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The 2022 Global Philanthropy Environment Index Nepal

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QUICK FACTS

Legal forms of philanthropic organizations included in the law: Association

Five main social issues addressed by these organizations: Basic Needs, Food, Human Rights, Religion, Water and Sanitation

Average time established by law to register a philanthropic organization: 0-30 days

Average cost for registering a philanthropic organization: USD 10

According to the Article 2 of the Associations Registration Act, 2034 (1977) an “Association” means an association, institution, club, circle, council, study center or other organization established for the purpose of developing and extending social, religious, literary, cultural, scientific, educational, intellectual, philosophical, physical, economical, vocational, and philanthropic activities, and also includes the friendship association. The cost to register an association is NPR 1000 (equivalent to USD 10 or less, depending on the exchange rate).

Government levels primarily regulating the incorporation of philanthropic organizations: Central/Federal Government, Local Government

So far, the Association Registration Act (an umbrella policy) is applicable to regulate all civil society organizations (CSOs), including philanthropic organizations. It is applicable across 77 districts through the District Administration Office that represents the federal government. However, the federal constitution authorizes all local government offices to formulate policies to regulate CSOs locally.

Philanthropic Environment Scores:

Year	Ease of Operating a PO	Tax Incentives	Cross-Border Philanthropic Flows	Political Environment	Economic Environment	Socio-Cultural Environment	Overall Score
2022 GPEI	3.07	2.65	2.00	2.90	3.00	3.50	2.85
2018 GPEI	3.00	2.75	1.50	2.75	N.A.	3.00	2.60

Source: Indiana University Lilly Family School of Philanthropy, 2022 *Global Philanthropy Environment Index*

Key Findings

I. Formation/Registration, Operations, Dissolution of a Philanthropic Organization (PO)

The three indicator questions in this section pertain to the laws and regulations governing philanthropic organizations (POs). The scoring questions for this category cover three aspects of regulations: (A) formation and registration; (B) operations; and (C) dissolution.

Question One: To what extent can individuals form and incorporate the organizations defined?

Score: 3.0

The constitution of Nepal guarantees fundamental freedoms of expression, association, and peaceful assembly. Ideally, individuals are free to form organizations, but legal identity (registration with the government entity) is mandatory. Some incidents of CSOs experiencing government restrictions on the types and purposes of organizations were reported. The registration process is somewhat demanding, requiring moderate time and resources. For example, people willing to register an association are asked to submit the founder's police record, which intends to prove that they don't have any criminal track record, beyond the spirit and provisions in the Association Registration Act. There is no such requirement in the Association Registration Act as such. Hence, this practice has no legal grounds for the registration to be denied. Other information requirements include the disclosure of financial sources, an office address, contracts for the office space with the house owner, and a copy of a citizenship certificate for each member. However, the legal provision exists that the authority should provide a written explanation in case of denial, and the denial can be challenged. Despite the legal framework in place, the governing body is not consistent, different officials interpret and treat the organizations differently.

Question Two: To what extent are POs free to operate without excessive government interference?

Score: 3.2

Organizations are somewhat inhibited in their internal governance due to rules and regulations. They need to ensure that the governance structure complies with the prescribed standards. Organizations sometimes see restrictions on the purposes of their activities. The Association Registration Act has a vague provision giving the government the power to “give necessary directions to the Association, and it shall be the duty of the Association to follow such directions.” Organizations are free to communicate through various media channels. However, they need prior approval for cooperation with international entities. Reporting requirements are applied inconsistently and are a burden to many organizations.

Question Three: To what extent is there government discretion in shutting down POs?

Score: 3.0

The organization's governing body is able to voluntarily terminate its activities with approval by the authority. This process requires onerous reporting. Involuntary termination by a government entity can occur after a violation with or without the opportunity to ameliorate the problem. The legal

regulations to guide the involuntary dissolution of an organization are not always clear and are inconsistently implemented.

II. Domestic Tax and Fiscal Issues

The two questions in this section pertain to laws and regulations governing the fiscal constraints of giving and receiving donations domestically.

Question Four: To what extent is the tax system favorable to making charitable donations?

Score: 2.5

Individuals and/or corporations have access to limited income tax deductions and credits. Tax deductions are offered mostly during emergencies when the government needs domestic resource mobilization. The ceiling on such donations is low, significantly restricting the size of donations. Entities making the donations are vastly regulated by the governing body.

Question Five: To what extent is the tax system favorable to POs in receiving charitable donations?

Score: 2.8

Organizations receive moderate tax exemptions. The process to obtain tax exemption status for CSOs exists but acquiring tax-exempt status is not easy for all. There are limitations on the types of organizations that qualify for tax benefits. Organizations are able to raise minimal funds from private sources, resulting in high dependence on international donors.

III. Cross-Border Philanthropic Flows

The two questions in this section concern laws and regulations governing the fiscal constraints of giving and receiving cross-border donations. The scoring for these questions pertains to the donor and receiving entities.

Question Six: To what extent is the legal regulatory environment favorable to sending cross-border donations?

Score: 1.0

For Nepali philanthropic organizations (POs), cross-border charitable donations are not permitted. It is impossible for Nepali POs to send international charitable donations.

Question Seven: To what extent is the legal regulatory environment favorable to receiving cross-border donations?

Score: 3.0

Cross-border charitable donations can be received with prior approval from the relevant government agency. The process to receive charitable donations from abroad is not consistent and is somewhat

onerous, requiring time. There are limitations on the type of activities supported through cross-border contributions.

IV. Political Environment

The four indicator questions in the next three sections concern the political context, economic conditions, and socio-cultural characteristics that influence the environment for philanthropy.

Question Eight: To what extent is the political environment favorable for philanthropy?

Score: 3.0

There are some examples of collaboration between the government and the philanthropic sector. However, it is not across sectors and not consistent. Though the government recognizes the role of philanthropic organizations, at least in principle, as change agents POs are largely undermined. The government has allowed on certain occasions the participation of philanthropic organizations in advocating and implementing public programs. But such participation is selective, and in some cases biased. There is an acceptable level of political stability that is favorable for the success of philanthropy.

Question Nine: To what extent are public policies and practices favorable for philanthropy?

Score: 2.8

The government claims to promote philanthropic values and facilitate access to national and international resources and opportunities, but it is not a systematic and consistent effort. Moreover, there is no specific legal framework to regulate or facilitate philanthropy in Nepal. Donors are not free to support the causes they wish and sometimes see government pressure to support certain causes. Government agencies do not have enough capacity to support and oversee POs.

V. Economic Environment

Question Ten: To what extent is the economic context favorable for philanthropy?

Score: 3.0

Economic conditions are somewhat unstable and may be an obstacle for the success of philanthropy. The economic regulations to cultivate openness of the country's economy and foundations for economic growth are not clear and are inconsistently implemented. The economic climate is somewhat unfavorable—specifically around limitations in foreign investment inflows, extended levels of corruption, and unstable economic development. Individual and institutional philanthropy is not encouraged due to unstable economic growth and uncertainty. A lack of social and economic security highly impedes the philanthropic environment. The economic outlook is not expected to positively contribute to the development of philanthropy in the near future.

VI. Socio-Cultural Environment

Question Eleven: To what extent are socio-cultural values and practices favorable for philanthropy?

Score: 3.5

There are philanthropic traditions and societal values that encourage giving. However, the faith of people in POs is selective. Few organizations are considered good, and thus receive support. Many POs, particularly non-governmental organizations (NGOs) in general, fail to win societal trust. Mainly, people expect CSOs to be voluntary with no financial and in-kind reward for their engagement with CSOs and therefore they are reluctant to give to nonprofit organizations. However, they are open to donating to religious organizations and charity, which is grounded on a belief that this karma (good act) helps them secure a heavenly journey.

The CSO sector in general has so far been unable to tap into this social and cultural environment and gain benefits from it. Hence, the social and cultural environment is supportive of philanthropy and there is sufficient social and human capital to develop the sector. Public trust in individuals leading CSOs matters a lot. There are some good examples where renowned personalities have been successful in raising funds locally for their social cause. Media has also played a significant role in those successful cases to raise public trust in these organizations and their causes. Given the need to have diverse philanthropic organizations and the institutional set-up to facilitate those organizations, there is a lack of adequate philanthropy infrastructure in place.

VII. Future of Philanthropy

These questions are used to provide a general picture of the future of philanthropy in this country as well as recommendations to improve the philanthropic environment.

Current state of the philanthropic sector

Nepali society has continued philanthropy, which is largely informal and non-institutionalized. Social contribution and altruism are encouraged through religious and other traditional institutions as well. Despite having experienced philanthropic contributions largely motivated from a spiritual perspective, it is largely non-institutionalized, except for some institutions that have successfully mobilized resources from their members and followers. Primarily, issues with regard to broader human rights and other emerging problems lack philanthropic contributions. In addition, there is a lack of private groups to build the capacity of the philanthropic sector in Nepal.

Three major recent events affecting the philanthropic landscape between January 2018 and December 2020

1. Following natural calamities, such as flood and landslides, many groups initiated a campaign for volunteer contribution and distributed relief to the survivors;
2. During the COVID-19 pandemic and lockdown, people raised funds and some organizations fed poor and marginalized people who lost their job during the crisis. Many local CSOs helped people who were walking back to their village during the lockdown with food and other logistics by mobilizing donations from people; and

3. Some youth groups have demonstrated that crowdfunding could be a means to mobilize resources and help those in need—they have raised funds for some poor and vulnerable for their treatment, which was impossible otherwise without crowdfunding.

Future development trends in the philanthropic landscape

Crowdfunding and social entrepreneurship are growing trends to mobilize resources for philanthropic reasons.

Three key recommendations to improve the environment for philanthropy

- The government should develop a separate policy for philanthropic freedom;
- Tax incentives should be promoted for domestic fundraising; and
- Cross-border philanthropic contributions should be allowed with minimal and simple legal procedures.

VIII. Philanthropic Response to COVID-19

These questions are used to provide a general picture of the philanthropic response to the COVID-19 pandemic in this country and recommendations for improving cross-sectoral collaboration.

Areas where the nonprofit sector and philanthropy are playing a role in responding to COVID-19

The nonprofit sector and philanthropy are primarily engaged in relief distribution and raising awareness around addressing the COVID-19 pandemic. Some nonprofits are supporting the government in monitoring the quarantine and service delivery, including the vaccination program.

Innovation and new trends in the nonprofit sector and philanthropy related to COVID-19 responses

Nonprofits and philanthropy have responded to COVID-19 with the use of technology, such as shifting their work nature towards virtual workplace, virtual monitoring, as well as using apps to disseminate health messages and tracking at-risk groups.

The Nepali diaspora raised funds online and provided health equipment, such as masks, sanitizer, personal protective equipment (PPE) sets, oxygen cylinders, and oxygen concentrators when these were really short-supplied. Similarly, people provided funds to the National Innovation Centre, a recently established organization that helped the government to repair health equipment and prepared low-cost technologies to combat COVID-19. The public image of its founder Mahabir Pun, a Stanford graduate who has been promoting low-cost technologies in the remote areas for several years, has also made it possible for the organization to gain such support locally as well as from Nepali diaspora.

Impact of COVID-19 on the philanthropic environment

Since the economic growth is badly disturbed, domestic fundraising is an added challenge.

Anticipated impact of COVID-19 on the philanthropic environment in 2021

Given the worldwide economic disruption and funding crunch experienced by international donors, the nonprofit and philanthropy sectors in Nepal are likely to struggle in fundraising and sustaining their activities in the years to come.

Many front-line workers lost their lives and got infected through addressing the COVID-19 pandemic. Though frontline workers were eligible to receive the COVID-19 vaccine first, it was not distributed equitably. For most of the frontline workers don't even have insurance.

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