's forty wealthiest people were collectively worth USD 55 billion in 2012.⁸ Yet, despite steady economic growth and remarkable improvements in human development, there are indications that Thailand's development success has not benefitted everyone equally and socio-economic disparities remain a significant development challenge. Inequities in income, social protection, and access to services have marginalised certain geographic regions

Despite steady economic growth and remarkable improvements in human development, there are indications that Thailand's development success has not benefitted everyone equally and socio-economic disparities remain a significant development challenge.

and population groups, leaving them acutely vulnerable. For instance, poverty is widespread in the north and far south regions and health disparities are disproportionately high among the hill tribes in the north and the Muslim communities in the south.⁹ Given the dramatic rise in extraordinary wealth, philanthropy has the potential to help alleviate these persistent development challenges if it is channelled strategically to address these needs.

While rising personal fortunes and corporate profits have led to the establishment of a number of family and corporate philanthropic initiatives, available literature and interviews with professionals in the field indicate that these private philanthropic efforts are mostly episodic and unstructured and, like individual giving in Thailand, tend to be based on faith and personal and cultural ties, rather than an assessment of needs. As such, economic growth and rising prosperity appear to have had limited impact on the development of strategic philanthropy in Thailand thus far. Faced with declining international donor support and limited local funding sources, many NPOs in Thailand have turned to the

Thailand's vibrant and diverse non-profit sector has contributed to successful social movements in the country's history.

government for support. While there have been some successful partnerships between the government and NPOs, particularly around healthcare, the growing dependence on government funds presents new challenges for the non-profit sector. It limits NPOs to mandates constrained by annual budget cycles, limits innovation, and impacts the independence and institutionalisation of the sector as a whole. Against this backdrop, 'community giving' is one area of philanthropy where there have been some positive developments in Thailand. Community foundations, while still a very recent phenomenon, have the potential to advance strategic philanthropy at the grass-roots level by engaging community stakeholders in mobilising resources and employing them strategically to address local needs.

Thailand's vibrant and diverse non-profit sector has contributed to successful social movements in the country's

history, including ushering in the ‘people’s constitution’ in 1997, which enshrined unprecedented human, social, and community rights. Today, NPOs continue to advocate for social justice and equitable development in Thailand, along with providing essential health and social services. Philanthropic support is crucial to sustaining the work of Thailand’s non-profit sector. There is broad agreement among key informants interviewed for this study, which aligns with findings in the existing literature, as to the specific steps that must be taken to develop a robust, strategic philanthropic sector in Thailand.¹⁰ This includes the need to a) grow the donor base by creating public awareness about the importance of philanthropy to socio-economic development and b) develop a supportive regulatory and tax framework that facilitates the operation and sustainability of NPOs. The experience of other countries suggests that another area for exploration is the potential for channelling a portion of the religious donations to temples toward social development in Thailand. There is no reason that religious philanthropy in Thailand could not become more explicitly strategic and, in this context, zakat management institutions in Indonesia offer an interesting model for tapping religious donations for social development.

OVERVIEW OF THE NON-PROFIT SECTOR

ORGANISED civil society in Thailand came into prominence during the democratic transition in the 1970s. While the earliest NPOs mostly focused on development, the dynamics of civil society changed in parallel to Thailand’s economic growth in the 1990s. As Thailand’s export-oriented economy grew, it led to unequal development between urban and rural areas and rising income inequality. Many service-delivery NPOs shifted focus to advocate for equitable development and social protections for disadvantaged populations.¹¹

Today Thailand’s non-profit sector, which includes people’s organisations, labour unions, and the media, is both vibrant and diverse. It has spurred the growth of several social movements and achieved noteworthy policy reforms. Most significant was its role in advocating for and conceptualizing the 1997 constitution, popularly referred to as the ‘people’s constitution’ because of the broad participation of civil society in its creation.¹² While the size and significance of the sector is considerable, it is difficult to quantify as there are many forms of legal incorporation available and no mandatory centralised registration, or reporting mechanisms.

THEMATIC FOCUS OF NPOS

Service delivery

The concentration of poverty in rural areas has resulted in most NPOs providing social and development services operating in these areas. Their numbers are said to have declined as a result of reduced international aid and those that have survived have reportedly diversified into advocacy or are working closely with the government in poverty alleviation efforts.¹³

Health

Healthcare is acknowledged as the most active area of work for NPOs in Thailand. Their work covers a range of issues such as HIV/AIDS prevention and treatment, health services delivery at the community level, consumer protection, and national policy advocacy. Several studies note that health-oriented NPOs, particularly HIV/AIDS organisations, are the most organised, having established strong regional and national networks.¹⁴ The strength of their field infrastructure has put health-related NPOs at the forefront of high profile anti-corruption cases and policy reforms. They have been responsible for uncovering widespread corruption in the Ministry of Health’s procurement practices, leading to reforms and the implementation of strict reporting requirements for government contractors as a way to increase transparency.¹⁵ The most notable accomplishment of Thailand’s health-oriented NPOs, however, is their contribution to achieving universal health care. By using Thailand’s annual health assemblies as an advocacy platform and launching a popular signature campaign, health NPOs and other civil society entities built pressure on the government to eventually pass a bill legislating universal healthcare for forty-seven million people in 2002.¹⁶

Environment

NPOs working on environmental issues account for another large segment of the sector. These organisations have actively worked to promote sustainable agricultural practices, environmental conservation, and community management of natural resources. Some of Thailand’s most prominent social movements have resulted from environmental concerns related to development projects.

Advocacy and watch-dog groups

One of the most significant developments in Thailand’s non-profit sector was a change in the law in 1992 which allowed NPOs to engage in advocacy. Numerous advocacy groups

have sprung up since and advocacy is a central aspect of non-profit activity in Thailand today. This has generally been regarded as a positive development in the growth of the non-profit sector, with advocacy and watch-dog groups achieving important policy reforms and social protections. However, the radical stance taken by some of these advocacy groups and their alleged role in recent political protests and the resulting instability has strained already tense relations with the government and divided public opinion on the sector.

Chinese associations

There are numerous associations and charities established by Chinese immigrants in Thailand. The first among these were established in the early 1900s as clan associations to keep religious and cultural traditions alive and provide material support to needy community members. As the Thai-Chinese community assimilated and achieved economic prosperity, the purpose of these associations changed and many of them began engaging in philanthropic activities. Today, Chinese associations are located in almost every province in Thailand and are involved in a wide range of activities, including education, emergency relief, charity, emergency response, and mortician and funeral services. The largest Chinese humanitarian association is the Poh Tek Tung Foundation, which operates an ambulance squad, provides emergency assistance to accident victims, and supports a 435-bed hospital.

International NPOs

Thailand is the base for several regional representative offices of international NPOs, including Rockefeller Foundation, Plan International, Family Health International, and Oxfam, among others. These NPOs use Thailand as a base and tend to operate only minor programmes in the country. Even international NPOs with Thailand-focused programmes have mostly handed over local operations to Thai affiliates as part of the country's transition to middle-income status. For instance, CARE International handed over its local programmes

Reductions in international donor support following Thailand's graduation to middle-income status has been enormously detrimental for the non-profit sector.

to the Raks Thai Foundation, and World Vision International established the Suppa Nimit Foundation to run its projects in the country. While the monetary contributions of these international NPOs to local Thai organisations may be minimal, their involvement in regional advocacy efforts and networks benefit social issues in Thailand, as does the work of organisations like Oxfam and ActionAid towards strengthening the advocacy capacity of local Thai NPOs.

Secondary research and key informant interviews conducted for this study indicate that reductions in international donor support following Thailand's graduation to middle-income status have been enormously detrimental for the non-profit sector. Sustainability is the biggest challenge facing NPOs in Thailand with several key informants indicating that increased competition for limited funding has forced many NPOs to close over the past decade. Those that remain have become more reliant on volunteers for day-to-day operations and on non-grant sources of funds such as fee-for-service arrangements with the government, to sustain their work.¹⁷ In

Charities founded or patronised by members of the royal family garner enormous support from the general public and the private sector because of the high regard that Thais have for the King and the royal family, and the prestige associated with a relationship to a royal charity.

several instances, NPOs have established social enterprises to sustain their work but the success of these ventures appears to be more the exception than the norm.

OVERVIEW OF INSTITUTIONAL PHILANTHROPY

It is evident from a review of the literature and key informant interviews conducted for this study that individual giving is the most pervasive form of philanthropy in Thailand, while institutionalised, strategic philanthropy is limited.¹⁸ Charitable giving in Thailand is still largely tied to religion

and people are mostly inclined to give to temples and well-known public charities such as the Thai Red Cross, UNICEF and Greenpeace, among others. In fact, one study found that temples were the first choice for charitable donations among Thai people, followed by hospitals and public charities.¹⁹

Against the backdrop of rapid social change, one constant has been giving to royal charities, which represents a significant portion of individual charitable giving in Thailand. Charities founded or patronised by members of the royal family garner enormous support from the general public and the private sector because of the high regard that Thais have for the King and the royal family, and the prestige associated with a relationship to a royal charity.²⁰ Some question whether the strong appeal of the Royal Charities contributes to the challenges other NPOs face in gaining recognition and awareness of their work.

While its middle-income status is a reflection of Thailand's remarkable socio-economic development, it has led many international funding organisations to shift resources to other developing countries. This trend has continued in response to the government's announced plan to transform Thailand from an 'aid recipient' to an 'emerging donor', in light of its economic growth. Increasingly, many foreign donors believe that the country is able to raise local funding support.²¹ However, research indicates that many Thai funding organisations themselves lack sustainable sources of income, such as an endowment, and are reliant on regular funds from local and international organisations.²²

Community giving is one area of philanthropy where there have been positive developments in the past decade in Thailand. Five community foundations have been established in the country with assistance from local and international organisations. While some appear to be struggling, others have begun to mobilise local resources and engage community stakeholders in local development efforts.

KEY FUNDERS

In the current context, the key sources of institutional philanthropic support in Thailand are: the government; a small number of local funding organisations, including community foundations; a few royal charities; religious organisations; and corporations.

Public/Government support

In a period of declining external funding, Thai NPOs have

increasingly turned to the government for support. The government, for its part, has established a combination of funding mechanisms including grants and fee-for-service arrangements. The most significant of these is the Thai Health Promotion Foundation (also known as Thai Health), an independent state agency and the largest funding organisation in the country, funded by 2 percent of tobacco and alcohol excise taxes. Thai Health disburses around USD 100 million each year for health promotion efforts.²³ The agency's broad definition of health, which includes physical, spiritual, and environmental health, has been particularly beneficial for NPOs in Thailand, as organisations working on a range of issues qualify for grants. Government grants are also available through issue-specific funds like the Environmental Fund, the Women's Fund, the Village Fund, etc., and fee-for-service arrangements. Several sources note that fee-for-service arrangements have become an important source of income for NPOs, particularly in areas like HIV/AIDS care, where the

The growing dependence on government support also presents new challenges for the non-profit sector in Thailand.

demand for services outstrips the government's capacity to provide these services.²⁴

While government funds have provided vital support to many NPOs at a time when their sustainability has been challenged, key informants indicate that the lack of transparency and mismanagement in some cases, has prevented public funds from being allocated effectively and has left many NPOs unaware of their availability or the process to apply for them.²⁵ The growing dependence on government support also presents new challenges for the non-profit sector in Thailand as some are of the opinion that the government tends to see the non-profit sector as a means to a short-term end, such as service provision, rather than as a partner in developing local solutions to build self-reliant communities.²⁶ They express concern at the narrow focus of government-supported development mandates, which they see as hampering the institutionalisation of the non-profit sector, leading NPOs to become more compartmentalised.

Local branches of international organisations

Following Thailand's transition to middle-income country status and the subsequent reduction in foreign donor support, several international NPOs and some aid groups established local foundations/organisations to raise funds locally to support their work in Thailand. For instance, UNICEF established a local office to raise funds to help Thai children, World Vision International registered a local foundation called 'Suppa Nimit', and CARE International established a locally registered foundation named the Raks Thai Foundation (translated as 'Care for Thai'). These organisations fall in the category of 'operating foundations' since their primary purpose, and in many cases their sole purpose, is to sustain their own work through fundraising.

Royal charities


Unique to Thailand's philanthropy landscape are the various royal charities and projects that are patronised by members of the royal family. Some royal charities are structured like operating foundations, while other royal projects support a specific issue. These charities support a wide range of causes, including agriculture, poverty alleviation, environmental protection, child health and development, and support for war veterans, among others. Well known royal charities include: Mae Fah Luang, which supports farming, income generation, and reforestation in the Doi Tung area and seeks to improve the quality of life of the region's ethnic minorities; the Sai Jai Thai Foundation, which provides assistance and vocational training to the disabled and operates a social enterprise to market handicrafts made by the disabled; the Foundation for the Promotion of Supplementary Occupation and Related Techniques (SUPPORT), established by the Queen to generate income for rural families by providing financial assistance and marketing support for handicrafts created by them; and the King's initiative for disaster preparedness.

Community foundations


There has been a burgeoning community foundation movement in Thailand since 2004 when the Synergos Institute²⁷, along with a group of international and local funding organisations, undertook an effort to start community foundations in Thailand as a mechanism to mobilise local resources for sustainable development. Five community foundations have been established since. Based on available data, the Phuket Community Foundation (Phuket CF) appears to be the most developed of the five, with assets of USD 180,000 (approximately, THB 5 million) and a professional infrastructure to

support its work. Data on the assets of the other community foundations is not available but a survey by the Global Fund for Community Foundations conducted in 2009 indicates that most of these community foundations are small both in terms of budgets and staffing, with all of them relying largely on volunteers for day-to-day operations.²⁸

Conversations with people involved with some of the community foundations in Thailand indicate that fundraising has proven to be a serious challenge because of the lack of awareness about community foundations in the communities where these foundations operate. In fact, the more active community foundations in Thailand like Phuket CF and Songkhla CF have been able to sustain their activities because



Thailand's community foundations could become a valuable source of support for local NPOs.



of their success in raising funds from outside the immediate communities they serve, particularly from international foundations. Because the community foundation concept is relatively unknown in Thailand, community foundations have been focusing on building awareness about their work and on raising funds for specific projects rather than asking donors to contribute to a permanent endowment from the start.²⁹

While it is still too early to assess the impact of these foundations since they have only been in operation for less than five years, if they are successful in sustaining their work, Thailand's community foundations could become a valuable source of support for local NPOs faced with increased competition for limited local funding sources. Most importantly, by engaging community stakeholders in the development of their immediate communities and encouraging the generosity of new donors, Thailand's community foundations could address the unstructured nature of philanthropic giving in Thailand by linking it directly to local needs.

Table 1: Community Foundations in Thailand³⁰

ORGANISATIONS	INITIAL DONORS
PHUKET CF	Van Leer Group Foundation, Rockefeller Foundation and WINGS/Global Fund for Community Foundations
SONGKHLA CF	Ford Foundation/ National Institute for Development Assistance
KORAT	The World Bank
LAMPANG CF	Thai Health Promotion Foundation
SATUN CF	The Ford Foundation/ National Institute for Development Assistance
UDONTHANI CF	Thai Health Promotion Foundation

Corporate Giving

Corporations in Thailand have traditionally provided charitable donations in support of education, sports, cultural and religious events, and emergency relief. A study on corporate social responsibility (CSR) practices found that although the leading public companies in Thailand prioritised community engagement, they placed less emphasis on philanthropy.³¹ This is reflected in the fact that companies in Thailand most commonly support community engagement and development through their CSR programmes, which are very often tied to a company’s branding or business interests and therefore may not address the greatest needs in the community. Additionally, key informants indicate that corporate foundations typically utilise their philanthropic resources to implement programmes directly rather than make grants to third-party organisations. In instances where companies have established corporate foundations, their support is limited to a few areas like giving annual scholarships, sponsorships, or awards.³²

Overall, NGO leaders commend perceived increases in CSR in Thailand, but also note that corporations are increasingly raising money from customers and the community to fund their own branded programmes, a strategy that could undercut civil society organisations and which may not have the sustained impact intended.

The Corporate Social Responsibility Institute (CSRI), under the Stock Exchange of Thailand (SET), is leading efforts to encourage listed companies to practice CSR. It serves as a resource centre and supports business-stakeholder engagement. CSRI is working to encourage corporations to report on their CSR activities as a way to improve accountability and facilitate peer learning. In fact, SET is planning to make it mandatory for firms to disclose their CSR operations on form 56-1 and their annual report, in the future.

Family Foundations

Several research studies allude to the presence of numerous family foundations in Thailand but there is little publicly accessible data about these foundations to provide an accurate assessment of the scale and scope of family philanthropy in Thailand. Available research and interviews with non-profit professionals indicate that only a small number of family foundations are professionally managed and almost all are operating entities rather than grant-making organisations. Research references indicate that most are small in terms of assets, manpower, and scope of programmes, often focusing only on giving scholarships or awards.³³

SOCIAL SECTOR INFRASTRUCTURE

THE absence of philanthropic support services in Thailand, including donor advisory services, associations of funding organisations, and affinity groups, could be attributed to the shrinking base of international funding organisations—who had a more strategic approach to giving and who would have patronised professional services to aid them in their efforts. A strong field infrastructure, particularly services focused on strengthening the capacity of the sector and raising public awareness about structured philanthropy, are essential to growing the donor base and advancing sustainable and strategic philanthropy in Thailand. However, these services seem to be mostly lacking. In fact, in a survey conducted by the WINGS/Global Fund for Community Foundations, respondents from Thailand listed the gap in support services such as technical assistance, skills training, and knowledge sharing as a serious challenge facing the emerging community foundation sector in Thailand.³⁴

The shrinking funding landscape in Thailand has had an adverse impact on NPO networks as well. Research indicates that faced with limited funding sources and the narrow development focus of most funding organisations, NPOs have become more compartmentalised.³⁵ Further, many NPOs have started working at a regional level, in some cases as a survival mechanism, and therefore have less time to devote to local issues.³⁶ Consequently there are no centralised NPO

networks in Thailand currently, but, reflecting the diversity of civil society in Thailand and the regional focus of many NPOs, there are several issue-specific and regional networks.

The table below lists a selection of some the best known national and regional non-profit support organisations and networks in Thailand.

Table 2: NPOs/Civil Society Networks in Thailand

ORGANISATION NAME	SERVICES PROVIDED
Thai Fund Foundation	<ul style="list-style-type: none"> • Capacity building/Training • Promoting philanthropic giving and volunteerism • ICT support for NPOs • Mobilising resources to support grassroots organisations
People’s Empowerment Foundation (PEF)	<ul style="list-style-type: none"> • Promoting human rights and human security issues in Thailand and South East Asia • Networking/Training/Research support/Tailored technical assistance to partner organisations
NGO Committee on Rural Development (NGO-CORD)	<ul style="list-style-type: none"> • Established in 1984 as a coordinator of development-oriented NPOs, has been reorganised and is operating as an alliance of NGOs in northeast Thailand.
Local Development Institute	<ul style="list-style-type: none"> • Grantmaking and policy advocacy • Facilitating networking and learning among NPOs • Technical assistance, research, and dissemination of best practices
Centre For Philanthropy and Civil Society	<ul style="list-style-type: none"> • Conducting research on civil society • Training on governance and accountability • Facilitating networking and knowledge-sharing among NPOs
Kenan Institute Asia	<ul style="list-style-type: none"> • Supporting partnerships for development between US and Asian organisations • Providing financial support for training courses in management and good governance • Providing subsidised management consulting on development issues
Corporate Social Responsibility Institute (CSRI)	<ul style="list-style-type: none"> • Promoting the practice of CSR • Improving accountability and reporting of CSR programs by publicly listed companies • Facilitating education and dissemination of best practices

6
Less than 2 percent of registered NPOs qualify for exemptions from corporate and income taxes.

REGULATORY ENVIRONMENT

OVERVIEW OF LAWS GOVERNING NPOS

Overall, Thailand's regulatory and tax structures have not created an adequately supportive environment to spur dramatic growth of philanthropy. NPOs receive minimal tax benefits and must fulfill burdensome requirements to qualify for tax exempt status which has resulted in less than 2 percent of registered NPOs qualifying for exemptions from corporate and income taxes. Additionally, enforcement of registration requirements remains weak, resulting in many NPOs avoiding registration. This in turn hampers the ability to collect accurate data on the size and scope of the non-profit sector and gauge its true impact, information that is imperative to any effort to raise public awareness and support for philanthropy.

NPOs can register either as associations or foundations under the Civil and Commercial Code (CCC).³⁷ An *association* refers to a group of persons from the private sector with a common interest in conducting the same non-profit activities. They are member organisations and are not required to hold capital. As of July 2006, Thailand had approximately 10,780 registered associations (4,120 registered in Bangkok).³⁸

A *foundation* is an entity established for public benefit and one that does not involve profit-sharing by founders or those associated with its management. 'Public benefit' includes charity, religion, art, science, education, and other activities of public interest. Foundations must meet minimum capital requirements, which are revised periodically. The capital requirement for foundations is currently THB 500,000 (approximately USD 15,600). Thai taxation law prohibits charitable funds from being invested in other financial products, except for bank savings accounts. While the intention behind this may be to safeguard charitable funds from

the volatilities of private capital markets, foundations derive minimal income from funds invested in savings accounts. This requirement clearly discourages the creation of endowments for NGOs or philanthropic institutions. There were approximately 9,733 registered foundations in existence as of July 2006 (2,534 of these are registered in Bangkok).³⁹

INCORPORATION AND REGISTRATION

Local NPOs

Thailand has a two-step registration process for associations and foundations. As a first step, the National Culture Act requires all associations and foundations to seek permission from the National Culture Commission (NCC) to register. Authorities can deny permission if an organisation's proposed objectives and activities are deemed harmful to Thai culture and national and political stability, or if the NPO exclusively benefits non-Thai nationals. On receiving permission to register, associations and foundations must register with the Ministry of the Interior.

The registration process varies depending on the location of the NPO's office. In Bangkok, although the registering entity is the Ministry of the Interior, initial applications are considered by the Bangkok Metropolitan Officer of the Department of Provincial Administration. In other provinces, the governor of the province is the registering authority, and the district office is the receiver and initial assessor of information about the NGO. The registration process is not automatic and requires a substantial amount of time. If stated objectives are deemed contrary to the law, changes must be made within thirty days of notification. The office of registrations can also deny applications without providing any explanation to the applicants. In this situation, applicants can appeal to the Minister of the Interior within thirty days from the date the registration was denied. The Ministry's decision is final and binding. Official registration provides NPOs with legitimacy, exemption from certain taxes, the ability to solicit funding, and the eligibility to work with independent state organisations.⁴⁰

The table on the facing page summarises the different legal forms of NPOs in Thailand and the relevant registering authorities.

Table 3: Legal Forms of NPOs in Thailand

TYPE	REGISTRAR	LAW
Foundation	<ul style="list-style-type: none"> • National Culture Commission • Ministry of the Interior • Social Welfare Promotion Board (For Public Benefit Organisation status) 	<ul style="list-style-type: none"> • Civil and Commercial Code • National Culture Act
Association	<ul style="list-style-type: none"> • National Culture Commission • National Police Bureau • Social Welfare Promotion Board (For Public Benefit Organisation status) 	<ul style="list-style-type: none"> • National Culture Act • Civil and Commercial Code
Trade/Industrial Council	<ul style="list-style-type: none"> • Ministry of Commerce • Ministry of Industry 	<ul style="list-style-type: none"> • National Culture Act • Civil and Commercial Code
Cremation Association	<ul style="list-style-type: none"> • Department of Public Welfare 	<ul style="list-style-type: none"> • Cremation Welfare Act
Labour Union	<ul style="list-style-type: none"> • Ministry of Labour and Social Welfare 	<ul style="list-style-type: none"> • Labour Relations Act

Foreign NPOs

There are mainly three types of Foreign NPOs that operate in Thailand: 1) those that operate in Thailand exclusively, 2) those that are based in Thailand but operate in other countries in the region, and 3) those that are based and operate in and outside of Thailand.⁴¹

Foreign NPOs that wish to operate in Thailand, namely categories 1 and 2, must seek permission from the Committee on Foreign Private Organisations⁴² housed in the Department of Employment, Ministry of Labour and Social Welfare. When operating in the country, foreign NPOs cannot participate in political activities, must have policies that are compatible with Thailand’s development and national security policies, and must comply with regulations set forth by the Ministry of Labour and Social Welfare.

Foreign NGOs that are based in Thailand but are not operating programmes in the country (category 3) are exempted from the regulations stated above. These organisations can apply to the Ministry of Foreign Affairs to set up an office in Thailand and seek approval from the Cabinet. Successful

applicants are required to sign an MOU (memorandum of understanding) with the Ministry of Foreign Affairs. Employees of these NGOs are exempted from local tax and immigration requirements. This policy has made it comfortable and easy for Thailand to attract foreign NGOs.

TAX POLICIES FOR NPOS

Generally, NPOs are subject to taxation. However, depending on their status, the rates may differ. Unregistered NPOs do not receive any tax benefits. NPOs registered with the Ministry of Interior are regarded as corporate tax payers and pay a 2 percent corporate tax and a 10 percent income tax on the gross income they receive.⁴³ Upon payments of these taxes, they are granted corporate income tax exemption on membership fees and on money or properties received as donations or gifts.⁴⁴

Complete exemption from income and corporate tax is only available to associations and foundations designated as Public Charitable Institutions (PCIs) by the Ministry of Finance.⁴⁵ To receive tax-exempt status, organisations must have been in existence for at least three years with certified

Table 4: Summary of incorporation, reporting, and tax regulations

ORGANISATION TYPE	FOUNDATION	ASSOCIATION	FOREIGN NPOS (based and operating in Thailand)	FOREIGN NPOS (based in Thailand and operating regionally)
Reporting/ Regulatory body	National Culture Commission (NCC); Ministry of the Interior; Social Welfare Promotion Board (for organisations with Public Benefit status)	National Culture Commission (NCC); National Police Bureau; Social Welfare Promotion Board (for organisations with Public Benefit status)	Ministry of Labour and Social Welfare – Department of Employment	Ministry of Foreign Affairs
Formal incorporation	Yes, seek permission from NCC before registering with the ministry.	Yes, seek permission from NCC before registering with the ministry	Yes, must report to Department of Employment every 6 months	Apply to the ministry to set up an office in Thailand and seek approval from the Cabinet; successful applicants are required to sign an MOU
Formal accounting standards	Yes, must submit audited financial statement and an annual report. Failure to comply can result in fine of up to USD 670 or a year of imprisonment	No, unless designated as a Public Charitable Institution	Yes, failure to comply may result in withdrawal of permission to operate	As per requirements laid out in MOU with Ministry of Foreign Affairs
Public reporting	None	None	None	None
Income tax requirement	2% corporate tax; 10% income tax on the gross income received; Corporate income tax exemption on membership fees, registration fees and donations or gifts; Complete exemption from income and corporate tax is only available to Public Charitable Institutions (PCIs)	2% corporate tax; 10% income tax on the gross income received; Corporate income tax exemption on membership fees, registration fees and donations or gifts; Complete exemption from income and corporate tax is only available to PCIs	2% corporate tax; 10% income tax on the gross income received; Corporate income tax exemption on membership fees, registration fees and donations or gifts; Complete exemption from income and corporate tax is only available to PCIs	Exempted from local tax requirements
Entitled to tax-free donations	Donations to PCI status deductible up to 10% of net income	Donations to PCI status deductible up to 10% of net income	Donations to PCI status deductible up to 10% of net income	None
Governed by	Civil and Commercial Code; National Culture Act	Civil and Commercial Code; National Culture Act	The Entry of Foreign Private Organizations to Operate in Thailand B.E.2541 (1998)	Must adhere to regulations laid out in MOU with Ministry of Foreign Affairs

financial and administrative records maintained in accordance with Ministry of Finance stipulated guidelines. As a result of these stringent requirements, NPOs have largely stayed away from applying for tax-exempt status—only six hundred out of more than thirty-thousand registered NPOs have tax exempt status. Successive efforts by civil society leaders to expand tax benefits for donors and exemptions for NPOs have failed. According to some practitioners in the field, the Ministry of Finance has not been supportive of expanding tax exemptions.

Donations to public charities are fully deductible up to ten percent of net earnings or profits (i.e., income after taxes and other deductibles).⁴⁶ While this is on par with several other neighbouring countries, key informants are of the view that the rate of tax deduction for donors has been insufficient to spur significant and sustained philanthropy, particularly by HNWI.

ACCOUNTABILITY AND REPORTING REQUIREMENTS

Annual reports

Registered foundations are required to submit copies of their annual reports, along with copies of the agendas of committee meetings, to provincial offices of the Ministry of the Interior. Annual reports must include a summary of the foundation's work and financial statements prepared by a registered and authorised auditor. Organisations which fail to comply with this section of the Civil and Commercial Code can be fined up to approximately USD 670, or their officers are liable to a year of imprisonment. There are no public reporting requirements for NPOs operating in Thailand.

There appears to be no equivalent obligation for associations to provide information to the authorities.

Associations or foundations designated as Public Charitable Institutions by the Ministry of Finance must submit their reports along with other documents to the Revenue Department within 150 days after the last day of the organisation's accounting year.⁴⁷

Foreign NGOs must report to the Department of Employment every six months on projects and/or activities that have been carried out. Failure to comply may result in withdrawal of permission to operate.

POLICY INNOVATIONS AND INHIBITORS

CIVIL society in Thailand operates with strong constitutional guarantees of direct political participation, requirements for government consultation, and local determination of community rights. Yet the relationship between government and civil society has historically been uneasy. Although there are instances where government-NPO collaborations have led to productive partnerships—particularly in the areas of policy research, land use for affordable housing, and healthcare—such collaborations have been infrequent. Several studies point to the increasingly radical and militant stance taken by some segments of civil society and the misuse of NPOs by radical elements in recent political struggles to agitate against the government, as further worsening government–civil society relations, leading to poor public opinion of the sector.⁴⁸ Whether as a result of this sometimes combative relationship or simply the fact that the non-profit sector has not been a policy priority, there is a dearth of supportive legislative and regulatory mechanisms to foster the operation and growth of the non-profit sector in Thailand.

POLICY INHIBITORS

Lack of public understanding of philanthropy

Public understanding of strategic philanthropy is still nascent in Thailand. At a time of declining international donations and resource constraints faced by local funding organisations, raising public awareness about the benefits of philanthropy and its role in social development is imperative to developing sustainable support for the non-profit sector in Thailand. Limited understanding about the importance of philanthropy to social development is exacerbated by poor public perception of the non-profit sector and the inability of NPOs to build awareness about their work. According to key informants, the politicisation of some NPOs in recent years and the activist stance taken by certain advocacy groups has created mistrust among the public and made it challenging for NPOs to build awareness and support for their work. Against this backdrop, it is charities that receive press exposure and enjoy public recognition that have benefitted from the public's support. Efforts to raise public awareness in Thailand will have to tackle the dual challenges of a) educating people about the value of strategic philanthropy, and b) attempting to improve public perception of NPOs by communicating their successes and the importance of their work for equitable socio-economic development.

Weak legal and regulatory frameworks for philanthropy

It is evident from conversations with non-profit professionals and from prior research findings that the absence of supportive regulatory and tax frameworks governing NPOs in Thailand has also been a hurdle in the development of a robust philanthropic sector as well.⁴⁹ While onerous requirements for NPOs to secure tax exempt status have resulted in only six hundred NPOs—out of the more than the thirty-thousand registered NPOs—having received tax exempt status, the prevailing rate for tax deductions for donors is seen by many in the field as being insufficient to encourage sustained and significant philanthropic contributions. So far the government has been unsupportive of expanding tax privileges for NPOs.

CONCLUSION

THE non-profit sector in Thailand has played a leading role in several social movements in the country's recent political history and has been recognised for notable social policy reforms. It was instrumental in advocating for a progressive constitution in 1997, which enshrined unprecedented human and social rights, including universal access to education, quality healthcare, and community rights to manage natural resources. NPOs and other civil society organisations also played a key role in formulating Thailand's Eighth National Economic and Social Development Plan. Today, the country's non-profit sector remains instrumental in providing essential health and social services, particularly to at-risk and marginalised communities, and continues to advocate for social protections and equitable development in Thailand. Philanthropy is essential to sustaining the vital work of Thailand's non-profits, yet dwindling philanthropic resources are the foremost challenge facing the country's

non-profit sector. Ironically, Thailand's economic progress has been a mixed blessing for the country's non-profit sector. While it is clear that reductions in international donor support due to Thailand's growing economy have had a detrimental effect on the country's non-profits, local funding organisations have yet to develop sustainable funding sources, such as endowments, and face sustainability challenges themselves. Adding to this, the enormous wealth that has been generated as a result of the country's remarkable economic growth remains largely untapped.

The roots of charitable giving run deep in Thailand and while they may be dependent on faith and cultural beliefs, the inclination to give appears to be widespread and, if tapped effectively, can do much to shore up local philanthropic resources. Concerted efforts to build public awareness about the contributions of philanthropy to society are needed to tap the enormous individual and corporate wealth that has been created in recent years and to develop sustainable local philanthropic resources. Similarly, innovative tax policies designed to encourage HNWIs to make substantial and sustained philanthropic contributions, such as matching fund programs where the government matches private donations for priority issues and higher tax deductions for endowments, can provide a much needed impetus to growing structured local philanthropy in Thailand. Lastly, services and mechanisms to support donors and facilitate giving—such as advisory services, knowledge sharing, and networking platforms—must be institutionalised to transform individual giving in Thailand and make it more strategic by channelling resources where they are needed most.

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About the publication

This study examines strategic philanthropy in Indonesia, the Philippines, Singapore and Thailand. It explores the role of public policies in shaping institutional philanthropy and influencing the charitable decisions of the region's wealthiest givers. In doing so it questions the assumptions that underlie many discussions about Asian charity, wealth and economic stability.

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