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**Title:** Levers for Change: Philanthropy in select South East Asian countries

**Abstract:** 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. 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 looked at four of the largest economies in South East Asia: Indonesia, the Philippines, Singapore, and Thailand.

Overall, this study found 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.

**Keywords:** Philanthropy, strategic philanthropy, institutional philanthropy, organized philanthropy, South East Asia, public policy.

## **The Research Problem**

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. While past studies and surveys mostly focused on the *intrinsic* characteristics of the giving community, this study was designed to build on that important research by examining a different set of questions: what role do *extrinsic* factors such as public policies play in shaping the style and size of institutional philanthropy in this region? It tries to answer key questions and assumptions about philanthropy and charity in Asia. Has the fast pace of wealth creation led to increased philanthropy in South East Asia and has that philanthropy been strategic in addressing critical social issues? Are the newly wealthy deploying their incredible resources to solve entrenched social problems by becoming active participants in and financial supporters of the social economy?

## **Objectives**

*Outcome Objective 1:* To conduct and publish a study on philanthropy in South East Asia.

This objective has been accomplished and an electronic copy of our research report entitled "Levers for Change: Philanthropy in select South East Asian countries" is included with this report.

*Outcome Objective 2:* To develop a web-repository housing research and relevant information on philanthropy, both in Asia and globally.

This objective is expected to be completed in the next month. The website architecture has already been developed and content for the website has been curated. We were waiting to receive the PDF version of the research report from our graphic design team as well as input from the University's IT Department on the web architecture that we have developed. The PDF files for the research report were delivered only last week. Once the IT Department approves the web architecture for the philanthropy knowledge repository, we will be able to upload the content. The URL for the knowledge repository will be sent to IDRC upon completion.

*Process Objective:* Conduct two focus group discussions on philanthropy in the region.

During the course of this project, The Lien Centre conducted four focus group discussions with philanthropy and non-profit professionals and civil society leaders in each of the four countries included in the study. The names and affiliations of the people who participated in these focus group discussions

are listed in the acknowledgement section of the published report. In total, 36 people participated in the focus groups.

## **Methodology**

This study used a combination of primary and secondary research methods for data collection and analysis, including:

- a) analysis of public policies, laws and regulations related to philanthropy and the non-profit sector in each of the four countries,
- b) examination of public policy proposals,
- c) study of common giving practices,
- d) country specific data related to nonprofits and charitable giving,
- e) key-informant interviews, and
- f) focus group discussions with non-profit and philanthropic leaders.

## **Project Activities**

Project activities completed during this project period included the following:

1. Organising the final focus group discussion with non-profit and philanthropy leaders in Thailand (for a total of four focus group discussions)
2. Conducting additional key informant interviews with practitioners, civil society experts and non-profit professionals
3. Conducting data analysis and compiling the study's findings in a report for publication
4. Publication of the research report entitled "Levers for Change: Philanthropy in select South East Asian countries"
5. Curating relevant information from the study as well as the literature review that was conducted during the course of the study for the web-based knowledge repository that will be hosted on the Lien Centre website.
6. Designing the architecture for the philanthropy web-repository.

## **Project Outcomes**

### *Policy and practice:*

This study found that in general the philanthropic sector in South East 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 for philanthropy. Some key policy barriers include:

1. *Limited tax benefits that have been inadequate to encourage philanthropic giving.* There is some evidence suggesting that thoughtful tax structures in developed countries have spurred giving. Yet, besides Singapore, the other three countries in this study offer limited tax incentives to donors and have not made a concerted effort to encourage large-scale and sustained philanthropic giving. Singapore, the most affluent country in the region, has clearly benefitted from generous tax deductions to approved charities. Since the country allowed donors to deduct 250% of the value of their donations to specific charities from their income tax filings, the volume of individual philanthropic giving in the country has increased every year.
2. *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’. This lack of legal recognition of the distinction between philanthropy and other NPOs confuses the unique role that philanthropy can play in a country’s investment for public benefit and is also a barrier in developing legislation specific to transparency in the philanthropic sector.
3. *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. 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.

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. Further, positive signs of increasing strategic philanthropy include:

1. A nascent but notable community foundation movement in South East Asia is a promising development in strategic philanthropy as it links public donations to specific projects and outcomes and could potentially provide sustainable support to local NPOs and collaborative education to donors.

2. 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.
3. 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.
4. 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.
5. 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 circles. Another would be networks such as the Asian Venture Philanthropy Network, based in Singapore, but serving all of Asia.

### ***Overall Assessment and Recommendations***

Research on philanthropy in Asia is scarce. Seminal research on strategic philanthropy in Asia was done by Synergos Institute in New York almost a decade ago. Since then most writings on Asian charity and philanthropy have either been journalistic articles about giving by High Net Worth Individuals or surveys and case studies assessing personal motivations to engage in philanthropy.

This study contributes significantly in building the nascent body of research on organized, strategic philanthropy in South East Asia. The intention of this research and the subsequent publication is also to encourage and inform policy discussions on growing and enabling strategic philanthropy in the region.