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ASSESSMENT OF ALTERNATIVE REVENUE MODELS FOR CSOS

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CSOs as Actors in Governance and Development

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This report serves as an initial assessment, acknowledging the limitations of time and data availability. The list of interviews can be found in Annex 1. Its contents are the findings of the consultant and do not necessarily reflect the views of the European Union or Helvetas.

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Acronyms

BCCI	Bhutan Chamber of Commerce and Industry
BNB	Bank of Bhutan
CC	Community centres
CIC	Community Interest Company
CSO	Civil Society Organization
CSR	Corporate Social Responsibility
CRA	Corporate Regulatory Authority
DHI	Druk Holding and Investments
ESG	Environmental, Social, and Governance
GNH	Gross National Happiness
JSW	Jigme Singye Wangchuck School of Law
KIMFF	Kathmandu International Mountain Film Festival
MBO	Mutual Benefit Organization
NGO	Non-Governmental Organisation
NPO	Non-profit Organisation
Nu.	Ngultrum
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
PBO	Public Benefit Organization
SE	Social Enterprise
SEPA	Social Enterprise Promotion Act
TEI	Thailand Environmental Institute
WCS	Wildlife Conservation Society

1. Introduction

1.1. CSO financial sustainability

Financial sustainability for Civil Society Organizations (CSOs) is the ability to maintain operations and fulfil their mission over the long term **through diverse and reliable funding sources**[1]. It encompasses the generation of resources to support core activities, reducing dependency on any single source of funding, and ensuring organizational independence and stability.

Key elements of financial sustainability for CSOs include:

On the side of CSOs

- **Diversification of Funding Sources**: This reduces reliance on a single type of funding, such as donor aid, which can be unpredictable. CSOs can seek funding from various channels including grants, earned income, gifts and donations, and in-kind contributions.
- **Effective Financial Planning and Management**: Strong internal governance and financial planning mechanisms are crucial. This involves budgeting, financial reporting, and long-term financial planning to ensure resources are allocated efficiently and sustainably.

On the regulatory framework and more general context

- **Supportive Regulatory Environments**: Governments that provide a conducive legal and policy framework for CSOs can significantly enhance their financial sustainability. This includes favourable tax policies, regulatory support, and recognition of the role of CSOs in development.
- **Local Fundraising culture and Philanthropy opportunities**: Local philanthropy and fundraising opportunities provide more stable and culturally appropriate funding sources, reducing dependence on international donors.

The ability to secure diverse funding is **vital for CSOs globally, as reliance on donor funding presents growing challenges with the reduction in Official Development Assistance (ODA**) to lower middle-income countries. For example, recent data indicates a gradual decline in ODA contributions to CSOs from major donor countries[2], emphasizing the need for CSOs to seek alternative funding sources. Additionally, issues such as short funding cycles, lack of operational cost support, and insufficient information about funding programs further complicate financial stability. The dependence on project-based international donor funding often forces NGOs to shift their agendas to align with donor priorities, impacting their accountability to local constituencies and issues.

CSO financial sustainability is also closely tied to the overall operational environment, including internal capacities, relationships with funders, and inter-relationships within the sector. CSOs with robust internal governance and management structures, effective financial planning mechanisms, and strong relationships with stakeholders are better positioned to achieve financial sustainability. Additionally, supportive regulatory

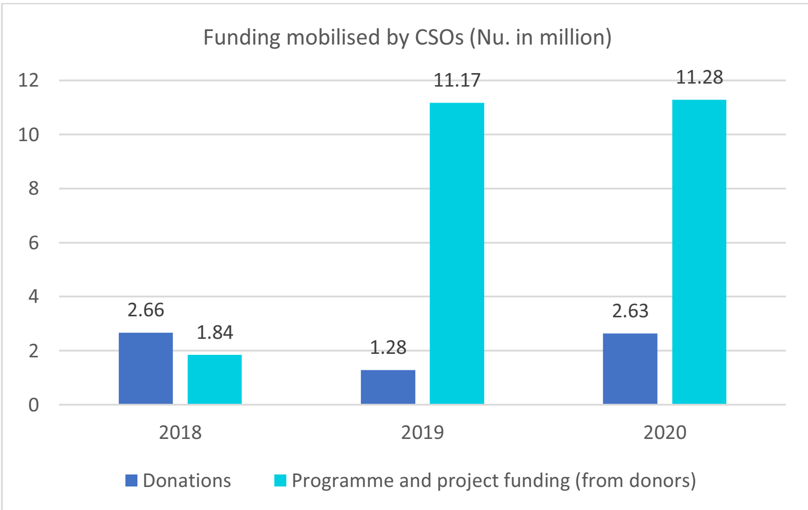
[1] Lewis, D. (2003). The Management of Non-Governmental Development Organizations: An Introduction. Routledge.
[2] According to OECD, the total funding to CSOs in 2021 was of 2,890 million USD , compared to 3,447 million USD in 2020. The funding through CSOs was 21,042 million USD in 2021, compared to 19,729 Million USD in 2002. Funding to CSO is defined as the Core contributions and contributions to programmes. These aid funds are programmed by the CSOs. Funding channelled through CSOs are funds channelled through CSOs and other private bodies to implement donor-initiated projects (earmarked funding) . see: https://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/Aid-for-CSOs-2023.pdf

environments and local philanthropic cultures significantly influence the ability of CSOs to secure diverse funding.

1.2. CSO financial sustainability in the context of Bhutan

Bhutanese CSOs still depend heavily on donor funding to sustain their work. According to a study conducted by Helvetas Bhutan in 2021[3], more than 80% of the funding for CSOs was donor-supported and project and programme-based. In 2019, this percentage was even higher, close to 90%. This reliance underscores the critical role of external donor funding in enabling Bhutanese CSOs to operate and deliver their services.

From 2018 to 2020, there was notable volatility in the donations received, with a significant drop in 2019 followed by a recovery in 2020. Donations decreased from Nu. 2.66 million in 2018 to Nu. 1.28 million in 2019 but rebounded to Nu. 2.63 million in 2020. In contrast, programme and project funding from donors saw a dramatic increase from Nu. 1.84 million in 2018 to Nu. 11.17 million in 2019 and remained high at Nu. 11.28 million in 2020.



The latest amendment of the Civil Society Act of Bhutan 2007[4] mandated the establishment of Endowment Funds[5] aimed at enhancing their financial sustainability and accountability, to ensure they have sufficient financial buffers to operate effectively and withstand financial uncertainties. The new amendment and following **regulations on endowment funds issued by the CSOA have added further pressure on CSOs to mobilize substantial funds within a limited timeframe**, challenging their financial sustainability. The requirements stipulate that Public Benefit Organizations (PBOs) must secure reserve funds of Nu. 3 million and Mutual Benefit Organizations (MBOs) must secure Nu. 1.5 million. Furthermore, PBOs and MBOs must establish operational fund reserves of Nu. 1 million and Nu. 500,000, respectively. The initial September 2024 deadline for the establishment of the Endowment Funds was revised under a more progressive schedule with four years provided for PBOs and 3 years for MBOs to accumulate the reserves. Year-on-year, PBOs are

[3] Helvetas Bhutan (2021): Assessment of CSOs and CBOs ability in mobilizing domestic funding sources as a result of trainings provided under the EU-support to Civil Society in Bhutan (EU-SCSB) project. Study conducted by Big Ideas. A total of 31 CSOs were surveyed for the study.

[4] Civil Society Organizations (Amendment) Act of Bhutan 2022

[5] The Act left the prescription and review of the minimum total amount to the CSOA. An Endowment is defined as a long-term investment designed and established to generate a steady stream of income for the financial sustainability of Civil Society Organizations' purpose and objectiveness in the fullness of time. CSOA: Guidelines for Civil Society organizations. Section A: Endowment Fund.

required to raise Nu. 500,000, Nu. 600,000, Nu. 700,000 and the remaining amount in the fourth year. MBOs similarly are required to raise Nu. 500,000, Nu. 600,000 and Nu. 400,000 in the third year[6].

The implications of these regulations include **increased pressure on CSOs to diversify their funding sources, explore innovative financing mechanisms such as CSR partnerships, crowdfunding, and social enterprises, and strengthen their financial management practices**.

In Bhutan, like many other lower and upper-middle-income countries, the strategies for alternative resource mobilization are still limited and often in their infancy. Various factors inhibit their ability to acquire financial support beyond donor aid. Specifically, CSOs face a diverse range of contextual challenges that impact their financial sustainability. Inadequate government regulations, poor economic conditions, lack of a robust local philanthropic culture, competition between CSOs for funding, and inadequate skilled labour all limit the ability of CSOs to operate independently.

Additionally, internal dynamics such as organizational culture, management capacities, internal governance structures, and financial planning mechanisms can severely impact an organization's ability to build financial sustainability. Many of these initiatives do not yet meet the financial needs of CSOs and require significant effort to set up and manage. The limited staff and necessary skills for these activities further constrain their effectiveness. Moreover, these earned-income activities might sometimes detract from an organization's core mission. Therefore, a sectoral approach, rather than individual efforts, may be more effective in building sustainable financial models for CSOs.

2. An initial exploration of alternative funding sources for CSOs

The following section provides a comprehensive mapping and initial analysis of ten key alternative sources of funding, enabling Civil Society Organizations (CSOs) to diversify their financial resources in the quest for financial sustainability. This analysis includes an overview of the advantages and challenges associated with each funding approach. Additionally, a number of good practices are highlighted to illustrate how these strategies can be effectively implemented.

[6] Currently there are no plans by the CSOA to de-register any CSO for failing to meet these requirements but that it could adversely affect the CSOs' annual grading.

2.1. Consultancy and Advisory Services

Provision of professional development & technical expertise (based on the CSO's "know-how) to a third party (individuals; public institutions, private companies, donors, etc) by charging a fee. This can include designing and running trainings and seminars, conducting specialised studies and research projects (e.g. community and social impact assessments, etc).

Pros	Cons
• **Revenue Generation**: Consultancy services can provide a steady and reliable income stream, diversifying the CSO's funding sources and reducing dependence on grants and donations. For example, a CSO specializing in environmental conservation could offer consultancy services to private companies looking to improve their sustainability practices, thus generating revenue through consultancy fees. • **Expertise Sharing**: By sharing their knowledge and expertise, CSOs can contribute to capacity building within other organizations and sectors, fostering broader social impact. CSOs can showcase their expertise in specialized areas, gaining recognition as thought leaders and experts. For example, a CSO with expertise in gender equality might conduct training workshops for government agencies to improve their gender policies and practices, enhancing the capacity of these institutions to address gender issues. • **Reputation Building**: Providing consultancy services can enhance the CSO's credibility and visibility, establishing it as a thought leader in its field. For example, conducting high-profile social impact assessments for major development projects, donor agencies or the private sector (as part of their ESG standards) can elevate the CSO's profile, attracting more clients and partners. • **Capacity Building and Skills Development:** Consultancy projects often require staff to develop new skills in areas such as project management, client relations, and specialized technical skills. These skills can strengthen the CSO's internal capacity, improve its overall effectiveness, and enhance resilience for future projects.	• **Competitive Market**: the consultancy market can be highly competitive, requiring effective marketing and networking skills to attract clients and stand out. • **Initial Investment**: Developing high-quality courses, training materials, and research methodologies may require significant upfront investment. For example, a CSO aiming to offer training programs on community health might need to invest in developing comprehensive curricula and training materials before launching the service. • **Resource Intensive**: Providing consultancy services requires skilled personnel and significant time commitment, potentially diverting resources from the CSO's core activities. For example, a CSO focused on child education might need to allocate its experienced staff to conduct external training sessions, which could impact the time and resources available for its internal programs. • **Trust and Perception**: Public institutions are often seen as more reliable and neutral, especially in areas involving policy or sensitive data. This can make it difficult for CSOs to secure consulting contracts, even if they have the required expertise. • **Access to Resources**: Public institutions may have more access to resources, technical infrastructure, and personnel, enabling them to offer competitive rates or more comprehensive services that CSOs might struggle to match.

Examples from Other Countries:

- **Centre for Science and Environment (CSE) (India)** is a public interest research and advocacy organization focused on environmental sustainability. CSE offers consultancy in environmental governance, helping governments and organizations develop and implement effective environmental policies and regulations.
- **Kopernik (Indonesia)** is an organization that focuses on finding practical solutions to reduce poverty through technology and innovation. It provides consultancy in applying innovative technologies to address poverty-related challenges. This includes conducting needs assessments, piloting new technologies, and scaling successful solutions.

- **Pusat Studi Hukum dan Kebijakan (PSHK) (Indonesia)** is a legal research institute that focuses on law and policy reform. It provides legal training for legislators and policymakers through their Jentera School of Law. This includes courses on legal drafting, public policy analysis, and legislative advocacy.
- **Thailand Environment Institute (TEI) (Thailand)** is a non-profit organization dedicated to environmental policy and sustainable development. It offers consultancy in developing and implementing environmental policies, including climate change strategies, waste management plans, and biodiversity conservation.
- **Asian Strategy & Leadership Institute (ASLI) (Malaysia)** is a leading independent think tank that provides strategic advisory and consultancy services. It offers consultancy in public policy analysis and development, helping governments and organizations design and implement effective policies.
- **Global Environment Centre (GEC) (Malaysia)** is a non-profit organization focused on environmental protection and sustainable resource management. It offers consultancy in integrated water resource management, including river basin management, wetland conservation, and pollution control.

2.2. Asset Building

Generating income through the leasing of organisational assets/property for a specific period and under terms agreed by the CSO and the third party. The items could include, but are not limited to, conference rooms, halls, office space, documentation and resources, etc. It might require modern technology, safety and excellence in service delivery.

Types of assets:

Pros	Cons
• **Steady Income**: Leasing assets provides a regular income stream, helping to cover daily operational costs and maintenance of the facilities. For example, a CSO that owns a conference hall can rent it out for corporate events, seminars, and workshops, ensuring a steady flow of income. • **Control**: Owning and leasing assets offer the CSO control over tangible resources, which can be leveraged for various purposes, including revenue generation and mission-related activities. For example, a CSO with extra office space can lease it to	• **High Initial Costs**: Acquiring and setting up facilities requires substantial initial investment, which may be a barrier unless the assets are donated or funded through a project. For example, purchasing and outfitting a building to serve as a conference centre can be expensive, requiring significant capital upfront. • **Maintenance Costs**: Ongoing maintenance and management of the leased facilities incur continuous costs, including cleaning, security, and repairs, which can strain the CSO's resources.

other non-profits or start-ups, using the income for its programs while retaining control over the property. • **Reserves:** Income generated from leasing assets can build financial reserves, which may be used to expand existing facilities or invest in new projects. • **Visibility**: Leasing assets can enhance the CSO's visibility among potential partners, clients, and stakeholders, fostering relationships and collaborations. For example, hosting events in the leased conference space can increase the CSO's profile and attract potential donors or partners who use the facilities. • **Complementary to Other Funding Sources**: Asset building can complement other income-generating activities, such as consultancy services or event organization, creating multiple revenue streams. For example, a CSO offering consultancy services can also lease its conference room for training sessions, maximizing the utility and income potential of its assets.	• **Risk of Depreciation**: Assets may lose value over time due to market changes, wear and tear, or mismanagement, affecting the income potential. For example, an office building leased for income may depreciate in value due to outdated facilities or reduced demand, impacting rental income.

Bhutan Youth Development Fund's (YDF) Innovate Bhutan is a social enterprise undertaking that operates a co-working space. The space offers different tiers of rentals, including private office rooms and conference halls for flexible daily and monthly lease terms. Tenants also get access to regular networking and mentoring opportunities in addition to general office amenities.

Examples from Other Countries:

- **SEWA (Self Employed Women's Association) (India)** is a trade union for poor, self-employed women workers. It owns and operates multiple training centres and production units. SEWA rents out its training centres to other organizations for workshops and events, generating steady rental income.
- **Community Homestay Network (Nepal)** promotes local culture and generates income for communities through managed homestays. The network manages a portfolio of homestays, ensuring high standards of hospitality and cultural integration. This management includes maintenance, marketing, and booking services.
- **Accountability Lab (Nepal)** supports active citizenship and responsible governance. Accountability Lab sublets office space to other CSOs, creating a collaborative environment and generating rental income.
- **Bina Swadaya (Indonesia)** focuses on community development and social entrepreneurship through agricultural training centres and cooperative stores. These centres are managed to provide training services to farmers and community groups, generating income through fees for service.
- **Duang Prateep Foundation (Thailand)** focuses on education and community development, managing community centres and educational facilities. These centres provide spaces for education, health services, and community activities. The foundation rents out these facilities for various events, generating income.

2.3. Events Organisation

Organizing and hosting events such as conferences, cultural festivals, workshops, and training sessions can be an effective way for CSOs to generate revenue. These events can attract sponsorships, participation fees, and donations, while also increasing visibility and community engagement.

Pros	Cons
• **Visibility**: Hosting events can significantly boost the public profile of the CSO, making it more visible to stakeholders, potential donors, and the general public. This is particularly beneficial for advocacy and research organizations that rely on public awareness and support. For example, an advocacy CSO hosting	• **Resource Intensive**: Organizing successful events requires significant planning, manpower, and financial resources. This includes venue rental, marketing, logistics, and staffing. For example, planning a large-scale conference involves extensive logistical planning,

an annual conference on human rights can attract media coverage and raise awareness about its work, potentially drawing in new supporters and donors. • **Community Engagement**: Events provide an opportunity to engage directly with the community, strengthening ties and fostering a sense of involvement and ownership among community members. For example, a CSO focused on cultural preservation can host a cultural festival that brings together various community members, celebrating local traditions and fostering community spirit. • **Diverse Revenue**: Events can attract multiple streams of revenue, including sponsorships, participation fees, and donations, providing financial support for the CSO's activities. For example, a CSO organizing a workshop on sustainable farming practices can charge a participation fee, secure sponsorships from agricultural companies, and receive donations from attendees. • **Partnerships and Sponsorship Opportunities**: Events often attract corporate sponsors and partner organizations, creating collaborative opportunities that can bring in additional funds, resources, or in-kind support. Partnerships formed at events can extend beyond financial contributions and could lead to long-term collaborations.	coordination with speakers and sponsors, marketing efforts, and managing registrations, all of which require substantial resources. • **Risk of Failure**: There is a risk that events may not attract enough participants or sponsors, leading to financial loss and wasted effort. For example, a CSO organizing a fundraising gala may struggle to sell enough tickets or secure sponsorships, resulting in lower-than-expected revenue and potential financial loss. • **Distraction**: If the event is not closely aligned with the CSO's mission, it may divert focus and resources away from the primary mission of the organization. For example, a CSO focused on environmental conservation might find that organizing a general community fair diverts staff time and resources from critical conservation projects. • **Reputation Risks**: Inadequately organized events can damage the CSOS's reputation and credibility with supporters, stakeholders, and the general public, potentially impacting future fundraising efforts**.**

CSOs in Bhutan too engage in events organizations. There are, however, instances where poor attendance leading to losses for both the CSO and partners. Regulators in Bhutan are also cautious about potential fronting and abuse of financial regulations, and therefore require written applications to and approval from various agencies including the CSOA, Royal Bhutan Police, Department of Law and Order, Department of Trade, Dzongkhag/Thromde/Gewog Administrations wherever relevant.

Examples from Other Countries:

- **Teach For India** (**India)** organizes various educational conferences and fundraising events to support its mission. These events bring together educators, policymakers, and stakeholders to discuss innovative teaching practices, educational challenges, and policy reforms. The conferences serve as a platform for knowledge exchange and advocacy. Annual galas, charity runs, and benefit dinners are also organized to raise funds for Teach For India's fellowship program and other educational initiatives.
- **Kathmandu International Mountain Film Festival (Nepal)** organises an annual film festival held in Kathmandu, Nepal, focusing on mountain culture, environment, and adventure sports. The festival screens a diverse range of films from around the world, including documentaries, feature films, and shorts that highlight the lives, struggles, and achievements of people living in mountainous regions. KIMFF raises awareness about environmental and cultural issues, promotes local filmmakers, and attracts tourism to Kathmandu. The funds raised through ticket sales, sponsorships, and donations support various social causes and festival operations.
- **Yayasan Jantung Indonesia (Indonesia)** organizes health fairs, awareness campaigns, and educational workshops to promote heart health and prevent cardiovascular diseases. These events offer free health screenings, consultations, and educational materials to the public, focusing on heart health and prevention strategies. Other events organised include public campaigns, including heart walks, marathons, and media campaigns, which aim to educate the public about the risks of cardiovascular diseases and the importance of a healthy lifestyle.
- **Southbank Centre (UK)**, a CSO focused on arts and culture, organizes numerous events, including concerts, festivals, and workshops. Revenue from ticket sales, sponsorships, and donations supports the

Centre's cultural and educational programs, while the events enhance its public profile and community involvement.

- **Teach For America (USA)** organizes fundraising galas, community events, and educational workshops to support its mission of expanding educational opportunity. These events generate significant revenue through ticket sales, sponsorships, and donations, while also raising awareness about educational inequity.
- **Wildlife Conservation Society (WCS) (Global)** organizes events such as zoo fundraisers, wildlife photo exhibitions, and conservation workshops. These events attract donations, sponsorships, and participation fees, supporting WCS's conservation efforts and enhancing public awareness about wildlife protection.

2.4. Membership Fees

Charging fees to individuals or organizations for membership is a common revenue model for CSOs, providing access to certain services, benefits, or exclusive content. This approach involves regular contributions from staff, volunteers, local communities, or member organizations (particularly in the case of associations and networks) as part of their participation with the organization.

Pros	Cons
• **Predictable Income:** Membership fees offer a steady and unrestricted income stream, which can be crucial for planning and sustainability. For example, a professional association charges annual membership fees that contribute to its operational budget, ensuring consistent funding for its activities and services throughout the year. • **Engaged Community**: Charging membership fees fosters a sense of ownership and commitment among members. Members who contribute financially are likely to be more engaged and invested in the organization's success. • **Sustainability**: Relying on membership fees reduces dependence on external funding sources such as grants and donations, providing greater financial independence and stability. For example, a local community centre that funds its operations through member contributions can maintain its programs and services without the uncertainty of fluctuating external funding. • **Networking and Partnership**: A diverse membership base connects the CSO to a broader network of individuals, organizations, and communities, enhancing opportunities for partnerships, collaborations, and knowledge-sharing.	• **Member Recruitment**: Attracting and retaining members requires ongoing effort and resources. The organization must continually demonstrate the value of membership to maintain and grow its member base. For example, a CSO may need to invest in marketing and outreach campaigns to attract new members and convince them of the benefits of joining, which can be resource intensive. • **Member Benefits**: To justify the cost of membership, the CSO must provide significant value, such as exclusive content, services, or benefits that are appealing to potential and existing members. • **Post-COVID Context**: Many members have faced financial difficulties due to job losses and reduced incomes during the COVID-19 pandemic, making it challenging for them to pay membership fees. For example, a CSO might experience a decline in membership renewals as individuals prioritize essential expenses over discretionary spending like membership fees, necessitating the need for flexible payment options or reduced fees to retain members. • **Remittance challenges**: Bhutanese and foreigner members abroad face issues in making monthly contributions.

There are multiple CSOs in Bhutan that rely on this model. **Bhutan Cancer Society**, for instance, mobilize 45% of their funding from over 2,000 members. Comparative consultations show that successful membership schemes depend on a variety of factors including the urgency of the cause, acknowledgement and transparency mechanisms and regular update for members, having different categories of membership and fees including organizational membership, recruiting high-net worth individuals and tapping into active youth and university networks. The increasing Bhutanese diaspora abroad has also become an increasingly important membership base.

Examples from Other Countries:

- **National Association for the Blind (India)** charges membership fees to individuals and organizations, providing them with access to a range of benefits such as newsletters, updates on NAB activities, invitations to events, and opportunities to participate in special programs. The membership fees help fund NAB's initiatives, including educational programs, vocational training, rehabilitation services, and advocacy efforts for the rights of visually impaired individuals.
- **KOPPESADA (Indonesia)** charges membership fees to its members, who are mostly rural farmers and livestock breeders. These fees contribute to the cooperative's capital, which is then used to fund various development projects, provide loans, and offer training programs. Membership fees enable KOPPESADA to implement projects that improve agricultural productivity, provide access to better livestock breeding practices, and support overall rural development. Members benefit from collective resources, shared knowledge, and financial support.
- **Thai Red Cross Society (Thailand)** collects membership fees from individuals and organizations, offering them benefits such as access to exclusive events, newsletters, and updates on the society's activities and humanitarian efforts. Membership fees support the Thai Red Cross Society's operational costs and humanitarian activities, ensuring they can continue to provide critical services during emergencies and support community health initiatives.
- **Greenpeace (Global)** charges membership fees that support its environmental campaigns. Members receive regular updates, exclusive content, and opportunities to participate in campaigns and events. The membership model fosters a committed community of supporters who are actively engaged in Greenpeace's mission and activities.
- **The National Trust (UK)** charges membership fees, providing access to historic sites, gardens, and nature reserves, along with newsletters and exclusive events. The fees fund the maintenance and preservation of historic and natural sites, ensuring their protection for future generations.

2.5. Crowdfunding

Crowdfunding involves raising small amounts of money from a large number of people, typically via online platforms. This approach allows CSOs to reach both local and global audiences, raising awareness and funds for specific projects. Crowdfunding is particularly effective for funding discrete projects with clear objectives, such as building a community centre, school, or health centre, or launching an environmental initiative.

Pros	Cons
• **Wide Reach**: Crowdfunding platforms enable CSOs to access a global audience of potential donors, expanding their reach beyond local or national boundaries. For example, a CSO aiming to build a community health centre can use platforms like GoFundMe or Kickstarter to attract donations from individuals around the world who are interested in supporting healthcare initiatives. • **Project-specific Funding**: Crowdfunding is effective for raising funds for specific projects with clear, tangible goals. Donors are often more willing to contribute when they can see exactly where their money is going. For example, a CSO launching an environmental cleanup project can clearly outline the goals, timelines, and budget needed, making it easier for potential donors to understand and support the initiative. • **Engagement**: Crowdfunding campaigns allow for direct engagement with potential individual donors who are interested in the cause. This interaction can build a strong sense of community and loyalty.	• **Marketing Effort**: Creating and promoting a successful crowdfunding campaign requires significant effort, including developing compelling content, utilizing social media, and engaging with potential donors. For example, CSO needs to invest time and resources into producing high-quality videos, graphics, and persuasive narratives to capture the attention of potential donors and encourage contributions. • **Uncertain Results**: There is no guarantee that a crowdfunding campaign will reach its funding goals. Success depends on various factors, including the appeal of the project, the effectiveness of the campaign, and the responsiveness of the audience. • **Time-consuming**: Managing a crowdfunding campaign and maintaining engagement with donors can be resource intensive. This includes responding to comments, providing updates, and managing the administrative aspects of the campaign.

• **Transparency**: Crowdfunding platforms often provide tools for CSOs to share updates and progress reports with donors, enhancing transparency and accountability. For example, a CSO raising funds for a school construction project can regularly post photos, videos, and financial updates, showing donors how their contributions are being utilized. • **Speed**: Crowdfunding can raise funds relatively quickly, especially in response to emergencies or urgent needs. For example, in the aftermath of a natural disaster, a CSO can launch a crowdfunding campaign to quickly gather funds for immediate relief efforts, taking advantage of the rapid response capability of online platforms. • **Visibility:** Crowdfunding campaigns increase CSO visibility for both overall mandate of the CSO and specific programmes.	• **Platform Fees**: Most crowdfunding platforms charge fees, which can range from a percentage of the funds raised to fixed transaction fees. These costs can reduce the total amount of money available for the project. For example, a CSO using a platform like Kickstarter or GoFundMe may have to pay fees ranging from 5% to 10% of the total funds raised, impacting the net amount received. • **Regulatory and Transfer Challenges**: Using global crowdfunding platforms can present difficulties in transferring funds, particularly due to varying local regulations and banking policies. This can delay access to funds and create additional administrative burdens. For example, a CSO based in a country with strict foreign exchange regulations might face delays and complications in receiving funds raised on international platforms, requiring careful navigation of legal and financial hurdles.

Bhutan Cancer Society recently launched a crowdfunding campaign through the Royal Securities Exchange of Bhutan (RSEB). In this instance, the RSEB waived off the platform fees for the CSO but there were still challenges in building and maintaining momentum owing to rigorous approval processes, including getting approvals for social media campaigns. As of date, the RSEB crowdfunding platform also faces issues in accepting international contributions.

Examples from Other Countries:

- **HelpAge (India)** has successfully crowdfunded for various projects focusing on elderly care, health services, and disaster relief.
- **Teach For India (India),** an organization dedicated to eliminating educational inequity, used crowdfunding to raise funds for educational resources and school infrastructure improvements.
- **Akshaya Patra Foundation (India),** which runs one of the largest mid-day meal programs in the world, aiming to eliminate classroom hunger by providing nutritious meals to school children, regularly uses crowdfunding to raise funds for their midday meal programs.
- **Nepal Youth Foundation (Nepal)** has crowdfunded to support various initiatives aimed at improving the lives of disadvantaged children (i.e. scholarships, school supplies, and educational programs; medical care, vaccinations, and health education; construction and maintenance of homes for orphaned and homeless children.
- **Bumi Sehat Foundation (Indonesia),** which focuses on providing maternal and child healthcare services, particularly in disaster-affected areas, crowdfunds to support its healthcare initiatives (i.e. birthing clinics and prenatal care services; medical assistance and support to communities affected by natural disasters).

- **Wikimedia (Indonesia),** which supports free knowledge and education projects across the country, crowdfunds to support its initiatives promoting free access to knowledge (i.e. workshops, training sessions, and content creation for Wikipedia and other Wikimedia projects.
- **Duang Prateep Foundation (Thailand),** which works to improve the lives of the urban poor through education and community development projects, regularly uses Weeboon to fund various initiatives (i.e. scholarships, school supplies, and educational facilities for children from low-income families, etc.)
- **Sisters Foundation (Thailand),** which works to protect and empower sex workers, offering health services, legal support, and advocacy, regularly crowdfunds to support their work with sex workers.

Crowdfunding Platforms Commonly Used

- **GlobalGiving**: A global platform that allows nonprofits from around the world to raise funds for their projects. It's been widely used by CSOs in developing countries.
- **GoFundMe**: Popular in many countries for personal and nonprofit fundraising.
- **Milaap**: An Indian platform focused on social causes, particularly effective for healthcare and education projects.
- **Ketto**: Another Indian platform used extensively for fundraising by nonprofits and individuals.
- **Kitabisa**: An Indonesian platform that helps individuals and organizations raise funds for social causes.
- **Weeboon**: A crowdfunding platform used in Thailand for various social and community projects.
- **Bhutan Crowdfunding**: RSEB's local crowdfunding platform.

2.6. Social Enterprises (SE)[7]

Social enterprises are businesses primarily driven by social objectives, where surpluses are mainly reinvested back into the business or community rather than aiming to maximize shareholder profits. It is crucial to recognize that there is no universal definition of a social enterprise, as the concept varies significantly from country to country. However, some common characteristics of social enterprises include:

- **Independence from Government**: Social enterprises operate autonomously without direct governmental control. This independence allows them to innovate and respond to social issues flexibly.
- **Commitment to Social or Environmental Missions**: Social enterprises prioritize social or environmental goals over profit maximization. Their primary aim is to create positive social change or address environmental challenges.
- **Income Generation through Trading**: Social enterprises earn a significant portion of their income through the sale of goods and services in the marketplace. This commercial activity supports their social missions.
- **Reinvestment of Profits**: Surpluses or profits generated by social enterprises are directed back into their social or environmental mission rather than being distributed to shareholders.
- **Profit Sharing**: Social enterprises operate varieties of profit-sharing models with community partners and target beneficiaries.

Social enterprise models can be autonomous entities (when the regulation exists) or be integrated into the operations of Civil Society Organizations (CSOs) either as an embedded strategy or as a separate entity established to serve as a funding mechanism for the CSO. This integration can take various forms:

- **Autonomous legal entity:** The Social Enterprise is set up with a recognised legal status, when regulations exist.

[7] Section 3 provides a more in-depth analysis of SE in the context of Bhutan

- **Embedded Strategy**: The social enterprise operates within the CSO's structure, directly supporting its mission through business activities. For example, a CSO focused on providing education might run a tutoring centre or sell educational materials as part of its core operations.
- **Separate Entity**: The social enterprise operates as an independent business, with profits funnelled back to support the CSO's mission. For example, a healthcare CSO establishes a for-profit clinic, using the earnings to fund its free community health programs.

Pros	Cons
• **Financial Independence**: Social enterprises reduce dependency on donors and grants by generating their own income, leading to greater financial sustainability. For example, a CSO with a SE arm can fund its programs without relying entirely on unpredictable donor funding cycles. • **Mission Alignment**: The business activities of SE are directly aligned with the CSO's mission, creating a cohesive strategy for achieving social impact. For example, a social enterprise selling affordable medical supplies supports a CSO's mission to improve healthcare access. • **Innovation**: SE encourage innovative approaches to social issues, leveraging business strategies to create sustainable solutions. For example, a tech-based SE developing apps for remote education contributes innovative solutions to educational access challenges. • **Strengthened Credibility and Brand Visibility:** By demonstrating innovative and entrepreneurial approaches to social issues, CSOS build credibility and visibility. Successful social enterprises showcase the CSO's commitment to sustainable impact, enhancing its reputation and appeal, and can also open new funding opportunities.	• **Business Risk**: SE are subject to market risks and competition, which can impact their financial stability and success. For example, a SE competing in a saturated market for handicrafts or organic foods might struggle to maintain profitability. • **Capacity**: Running a SE requires business acumen and management skills, which may be outside the traditional expertise of CSO staff. For example, a CSO might need to hire or train staff with specific business skills to successfully manage a SE. • **Regulatory Challenges**: Navigating legal and regulatory requirements can be complex, particularly as SE often operate at the intersection of business and non-profit sectors. For example, a SE might face challenges complying with both commercial regulations and non-profit accountability standards.

In recent years, CSOs in Bhutan have been operating social enterprises either as separate, licensed business entities or through an embedded model even before the CSOA's guidelines on Social Enterprises. RENEW Social Enterprise is integrated with their Socio-Economic Empowerment Program, where beneficiaries first undergo skills trainings and then become members of RENEW Social Enterprise. YDF has a distinct governance structure for their social enterprises, with separate management reporting to a Social Enterprise Committee under the Board of Directors.

Examples from Other Countries:

- **Amul (India)**: A cooperative dairy enterprise, Amul has revolutionized the dairy industry in India, empowering millions of rural farmers through a cooperative model that ensures fair prices and access to markets.
- **Goonj (India)**: Aims to address basic needs like clothing, urban waste management, and rural infrastructure through innovative recycling and repurposing methods, significantly impacting rural and urban communities alike.
- **BRAC (Bangladesh)** engages in various social enterprises, including Aarong (a handicraft business), BRAC Dairy, and BRAC Bank, all aimed at supporting economic development and social empowerment in Bangladesh.

- **Seven Women (Nepal)**: Empowers marginalized women through social enterprise initiatives like handicrafts and literacy programs.
- **Epic Homes (Malaysia)**: Focuses on building homes for underprivileged communities, particularly the Orang Asli indigenous groups, through volunteerism and community engagement.
- **SOLS 24/7 (Malysia)**: Provides holistic education programs focusing on English, IT, and life skills for underserved communities, aiming to bridge educational gaps and enhance employability.
- **Javara (Indonesia)**: Works with local farmers to preserve Indonesia's rich agricultural heritage by promoting traditional and organic farming practices. It markets these products both domestically and internationally, ensuring fair trade and sustainable income for farmers.
- **Torajamelo (Indonesia):** Works to preserve the traditional backstrap-loom weaving culture of Indonesia by empowering rural women weavers and uplifting local communities.

2.7. Investments in Subsidiary profit-making enterprises

Setting-up or investing in independent and autonomous profit-making enterprises (whose mandates/missions are not necessarily linked with those of the CSO). The profits generated by these private ventured are reinvested, either in part or in totality, back into the CSO to fund its social programs and initiatives.

Pros	Cons
• **Financial Independence**: By generating their own income, CSOs can achieve a level of financial autonomy that allows them to plan and execute long-term projects without being subject to the changing priorities and conditions of external funding sources. This self-sustaining revenue stream ensures that CSOs can continue their operations and impact even during periods of reduced donor funding. • **Steady Income**: Assuming the enterprise is profitable, this model provides a regular and predictable income stream for the CSO. This financial stability enables CSOs to better plan their activities, allocate resources efficiently, and maintain a consistent level of service delivery. • **Leverage Expertise and Infrastructure**: CSOs involved in service delivery can particularly benefit from this model by leveraging their existing expertise and infrastructure.	• **Deviation from CSOs mission**: Engaging in unrelated income-generating activities can divert focus from the CSO's primary goals. • **Unfair competition**: May create unfair competition with private sector operators, especially if the CSO enjoys tax benefits and other advantages (e.g. A CSO-run enterprise competing in the open market might face criticism for unfair practices.) • **Lack of adequate skills and/or resources**: CSOs may lack the necessary business acumen, marketing skills, or resources to manage and grow a profit-making enterprise effectively (e.g. poor marketing and promotion skills, limited resources to run the investment in a large-scale, etc. • **Lack of Dedicated Regulation**: The absence of specific legal frameworks or dedicated regulations for social enterprises can create uncertainty and operational challenges. In countries without clear guidelines for social enterprises, these organizations might struggle with legal recognition, tax status, and regulatory compliance[8]. • **Non-Conducive Environment**: Operating in environments that are not supportive of social enterprises can hinder their growth and sustainability. This includes factors like lack of access to funding (namely impact investment), limited market opportunities, and insufficient support infrastructure.

[8] The CSO Act of Bhutan recognizes "dividends or income from investments" as a source of funding for a CSO.

	• **Balancing Mission and Profit**: Striking a balance between social objectives and financial sustainability can be challenging, potentially leading to mission drift. For example, a social enterprise might prioritize profitable activities that are less aligned with its social mission to ensure financial viability, potentially compromising its core values and goals.

RENEW is a shareholder in the **RENEW Microfinance Private Limited,** an incorporated microfinance company that functions independently from the CSO.

Examples from other countries:

- **Habitat for Humanity (US)** has set up Habitat ReStores, which sells new and gently used furniture, appliances, home accessories, building materials, and more at a fraction of the retail price). The profits from ReStores are used to build and renovate homes for families in need, supporting Habitat for Humanity's mission of providing affordable housing.
- **Oxfam (UK and worldwide)** has set up Oxfam Shops selling donated goods, including clothing, books, and household items. The shops generate income that is reinvested in Oxfam's poverty alleviation programs worldwide.
- **The Desmond Tutu HIV Foundation (South Africa)** has set up the Tutu Tester Mobile Clinic, which offers health services for a fee. While the foundation provides free services to those in need, the mobile clinic generates income by offering services to individuals and organizations that can afford to pay.
- **One Acre Fund (Kenya)** has set up One Acre Fund Enterprises, which operates various income-generating activities, including the sale of agricultural inputs and services to smallholder farmers. Profits are reinvested in the organization's core programs.

2.8. Microfinance

Providing small loans to individuals or groups to start or expand small businesses, with revenue generated from interest and service fees. Microfinance can support small-scale entrepreneurs, particularly in rural areas, helping to alleviate poverty and promote economic independence. They are particularly effective to empower women by providing them with the financial resources to start their own businesses.

Pros	Cons
• **Financial Inclusion**: Microfinance empowers local communities, particularly women, by providing access to financial services that are otherwise unavailable. This financial inclusion enables them to become economically active and self-sufficient. • **Stimulates Local Economies**: By providing capital to small-scale entrepreneurs, microfinance stimulates local economies. These businesses can create jobs, increase local production, and enhance overall economic activity in rural areas. • **Recurring Revenue Stream**: Loan repayments provide a sustainable and recurring income stream for the microfinance institution, ensuring its financial viability and ability to continue lending.	• **Non-repayment or Default**: There is a significant risk of loan defaults, especially among borrowers who may lack financial literacy or face unforeseen economic hardships. • **Infrastructure Requirements**: Microfinance operations require substantial infrastructure for loan disbursement, monitoring, and collection. This includes branch networks, trained personnel, and technology systems. • **Compliance Challenges**: Navigating the complex regulatory environment for financial services can be challenging. Microfinance institutions must comply with various financial regulations, which can vary by region and country.

There are a number of licensed microfinance companies in Bhutan of which two are owned/controlled by CSOS: **RENEW Microfinance Private Limited** and **Tarayana MicroFinance**[9].

Examples from Other Countries:

- **Grameen Koota (India)** is a prominent microfinance institution in India that primarily provides financial services to women in rural areas. It offers microloans, savings, and insurance products to underserved communities. By providing small loans to women, Grameen Koota empowers them to start or expand small businesses, such as tailoring, dairy farming, and retail shops. This financial inclusion helps improve their families' economic status and promotes gender equality.
- **Nirdhan Utthan Bank (Nepal)** is Nepal's largest microfinance institution, offering microfinance services to low-income household (i.e. microloans, savings, micro-insurance, and remittance services to its clients). The bank's financial products enable small-scale entrepreneurs to invest in agriculture, livestock, and small businesses, fostering economic development in rural areas.
- **Bank Rakyat Indonesia (Indonesia)** is renowned for its extensive microfinance operations, serving millions of small-scale entrepreneurs. BRI's microfinance programs support small business owners, farmers, and traders, helping them to expand their businesses and improve their economic conditions.
- Thai Microfinance Association (Thailand) supports small-scale entrepreneurs by providing financial services tailored to their needs (i.e. microloans, financial literacy programs, and business development services). The association's services help entrepreneurs in various sectors, including agriculture, handicrafts, and retail, to start and grow their businesses, thereby enhancing economic resilience in local communities.
- **FINCA International (Global)** is a global microfinance organization that offers financial services to low-income individuals (i.e. microloans, savings, insurance, and money transfer services). FINCA's services help clients build assets, create jobs, and improve their quality of life.
- **BRAC (Bangladesh)** offers microloans, savings, and financial education to its clients. BRAC's microfinance program supports millions of clients in rural and urban areas, fostering entrepreneurship and economic development.

2.9. Corporate Social responsibility[10]

Corporate Social Responsibility (CSR) has become an integral part of modern business practices, evolving from a voluntary philanthropic initiative into a critical component of corporate strategy. Over the past few decades, the rise of globalization, increased stakeholder awareness, and the pressing need for sustainable development have driven companies to adopt CSR practices more robustly. This growth reflects a broader understanding that businesses have a responsibility not only to their shareholders but also to the broader society and environment in which they operate.

In the early stages, **CSR primarily involved charitable donations and community service activities**. Companies **engaged in CSR as a way to give back to the communities where they operated**, often driven by a sense of moral obligation. However, as the concept matured, it became clear that CSR could offer strategic benefits, such as enhanced brand reputation, customer loyalty, and employee satisfaction.

Today, CSR is deeply embedded in the strategic frameworks of many corporations worldwide, in line with the growing endorsement of Environmental Social and Governance (ESG) Standards[11]. Businesses recognize

[9] See 8. The Royal Monetary Authority of Bhutan requires deposit-taking microfinancing enterprises to be incorporated companies, and as such, the above CSOs are investors/shareholders in the companies, along with other equity investors. There are yet again informal, unregulated microfinancing in farmers cooperatives and other community-based organizations for their members through the common, non-deposit fund.

[10] Section 4 provides a more in-depth analysis of CSR in the context of Bhutan

[11] The emergence and progressive consolidation of Environmental, Social, and Governance (ESG) standards marks a significant evolution in corporate responsibility and responsible investing. Traditionally, financial analysis in corporations primarily focused on cash flows, including revenues and direct costs, often excluding non-monetary impacts or externalities, which are crucial to comprehensive project assessments. ESG standards address this gap by providing a framework that allows businesses to assess and report on a wide spectrum of issues beyond traditional financial metrics.

that sustainable practices can lead to long-term profitability and risk mitigation. The integration of CSR into corporate strategies involves a wide range of activities, including:

- **Environmental Sustainability**: Companies are increasingly adopting eco-friendly practices, such as reducing carbon footprints, promoting renewable energy, and implementing sustainable supply chain practices.
- **Social Equity**: Efforts to improve social conditions, such as fair labour practices, community development, and diversity and inclusion initiatives, are gaining prominence.
- **Governance and Ethics**: Enhanced focus on corporate governance, transparency, and ethical business practices ensures companies maintain high standards of integrity and accountability.

Pros	Cons
• **Access to Funds**: CSR partnerships provide significant funding opportunities for CSOs, enabling them to undertake large-scale projects and initiatives that may not be possible through traditional funding sources. For example, a CSO focused on environmental conservation might receive substantial funding from a corporation committed to reducing its carbon footprint, allowing the CSO to expand its reforestation projects. • **Shared Goals**: Aligning corporate and CSO objectives creates mutual benefits, as both parties work towards common social or environmental goals. • **Networking**: CSR partnerships build relationships with influential stakeholders, including business leaders, policymakers, and other CSOs, fostering collaboration and knowledge sharing. For example, a health-focused CSO partnering with a pharmaceutical company can leverage the company's network to reach more beneficiaries and advocate for better health policies.	• **Mission Drift**: CSOs might feel pressured to align their activities with corporate interests, potentially diverting from their core mission. For example, a CSO dedicated to wildlife conservation might be pushed to prioritize projects that are more aligned with a corporate partner's marketing strategy rather than its conservation priorities. • **Short-term Focus**: Corporations may prioritize short-term projects that offer immediate visibility over long-term commitments, which can undermine the sustainability of CSO initiatives. For example, a company might sponsor a one-time event for immediate PR benefits rather than committing to a long-term development project. • **Regulatory Framework**: The effectiveness of CSR initiatives often depends on a conducive regulatory framework, such as tax exemptions and supportive policies. In countries with unclear or unsupportive CSR regulations, both corporations and CSOs may struggle to navigate the legal landscape, limiting the potential for impactful partnerships. • **Company Priorities**: CSR activities are highly dependent on the priorities of the companies, particularly when CSR is not mandated by law. A corporation might shift its focus away from social projects during economic downturns, leaving CSOs without critical funding. • **Arbitrary Decisions**: Without structured, competitive mechanisms for fund allocation, CSR contributions can be arbitrary and inconsistent For example, a CSO might receive funding based on personal relationships or subjective decisions rather than a transparent, merit-based process. • **Dependency**: There is a risk of becoming too reliant on corporate partners, which can lead to financial instability if the partnership ends. For

These issues encompass environmental stewardship, social impact, and governance practices, such as how corporations address and respond to climate change, water management, supply chain management, labour practices, and the establishment of governance systems. By adopting ESG standards, companies not only mitigate or avoid risks associated with environmental and social factors but also capitalize on opportunities for innovation and growth in a market that increasingly values sustainability.

	example, a CSO heavily funded by a single corporation might face significant challenges if the corporation decides to cut back on its CSR budget.

Examples from Other Countries:

- **Smile Foundation (India)** partners with numerous corporate entities for CSR initiatives focusing on education, healthcare, and livelihood support. Companies like Nokia, Ericsson, and Coca-Cola have funded their projects.
- **Goonj (India)** engages with corporate partners to address urban and rural poverty through its various initiatives. Companies like Godrej and Tata have supported Goonj's projects through their CSR funds.
- **Teach For Nepal (Nepal)** collaborates with local and international companies to fund educational programs in rural areas. CSR contributions from organizations like the Nepal Investment Bank and Ncell have played a significant role in supporting their mission.
- **Practical Action (Nepal)** receives CSR funding from various corporations to implement projects on renewable energy, sustainable agriculture, and disaster risk reduction.
- **YCAB Foundation (Indonesia)** partners with companies such as HSBC, Microsoft, and Chevron to support educational and entrepreneurial programs for underprivileged youth.
- **Kopernik** (Indonesia) utilizes CSR funds from corporations like Unilever and Mitsubishi to provide innovative technology solutions to rural communities.
- **The Hub Saidek (Thailand)** receives CSR support from local businesses and international companies to provide services and support to street children and marginalized youth.
- **Thai Health Promotion Foundation (Thailand)** is supported by CSR funds from companies such as PTT Group and CP Group to promote public health initiatives and community welfare programs

2.10. Sponsorships

Sponsorships involve securing financial support from businesses or individuals in exchange for promoting their brand or products. Unlike CSR, which is often focused on broader social or environmental objectives, sponsorships are primarily marketing-driven, with companies seeking visibility, brand recognition, and positive associations with the sponsored activities. Sponsorships can support events, programs, initiatives, or even the general operations of a CSO.

Pros	Cons
• **Access to Funds:** Sponsorships provide an immediate and often substantial influx of funds that can support specific projects, events, or operational costs. • **Mutual Benefits**: Sponsorships create a mutually beneficial relationship where both the sponsor and the CSO gain value. The sponsor receives marketing benefits, while the CSO gains financial support. For example, a technology company sponsors a CSO's digital literacy program, gaining positive brand association while helping to promote digital inclusion. • **Increased Visibility**: Sponsored events or initiatives often receive more publicity and media coverage, benefiting both the sponsor and the CSO. • **Enhanced Credibility**: Partnering with reputable sponsors can enhance the credibility and perceived	• **Reputation Damage:** CSOs are often valued for their integrity and commitment to their social or environmental missions. Associating with companies that are perceived to be insincere or misleading about their CSR activities can tarnish a CSO's reputation. • **Loss of Public Trust:** Public trust is crucial for CSOs, as it underpins their ability to mobilize support, secure funding, and effectively advocate for their causes. If the public perceives that a CSO is collaborating with a company engaged in greenwashing or social washing, it can erode trust in the CSO. • **Ethical Concerns**: Aligning with certain sponsors can raise ethical concerns, especially if the sponsor's business practices or products conflict with the CSO's values.

legitimacy of a CSO, attracting more support from the community and other potential donors. For example, a sponsorship deal with a well-known multinational company can boost a CSO's profile and make it more attractive to other donors and partners. • **Networking Opportunities**: Sponsorships can open doors to new networks and partnerships with businesses and other organizations. For example, a CSO that secures sponsorship from a major corporation may gain access to the corporation's business network, creating opportunities for additional collaborations and support.	• **Backlash from Stakeholders:** Stakeholders, including donors, volunteers, and beneficiaries, may react negatively to perceived insincerity in corporate partnerships, leading to backlash and reduced engagement. For example, volunteers and donors might withdraw their support if they believe the CSO is prioritizing corporate relationships over genuine social impact, particularly if the corporate partner's actions contradict the CSO's values. • **Mission Drift**: The need to align with sponsor interests can lead to mission drift, where the CSO's activities shift to accommodate sponsor preferences. For example, a CSO might prioritize projects that appeal to sponsors rather than those most aligned with its mission, diluting its core focus. • **Dependency**: Over-reliance on sponsorships can create financial instability if sponsors withdraw their support. For example, a CSO that heavily relies on sponsorships for its annual fundraising event might struggle to cover costs if a key sponsor pulls out. • **Short-term Focus**: Sponsors often prioritize short-term, high-visibility projects, which can undermine the long-term sustainability of CSO initiatives. For example, a sponsor might fund a one-time event for immediate exposure but show little interest in supporting ongoing programs that require sustained investment.

Examples from other countries:

- **UNICEF and IKEA Foundation**: The IKEA Foundation has sponsored various UNICEF initiatives, focusing on child welfare and education. This partnership has provided significant funding for UNICEF programs, enhancing their capacity to support children's rights and education worldwide.
- **Nike and the Girl Effect**: Nike has sponsored the Girl Effect initiative, which aims to empower adolescent girls through education and community development. The sponsorship provides financial backing and visibility to the initiative, helping to scale its impact globally.
- **TOMS and Charlize Theron Africa Outreach Project (CTAOP)**: TOMS has sponsored CTAOP, which supports African youth in the fight against HIV/AIDS. This sponsorship helps fund CTAOP's programs while promoting TOMS' brand commitment to social causes.

2.11. Comparative analysis and relevance for Bhutan

	Summary of pros	Summary of cons	Relevance for Bhutan
1. Consultancy services	• Revenue Generation • Expertise Sharing • Reputation Building	• Competitive Market • Initial Investment • Resource Intensive	• Potential for income and capacity building • Requires development of market for consultancy services (e.g. private sector; donors; government agencies)

			• Requires business acumen
2. Asset management	• Steady income • Control over resources • Builds reserves • Enhances visibility Complementary to other sources (e.g. consultancy services, events_	• High initial costs • Maintenance costs Risk of depreciation	• High initial costs and maintenance could be challenging in Bhutan's context without an initial donation
3. Event organisation	• Visibility: • Community Engagement • Diverse Revenue:	• Resource Intensive • Risk of Failure • Distraction	• Can raise awareness and funds, especially for advocacy and research organizations in Bhutan. • Limited population in Bhutan and difficult access for international public • Extensive approval and bureaucratic processes from multiple agencies
4. Membership fees	• Predictable Income • Engaged Community • Sustainability:	• Member Recruitment • Member Benefits • Post-COVID Context	• Suitable for creating a dedicated support base • Financial difficulties in the post-COVID context might limit effectiveness • Some associations are struggling to sustain their membership fees (and had to suspend them during COVID) • There are also successful membership schemes that are more resilient as they broad based and flexible
5. Crowdfunding	• Wide reach • Project-specific funding Engages the community Transparency • Quick funds in emergencies	• Requires significant marketing effort • Uncertain results • Time-consuming Platform fees • Regulatory and transfer challenges	• Effective for raising awareness and funds for specific projects • Limited local market • Challenges with access to global platforms (for potential local donors) and associated fees • Non-existence of a dedicated CSO domestic platform (only RSEBL[12] , for both CSOs and start-ups)
6. Social enterprises	• Financial Independence • Mission Alignment	• Business Risk • Capacity	• Aligns with GHN principles • Limited by regulatory challenges and lack of conducive

[12] https://rsebl.org.bt/online/assets/manuals/InvestorManual.pdf

	• Innovation	• Regulatory Challenges	environment (lack of tax exemptions. SE treated as private companies) • Confusion between SE and investment in Subsidiary profit-making enterprises in current CSOA Guidelines • Lack of impact investment funding /venture capital • Needs support for business skills
7. Investments in Subsidiary profit-making enterprises	• Financial Independence • Steady Income • Particularly effective for CSOs involved in service delivery • Tax exemptions	• Deviation from CSOs mission • Unfair competition • Lack of adequate skills and/o resources • Lack of Dedicated Regulation • Non-Conducive Environment • Balancing Mission and Profit	• Confusion between SE and investment in Subsidiary profit-making enterprises in current CSOA Guidelines • Needs support for business skills • Can face resistance and even criticism from private sector in Bhutan for unfair competition • Can face criticism from public and lack of understanding
8. Micro finance	• Empowers communities • Stimulates economic development • Provides recurring income	• Credit risk • Resource intensive • Regulatory hurdles	• Promotes economic independence and aligns with GHN • Several micro finance institutions are struggling to recover the loans • Requires strong regulatory framework and management skills to mitigate risks
9. Corporate Social Responsibility (CSR) Funds	• Access to significant funding opportunities • • Alignment with corporate goals • Builds relationships with stakeholders	• Potential for mission drift • Short-term focus • Requires conducive regulatory framework • Highly dependent on company priorities	• Aligns with Bhutan's GHN principles but requires maturation of CSR practices and regulatory frameworks • CSR is still in its infancy in Bhutan (volume and approach-wise). State Owned Enterprises (SOEs) provide small donations and often religious-related. • Risk of arbitrary decisions without structured mechanisms

10. Sponsorships	• Access to Funds • Mutual Benefits • Increased Visibility • Enhanced Credibility: • Networking Opportunities	• Reputation Damage • Loss of Public Trust • Ethical Concerns • Backlash from Stakeholders • Mission Drift • Dependency • Short-term Focus	• Effective for short-term visibility and immediate funding. However, still in its infancy when it comes to CSO sponsorship. • Ethical concerns and mission drift may conflict with Bhutan's values. • Can face criticism from public and other CSO stakehodlers

Overall, each approach has **its unique set of benefits and challenges**, strongly influenced by the context in which they are implemented. As highlighted in the introduction, factors such as the presence of a supportive regulatory environment—encompassing tax policies, regulatory support, and the recognition of CSOs' roles in development—as well as the existence of a local fundraising culture and available philanthropy opportunities, play crucial roles.

For CSOs in Bhutan, the key is to **strategically select and combine these approaches** in a manner that aligns with their mission, leverages their strengths, and addresses the specific opportunities and challenges of the Bhutanese context.

3. The case for Social Entrepreneurship in Bhutan

Echoing regional and worldwide trends, the social entrepreneurship landscape in Bhutan is steadily emerging, with a growing recognition of its potential to address social issues while fostering economic development.

3.1. Analysis of the regulatory framework in Bhutan

The regulatory framework for social enterprises in Bhutan is however very incipient. Currently, there are no specific laws or policies that exclusively govern social enterprises; instead, SE operate under the general regulatory framework for businesses and CSOs. The Civil Society Organizations Authority oversees CSOs, including those that operate social enterprises.

Recently, the CSO Authority has issued new Guidelines for CSOs, aimed at providing Bhutanese CSOs with a "roadmap to navigate complex financial landscapes and secure their ability to effect positive change in the communities with renewed vigour and long-term impact". Section B is devoted to Social Enterprises, and includes the following:

- **Definition and Scope:** The CSOA Guidelines define a CSO's social enterprise as a business venture operated by a CSO to generate revenue that is reinvested back into the organization to implement its plans and programs addressing societal issues. The guidelines emphasize that social enterprises must operate independently under existing trade and commercial norms, with clear policies and investment strategies, and must ensure that returns are ploughed back into the organization.
- **Policy and Procedures:**

  Investment Policies: CSOs must develop transparent policies and guidelines for investment, which should be regularly reviewed to maximize returns while adhering to ethical considerations.

Board Approval: Proposals for social enterprises must be endorsed by at least two-thirds of the CSO's Board of Trustees and submitted to the Civil Society Organizations Authority (CSOA) for review and approval.

Trade License: CSOs must obtain the necessary trade licenses or permits from relevant agencies.

Operational Independence: Social enterprises should operate independently, and income or returns to the CSO must be reflected in the annual accounts of the CSO after covering all necessary expenditures and taxes.

Accountability and Liability: The separate management of the social enterprise must report to the CSO's Board of Trustees. The CSO must ensure that the income from the enterprise is not divided or distributed to members, founders, supporters, donors, employees, or directors.

- **Financial Sustainability and Risk Management:** CSOs must provide financial projections, including revenue, expenses, and anticipated profits, and explain how the returns will be reinvested to further their social mission. They must also outline the structure and roles of the social enterprise, ensuring commitment to fair wages and labour rights. Additionally, CSOs must identify potential risks (financial, operational, reputational) and outline necessary mitigation strategies.
- **Approval and Rejection:** The CSOA will approve or reject social enterprise proposals based on compliance with mandatory requirements, performance of the CSO, essence of the venture, and competency of the CSO.
- **Accountability:** The Board of Trustees is accountable for the outcomes of the venture, including clearing all debts and outstanding obligations. In the event of voluntary cessation of the venture, the CSO must inform the CSOA and follow proper procedures to close the operation.

An initial assessment of the Guidelines reveals several potential risks. Firstly, the Guidelines emphasize the need for compliance with trade and commercial norms, which **may be complex and burdensome for CSOs lacking business expertise**. Additionally, establishing and managing a SE requires significant resources, including **financial investment and skilled personnel, which can be challenging for smaller CSOs with limited capacity and resources and,** in a context where **impact investment** funding is not yet available[13].

The criteria for approval by the CSOA and a key requirement of the policy and procedure part of the Guidelines that the CSO SEs must function independently, and under the existing trade norms and regulations may pose

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[13] Impact investment funding refers to investments made with the intention of generating positive, measurable social and environmental impact alongside a financial return. This type of funding is increasingly recognized as a viable alternative to traditional philanthropic donations and grants, as it seeks to address some of the world's most pressing challenges through market-driven solutions. The dual goal of impact investment—to achieve both financial and social returns—makes it particularly appealing to investors looking to create a meaningful change while ensuring financial sustainability. Some examples of institutions providing impact investment include:

- Acumen: non-profit global venture fund that uses entrepreneurial approaches to solve the problems of poverty. It invests capital in businesses, leaders, and ideas that are building sustainable solutions in health, education, energy, and agriculture.
- RSF Social Finance: provides investment opportunities and loans to social enterprises and projects that promote sustainability, social justice, and the arts. Its approach combines financial sustainability with positive social impact.
- Root Capital: provides loans to small and growing agricultural businesses in Africa, Latin America, and Southeast Asia. These businesses provide jobs, income, and opportunities for smallholder farmers, who typically lack access to capital.
- BlueOrchard Finance: impact investment manager dedicated to fostering inclusive finance. It invests in microfinance institutions and funds projects that promote sustainable development and climate action.
- Calvert Impact Capital: non-profit investment firm that works to create a more equitable and sustainable world. It raises capital from investors to finance organizations working in sectors like affordable housing, renewable energy, and sustainable agriculture.
- Triodos Bank: European bank that only finances companies and organizations that have a positive social, environmental, and cultural impact. It offers loans and investment opportunities in renewable energy, organic farming, and social enterprises.

a contradiction. The three levels of approval processes at the Board of the CSO, approval by the CSOA, and registration/licensing approval process from trade regulators could potentially pose challenges. First, CSO Board of Trustees could be risk-averse and unaware of the reinvestment requirements (confusion with profit-making investments) for SEs. Secondly, there could be delays during the approval process at the CSOA. Finally, the CSO SEs need buy-ins from conventional business and trade regulators on the concept of SEs and operation of SEs by CSOs as alternative funding sources.

Moreover, **there is a notable overlap and potential confusion between the concept of social enterprises (SE) and the investment by CSOs in private companies**. The CSOA approval criteria further adds to this confusion. The Guidelines outline the establishment and operation of SE as a means to generate revenue for social purposes, yet the distinction between SE and private investment by CSOs remains unclear, posing a risk of misinterpretation:

Operational and Legal Independence	Mission Alignment vs. Profit Motive	Regulatory and Compliance Requirements	Governance and Accountability
• SE are closely integrated or aligned with the CSO's mission and governance. • The investment in private companies suggests a more detached relationship, where the CSO acts more like an investor rather than an operator.	• SE focus on achieving social or environmental objectives, with profit supporting these goals. • Private Investments focus on generating profit, which may then be used to support the CSO's mission.	• SE must comply with both commercial regulations and specific guidelines ensuring profits are reinvested into the social mission. • Private Investments comply with commercial regulations, but the reinvestment of profits into the CSO's mission may be less strictly monitored.	• SE are directly accountable to the CSO's Board of Trustees, ensuring alignment with CSO's mission. • Private Investments have separate governance structures, potentially leading to less direct control and oversight by the CSO.

3.2. Comparative Analysis of Regulatory Frameworks in Countries with advanced Social Enterprise Legislation

Social entrepreneurship is increasingly recognized for its dual role in addressing social and environmental problems while simultaneously fostering economic development. This rising popularity underscores its potential to contribute significantly to societal well-being and sustainable development.

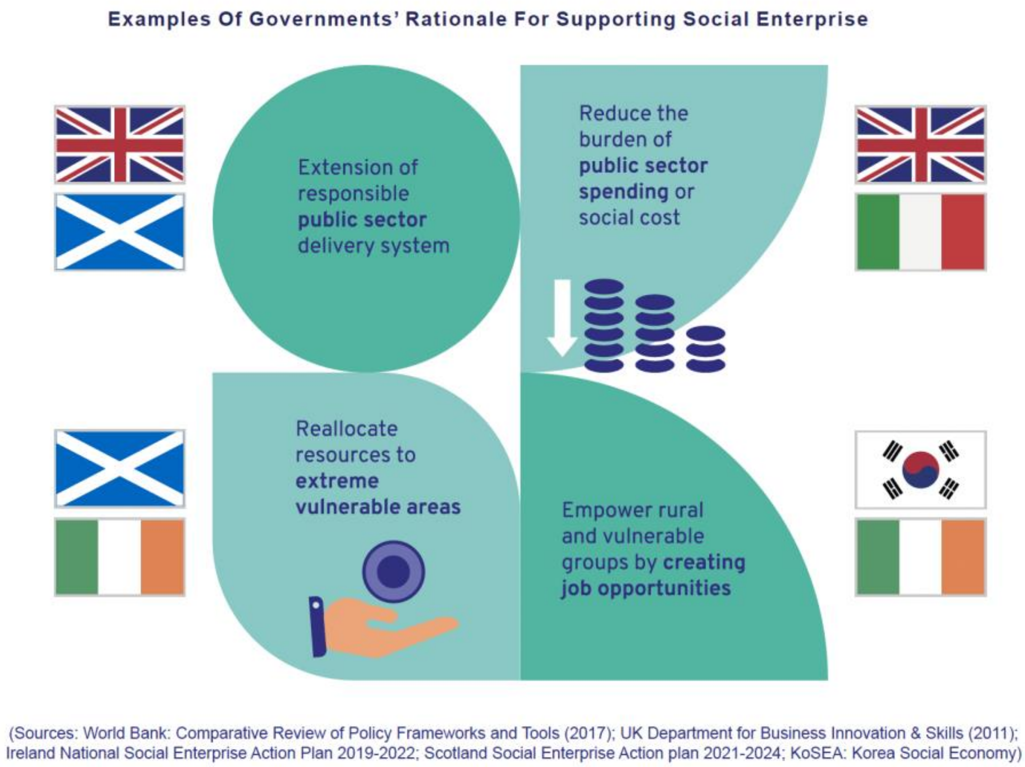
In the pursuit of building an ideal landscape for social entrepreneurship, the collaboration between the public and private sectors has proven crucial. Many countries have demonstrated that co-constructing enabling environments with diverse stakeholders is vital for the growth of social enterprises within the social economy sector. These collaborative efforts not only provide the necessary resources and support but also create a conducive policy and regulatory framework that nurtures social entrepreneurship.

The motives for **supporting social enterprises are manifold**. Social enterprises:

- Address pressing social and environmental issues.
- Promote inclusive economic growth.
- Foster innovation and sustainable development.
- Enhance community resilience and empowerment.

- Create job opportunities, particularly for marginalized groups.

The figure below illustrates the diverse motivations for supporting social entrepreneurship.



Source: Malaysian Social Entrepreneurship Blueprint 2230

International evidence suggests that one of the key factors enabling the development of social enterprises is the establishment of specific regulatory frameworks. These frameworks provide clarity, legitimacy, and support for social enterprises, ensuring they can operate effectively and sustainably. Here are some examples of successful regulatory frameworks from various countries:

3.2.1. Vietnam: Social Enterprise Law

- **Legislation**: The Enterprise Law 2014 and Decree 96/2015/ND-CP
- **Definition and Scope**: In Vietnam, social enterprises are defined as organizations operating with the primary goal of addressing social, environmental, or community issues. These enterprises must reinvest at least 51% of their annual profits back into their social or environmental missions.
- **Operational Requirements**: Social enterprises in Vietnam must register as business entities and explicitly declare their social or environmental objectives. They are subject to regular audits to ensure compliance with their stated missions and profit reinvestment commitments.
- **Approval and Reporting**: Social enterprises are required to provide annual reports detailing their social or environmental impact and the reinvestment of profits. The government offers Guidelines and support but limited direct financial incentives specifically for social enterprises.

3.2.2. South Korea: Social Enterprise Promotion Act (SEPA)

- **Legislation**: Social Enterprise Promotion Act, enacted in 2007
- **Definition and Scope**: South Korea defines social enterprises as entities that pursue social objectives, including providing social services, creating jobs for marginalized groups, and promoting public welfare. These entities must generate a significant portion of their income from commercial activities.
- **Operational Requirements**: Social enterprises must obtain certification from the Ministry of Employment and Labor, meeting specific criteria such as focusing on social objectives and generating income through business activities. Certification ensures that the enterprises maintain their social mission.
- **Approval and Reporting**: Certified social enterprises must submit regular reports on their social impact, financial performance, and adherence to certification criteria. The government provides financial support, tax incentives, and capacity-building programs for certified social enterprises.

3.2.3. United Kingdom: Community Interest Company (CIC) Model

- **Legislation**: Companies (Audit, Investigations and Community Enterprise) Act 2004
- **Definition and Scope**: CICs are businesses that trade for a social purpose, focusing on providing community benefits rather than maximizing shareholder profits. The legislation ensures that profits and assets are locked in community benefit.
- **Operational Requirements**: CICs must submit a community interest statement and pass a community interest test, demonstrating that their activities benefit the community. They are also subject to an asset lock, ensuring that assets and profits are used for community purposes.
- **Approval and Reporting**: CICs are required to submit annual reports to the Regulator of Community Interest Companies, detailing their social impact and how they have used their assets and profits. This ensures transparency and accountability.

3.2.4. Malaysia: Social Enterprise Blueprint 2030 (SEMy2030)[14]

- Definition and Scope: The MSEB The Malaysia Social Entrepreneurship Blueprint 2030 (SEMy2030) with the theme “Mainstreaming Social Enterprise, Normalising Social Impact” sets the new direction for the development of social entrepreneurship in Malaysia. It aims to mainstream social enterprise as an effective contributor to the country’s inclusive, balanced and sustainable socioeconomic development. It defines social enterprises as businesses that primarily address social or environmental issues and use profits to sustain their operations and achieve their mission. Social enterprises in Malaysia aim to be financially self-sustaining while creating social impact.
- **Operational Requirements**: Social enterprises are expected to balance commercial viability with social impact. They must have a clear social mission, measurable social impact, and a sustainable business model. The MSEB does not mandate a specific legal form for social enterprises, allowing flexibility in choosing the most suitable business structure.
- **Approval and Reporting**: The MSEB emphasizes the importance of transparency and accountability. Social enterprises are encouraged to adopt best practices in governance and reporting to demonstrate their social impact and financial performance. While there are no mandatory reporting requirements, social enterprises are advised to regularly publish impact reports.

3.2.5. United States: Benefit Corporation Model[15]

- **Definition and Scope**: Benefit Corporations must create a positive impact on society and the environment, balancing profit with purpose. They are required to consider the impact of their decisions on stakeholders, including workers, community, and the environment.
- **Operational Requirements**: These corporations must include specific benefit purposes in their articles of incorporation and meet higher standards of accountability and transparency. They are required to provide

[14] https://www.kuskop.gov.my/admin/files/med/image/portal/PDF/SEMy2030/SEMy2030_Booklet_ENG.pdf
[15] https://usca.bcorporation.net/benefit-corporation/

an annual benefit report assessed against a third-party standard, detailing their social and environmental performance.

- **Approval and Reporting**: Benefit Corporations must file annual reports with the States, showing how they have pursued their general public benefit purpose. These reports must be made available to the public, ensuring transparency.

3.2.6. The Philippines: Social Enterprise Act (Proposed Legislation[16])

- **Definition and Scope**: Social enterprises in the Philippines are defined as organizations engaged in providing goods and services with the primary aim of achieving social objectives, particularly poverty reduction. They must prioritize marginalized and vulnerable sectors in their operations and business models.
- **Operational Requirements**: Social enterprises must register with relevant government agencies and meet specific criteria, including a focus on social objectives, equitable income distribution, and ethical business practices. The proposed legislation includes provisions for financial transparency and accountability.
- **Approval and Reporting**: Social enterprises must submit regular impact assessments and financial reports. The government would provide support through tax incentives, capacity-building programs, and access to financing.

3.3. Initial recommendations

To create a robust ecosystem for Social Enterprises in Bhutan, a number of strategic measures should be implemented. These recommendations draw on international best practices and are tailored to fit the unique cultural and socio-economic context of Bhutan. By adopting these strategies, Bhutan can foster a supportive environment that promotes the growth and sustainability of social enterprises, ensuring they can effectively contribute to the nation's social, environmental, and economic goals. The following recommendations outline key steps to achieve this vision:

- **Clarify Existing Guidelines:** To effectively promote social enterprises, it is essential to distinguish them clearly from private investments within existing CSOA Guidelines. Social enterprises should be clearly defined, outlining their unique goals (**in alignment with the CSOs' missions),** legal obligations, and operational frameworks. This clarity will help CSOs, and other stakeholders understand the specific objectives of Social Enterprises, ensuring they are not conflated with private investments that do not strictly adhere to a social mission.

- **Further Research on the Concept with a view to developing a specific legal form in Bhutan:** Deepening the research on establishing a specific legal form for social enterprises in Bhutan is crucial. This involves learning from international experiences such as Community Interest Companies (CICs) in the UK, Benefit Corporations (B Corps) in the US, the Malaysian Social Enterprise Blueprint (MSEB), and frameworks from the Philippines. Engaging academia, for instance, the JSW Law School (which runs a clinic on Social Enterprises[17]-, can provide valuable insights and support in this endeavour. This should be done considering the specific values and cultural background of Bhutan. In particular, the concept of "intentional interdependence[18]" between a business and a community could be further explored as a basis for social enterprises in Bhutan.

[16] https://legacy.senate.gov.ph/lisdata/3034527203!.pdf
[17] https://jswlaw.bt/clinics/
[18] Finding the Right Path: Towards a Buddhist Sense of Corporate Ethics in Bhutan. Seoul National University Asia Center - Asia Review Vol. 11(3) (2021) Bhutan Law Network / JSW Law Research Paper Series Forthcoming Stephan Sonnenberg Seoul National University - College of Law; Adrian Von Bernstorff ; Jigme Singye Wangchuck School of Law - Bhutan Law Network; Thinley Namgay
Bhutan Blossoms. Date Written: December 31, 2021

- **Cultivate Impact Investment**[19]: Fostering access to social impact venture capital and impact investment is vital for the growth and sustainability of social enterprises. Policymakers should focus on creating and promoting programs related to impact investment, such as the newly created **Programme Related Investment (PRI) by the Bhutan Trust Fund for Environmental Conservation (BTFEC).** Impact investments align investor interests with the social goals of Social Enterprises, enhancing their ability to achieve measurable social and environmental impacts alongside financial returns. By attracting impact investors, social enterprises can access the necessary capital to scale their operations, innovate solutions to societal challenges, and ensure financial sustainability. This approach not only provides funding but also promotes accountability and transparency, as investors typically require rigorous impact assessment and reporting. Additionally, developing a robust impact investment ecosystem can create a supportive environment that encourages more private sector engagement, ultimately leading to a more resilient and inclusive economy.

ABOUT IMPACT INVESTMENT

Impact investment is a strategy that aims to generate both financial returns and measurable social and environmental benefits. This dual focus makes it an essential mechanism for supporting the growth and sustainability of social enterprises. By aligning the interests of investors with the social missions of these enterprises, impact investment facilitates the development of scalable and sustainable solutions to societal challenges.

One notable example is the **Global Impact Investing Network (GIIN**)[20], which connects investors with impactful opportunities worldwide. GIIN supports a community of like-minded investors dedicated to achieving positive social and environmental outcomes alongside financial performance. Another example is **Acumen Fund**[21], which invests in companies, leaders, and ideas that are tackling poverty and creating sustainable change in the world's poorest regions.

In Asia, **Aavishkaar**[22]**,** an impact investment firm, focuses on early-stage enterprises in India and other developing countries in the region. Aavishkaar invests in businesses that provide essential services such as healthcare, education, and clean energy, helping to drive both social impact and financial returns. Similarly, **Patamar Capital**[23] invests in scalable businesses in South and Southeast Asia, aiming to improve the lives of low-income communities by supporting enterprises in sectors like agriculture, education, and financial inclusion.

The **Asian Venture Philanthropy Network (AVPN)**[24] also plays a significant role in promoting impact investment across Asia. AVPN connects social investors, foundations, and impact funds to high-impact social enterprises. For instance, the AVPN members have supported enterprises like Educate Girls, which focuses on improving educational outcomes for girls in rural India, and Frontier Markets, which provides clean energy solutions to low-income households in India.

- **Effective Evidence-based Dialogue and Partnerships:** Fostering dialogue and building constructive relationships across stakeholders is essential for advancing Social Enterprise policies in Bhutan. This involves creating and nurturing multi stakeholder platforms -involving all relevant actors from the CSOA to the Bhutan Chamber of Commerce and Industry (BCCI and the Corporate Regulatory Authority, as well as other relevant government authorities, CSOs and existing Social Enterprises (both from the civil society and private sector) – to discuss models and support systems based on the current state of play using evidence and data. Additionally, engaging the government in discussions about possible governmental incentives, such as tax exemptions and subsidies for Social Enterprises, can provide further support for these entities.
- **Leverage International Influence**: Engaging international institutions such as the European Union (EU), United Nations (UN) bodies, the World Bank and other donors (including philanthropies) can significantly shape the policy environment for social enterprises. Their involvement ensures that social enterprises are integrated into broader policy agendas, offering additional support and credibility:

[19] The development of an impact investment fund was explored by RMA in the past.
[20] https://thegiin.org
[21] https://acumen.org
[22] https://aavishkaarcapital.in/about/
[23] https://patamar.com
[24] https://avpn.asia

European Union (EU): The EU has a strong commitment to social enterprises through initiatives like the Social Business Initiative (SBI)[25] and the European Social Fund (ESF)[26]. These programs provide funding, support, and networking opportunities for social enterprises. For example, the EU has supported social enterprises in member states by offering grants and loans through the European Investment Fund (EIF)[27], which helps social enterprises scale their impact and sustainability. The Eu also recently launched the Social Enterprises Monitor[28].

United Nations (UN): Various UN agencies, such as the United Nations Development Programme (UNDP) and the United Nations Industrial Development Organization (UNIDO), have programs dedicated to supporting social enterprises. These programs often provide technical assistance, capacity building, and funding to social enterprises in developing countries. For instance, UNDP's Youth Co-initiative[29] supports young social entrepreneurs across Asia-Pacific by offering mentorship, training, and funding opportunities.

World Bank: The World Bank has several initiatives aimed at promoting social entrepreneurship and inclusive growth. One such initiative is the Social Enterprise Innovations[30], which works to scale innovations in service delivery into the World Bank Group's (WBG) operations and research. Additionally, the World Bank provides technical assistance and policy advice to governments to create enabling environments for social enterprises.

Purpose Foundation: The foundation, as part of the broader Purpose Network, researches and enables alternative forms of ownership and financing.

International Donors: Many international donors, such as the Ford Foundation, Rockefeller Foundation, and the Bill & Melinda Gates Foundation, are actively investing in social enterprises. These foundations provide grants, impact investments, and capacity-building support to social enterprises worldwide. For example, the Rockefeller Foundation's Zero Gap[31] portfolio focuses on mobilizing private capital for social and environmental impact, supporting innovative financing mechanisms for social enterprises.

4. The case for CSR and its potential for enhanced impact, in alignment with the GNH

In Bhutan, Corporate Social Responsibility (CSR) is still an emerging concept. The regulatory framework for CSR is in its nascent stages of development.

The **2016 Companies Act** [32], which establishes the regulatory framework governing companies in Bhutan, outlines, in Article 163, that the Regulatory Authority shall establish a Code of Conduct for the governance of companies. This Code of Conduct is intended to promote conditions that enable the pursuit of Gross National Happiness (GNH), in accordance with Article 9, Section 2 of the Constitution of the Kingdom of Bhutan.

The Companies Act mandates that this Code of Conduct should include policies on business ethics, auditing, risk management, good corporate governance, ownership, human resource management, and **corporate social responsibility**. Specifically, the Act stipulates that "all companies shall maintain a Corporate Social

[25] https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8373&furtherPubs=yes
[26] https://european-social-fund-plus.ec.europa.eu/en/what-esf
[27] https://www.eif.org
[28] https://social-economy-gateway.ec.europa.eu/european-social-enterprise-monitor-its-time-have-your-voice-heard-euclid-network-2023-12-01_en
[29] https://www.youthcolab.org
[30] https://elibrary.worldbank.org/doi/10.1596/978-1-4648-0484-7_social_enterprise_innovations
[31] https://www.rockefellerfoundation.org/initiative/zero-gap-fund/
[32] https://www.cra.gov.bt/?page_id=46

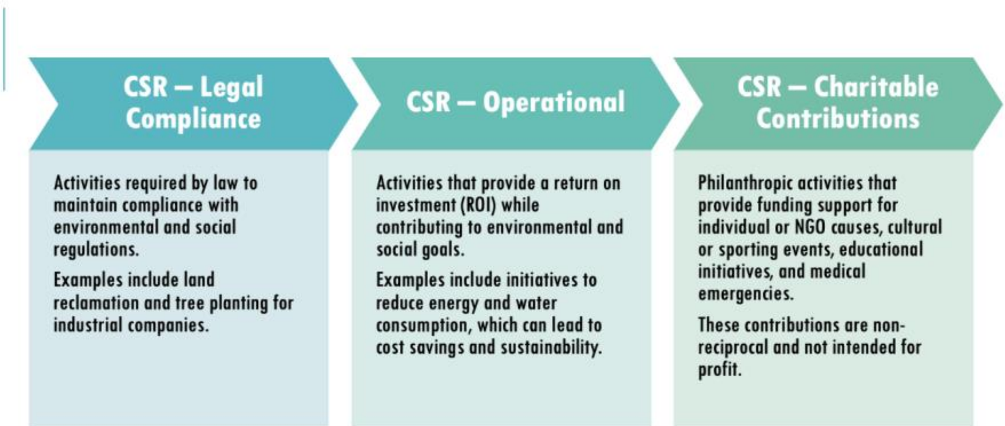
Responsibility fund, which shall be administered by the respective Company Board in line with the regulations issued by the Authority."

At present, the Corporate Governance and Corporate Social Responsibility Code of Bhutan, 2022 is in effect, but not enforced. A revised version is planned to be launched at the end of this year and enforced from 2025. The existing 2022 code is quite comprehensive in its scope and clarity, and it is expected that the revised code retains majority of the provisions. There are general and specific provisions that require establishment of CSR Committees, annual CSR reports, due diligence and assessment, and minimum funding requirements. For instance, all profit-making companies are required to set aside a tax-deductible CSR fund of 0.5% calculated from the net profits of the preceding year. All profit making (i) listed companies, (ii)SOEs, and (iii) companies employing more than 50 persons are required to set aside 1%, which is also tax deductible. This has the potential to be a source of substantial funding. The Bank of Bhutan, for example, declared a profit of over Nu. 1 billion in 2023[33], which comes to over Nu. 10 million (1%) for CSR. The development and enforcement of this Code are crucial steps towards integrating CSR into the business practices of companies in Bhutan. The aim is to ensure that companies contribute to the social and environmental goals of the country while aligning their operations with the principles of GNH.

4.1. Analysis of CSR trends in Bhutanese DHI Portfolio companies

The **DHI CSR Policy 2013[34]** (subsequently reviewed in **2016[35] and further developed in the 2019 Greenbook[36]**) outlines the framework for Corporate Social Responsibility (CSR) within Druk Holding & Investments (DHI) and its fully owned companies (DOCs). It defines CSR as the responsibilities of businesses to align their operations and actions with the values and objectives of society. The policy aims to create a comprehensive approach to CSR by identifying qualifying activities and establishing systematic funding methods. DHI's approach to CSR is deeply influenced by Bhutan's Gross National Happiness (GNH) philosophy. The guidelines are mandatory for DHI and its DOCs, serving as a guide for their CSR activities. Other subsidiary companies are encouraged to adopt these guidelines to develop their own CSR frameworks.

The Guidelines categorize CSR activities into three main types:



The CSR guidelines emphasize the importance of feasibility, significant impact, and credible proposals with clear budgets and timelines. CSR activities are strictly governed to align with DHI's ethical and operational standards, prohibiting benefits to employees and their families, political support, and activities serving

[33] BOB Annual Report 2023
[34] Company guidelines on corporate social responsibility. Druk holding & investments ltd. 2013
[35] Guidelines for undertaking Corporate Social responsibility by DHI Portfolio Companies. 2016. Second edition
[36] DHI Corporate governance code. CG series 2. 2019

management interests[37]. Additionally, CSR funds must not duplicate government projects or normal commercial activities.

CSR fund allocation is structured within the annual DHI portfolio companies' budget, with specific limits (see table below) and no carry-over of unused funds.

Company	CSR Charitable Contribution Budget allocation per year (as established in 2013[38])
Druk Holding and Investments Ltd.	1.200.000
Druk Green Power Corporation Ltd.	1.000,000
Bhutan Power Corporation Ltd.	1.000,000
Natural Resource Development Corporation Ltd.	750,000
Druk Air Corporation Ltd.	750,000
Bhutan Telecom Ltd.	750,000
Bank of Bhutan Ltd.	750,000

The amounts prescribed by the 2013 Guidelines and established as maximums (rather than as a percentage of average net profits) have not been revised in the 2016 Guidelines. When compared to the annual profits of the companies, these amounts represent a very small fraction, between 0,02 and 0,03% [39].

DHI CSR Guidelines also stipulate that clear distinctions must be maintained between marketing (i.e., sponsorships) and CSR activities to preserve the integrity and "non-reciprocity" of CSR initiatives. Robust monitoring and reporting mechanisms are mandated to ensure transparency and accountability. DHI Portfolio companies are required to monitor and report their CSR activities and publicize any significant contributions. Annual reports must include detailed sections on CSR initiatives, and online reporting is encouraged.

What follows is an assessment of the CSR practices of DHI and 5 of its Portfolio Companies based on information collected during the interviews organised in the course of the mission[40].

		CSR			Non CSR
		Legal Compliance	Operational	Charitable contributions	Sponsorship[41]
Druk Holding and Investments (DHI)	Analysis	Mandatory as per DHI guidelines: • Addressing legal compliance (environmental and social) • Operational budget (not CSR dedicated budget)	As per DHI guidelines: • Profitable (ROI) • Environmental and Social (beyond • Operational budget (not CSR dedicated budget)	As per DHI guidelines: • Eligibility: Philanthropic requests for individual causes/ NGO causes/ Restoration and renovation of religious sites /Sponsoring cultural or sporting events/ Donating to support students, events, workshops, conferences, etc./ Cash or in-kind donations for	• Not considered under CSR as per DHI Guidelines • Profitable: (ROI) • Marketing tool

[37] The Corporate Governance & CSR Code 2022 too maintains a list of activities that are not considered CSR. Additionally, the revised Code will not consider legal and regulatory compliance, including costs that are included in the operational expenses. Example: DGPC building a school at their project site for the employee families is considered an operational expense to attract and retain employees.
[38] Company guidelines on corporate social responsibility. Druk holding & investments ltd. 2013
[39] To mention a couple of examples: DHI Net Profit FY2022: Nu. 4,793 b. CSR Contribution: Nu. 1,200,000 CSR Contribution= 0.025% / BT Net Profit FY2023: Nu. 2,431 b. CSR Contribution: Nu.750.000 CSR contribution: 0.03%

[40] See Annex 1 for the list of interviews.
[41] According to DHI Guidelines (section 4.1.2) Companies are required to clearly differentiate between activities that fall under 'Marketing' and 'CSR'. A cause-marketing activity of the company only generates PR and does not have direct social or environmental implication for communities. For instance, funding an event where the company gets recognition as the official sponsor shall be reported under marketing and not CSR.

				schools/ Medical emergencies/Print/publications • Criteria: Non reciprocity & Not for profit • Unsolicited Walk-in proposals • No need for publicity • Maximum CSR budget: 1.200.000 • Approval: Below 25.000 approval by CEO / Above 25.000 approval by Board Various themes covered (depending on requests). Themes are not selected. Allocations are not publicized. Only budget in Annual report	E.g. individuals, private entities
	Role for CSOs	No collaboration with CSOs	No collaboration with CSOs	CSO can submit proposals. Some have benefited in the past (e.g. Bhutan Kidney Foundation, Bhutan cancer Society, etc)	

		Legal Compliance	Operational	Charitable contributions	Sponsorship
Bhutan Power Corporation (BPC)	Analysis	Mandatory as per DHI guidelines E.g. Land reclamation and tree planting for industrial companies	As per DHI Guidelines E.g. initiatives to reduce consumption of energy	As per DHI Guidelines: • Eligibility: as per DHI policy • Criteria: Non reciprocity & Not for profit • Unsolicited Walk-in proposals • No need for publicity • Maximum CSR budget established by DHI: 750.000 • Approval: Below 25.000 approval by CEO / Above 25.000 approval by Board Various themes covered (depending on requests). Themes are not selected. Allocations are not publicized. Only budget in Annual report	NA
	Role for CSOs	No collaboration with CSOs	No collaboration with CSOs	CSOs can submit proposals	

		Legal Compliance	Operational	Charitable contributions	Sponsorship
Bank of Bhutan (BoB)	Analysis	NA	NA	As per DHI Guidelines: • Eligibility: as per DHI policy • Criteria: Non reciprocity & Not for profit • Unsolicited Walk-in proposals • No need for publicity • Maximum CSR budget established by DHI: 750.000	• Not considered under CSR as per DHI Guidelines • Profitable: (ROI) • Marketing tool

				• Approval: Below 25.000 approval by CEO / Above 25.000 approval by Board Various themes covered (depending on requests). Themes are not selected. Allocations are not publicized. Only budget in Annual report	E.g. Bhutan Football federation / TV shows
	Role for CSOs	NA	NA	CSOs can submit proposals. However, they don't receive many proposals from CSOs as the budget is limited (often below 25.000 per proposal)	Haven't explored sponsorships with CSOs yet

		Legal Compliance	Operational	Charitable contributions	Sponsorship
Bhutan Telecom (BT)	Analysis	NA	NA	As per DHI Guidelines: • Eligibility: as per DHI policy • Criteria: Non reciprocity & Not for profit • Unsolicited Walk-in proposals • No need for publicity • Maximum CSR budget established by DHI: 750.000 • Approval: Below 25.000 approval by CEO / Above 25.000 approval by Board Various themes covered (depending on requests). Themes are not selected. Allocations are not publicized Ad-hoc in-kind contributions (old laptops/etc). But not formalised as CSR Subsidized services access to remote areas. But not formalised as CSR	• Not considered under CSR as per DHI Guidelines • Profitable: (ROI) • Marketing tool E.g. Bhutan Football federation.
	Role for CSOs	NA	NA	CSOs can submit proposals. However, they don't receive many proposals from CSOs as the budget is limited (often below 25.000 per proposal)	

		CSR	Sponsorship

Bhutan National Bank (BNB)	Analysis	• Own CSR Terms of Reference
		• CSR practices since 2018
		• Budget: 1% of yearly profit devoted to CSR
		• Yearly themes decided by the Board (3 themes in 2024) based on current needs and funding by other SOEs
		• Criteria: Non reciprocity & Proposals supported by organisations (not individuals). Can be for profit or non-profit
		• Once the budget is approved, CSR spending is integrated in the corporate KPI system
		• Structured grant award mechanism for 2 of the 3 themes:
		  ○ Competitive system (publication using social media and website[42])
		  ○ No walk-in proposals
		  ○ Selection team: Team of external evaluators (with expertise in the selected themes)
		  ○ Assessment grid to professionally assess the proposals (with scoring system)
		  ○ Selection and allocation decided by the selection team
		• In 2024: 2 proposals (500.000 Nu. each)
		• Allocations are publicized on their website
			• Not considered under CSR
			• Profitable: (ROI)
			• Marketing tool

	Role for CSOs	CSO can submit proposals under the grant mechanism	

		Legal Compliance	Operational	Charitable contributions	Sponsorship
Thimphu TechPark (TTP)	Analysis	NA	NA	As per DHI guidelines. However no fixed amount determined (TechPark is not mentioned in the DHI Guidelines) Sporadic charitable donations (mostly religious related) Ad-hoc in-kind contributions (services/collaborations with FabLab, etc.)	Not yet developed
	Role for CSOs	NA	NA	Haven't engaged with CSOs	NA

		Legal Compliance	Operational	Charitable contributions	Sponsorship
	Analysis	Mandatory as per DHI guidelines: • Legal compliance (environmental and social) • Mostly integrated in	• As per DHI guidelines • Community and infrastructure development in project sites	As per DHI Guidelines: • Eligibility: as per DHI policy • Criteria: Non reciprocity & Not for profit • Unsolicited Walk-in proposals • No need for publicity	• Not considered under CSR as per DHI Guidelines • Profitable: (ROI)

[42] https://bnb.bt/bnb-csr-2024-inititive/

Druk Green Power Corporation		operational budget • Separate reporting in Annual Report as well		• Maximum CSR budget established by DHI: 1.000.000 • Approval: Below 25.000 approval by CEO / Above 25.000 approval by Board Various themes covered (depending on requests). Themes are not selected. Allocations are not publicized. Only budget in Annual report	• Marketing tool E.g. Bhutan Football federation / TV shows
	Role for CSOs	NA	NA	CSOs can submit proposals. However, no project based proposals since the budget is limited	Sponsored prizes/small amounts E.g. YDF's Golden Youth Award

As can be drawn from the analysis above, DHI DOCs in Bhutan **adhere to the Corporate Social Responsibility (CSR) guidelines established by Druk Holding and Investments (DHI**). These guidelines ensure that CSR activities align with legal, environmental, and social standards. Typically, CSR budgets are integrated within operational budgets rather than allocated as dedicated CSR funds when referring to the legal compliance and operational components of the CSR policy, while charitable contributions enjoy a separate budget, as per the maximums indicated in the DHI CSR Guidelines. For the latter, the amounts are fixed (and haven't been reviewed since 2013) rather than being established as a percentage of the companies' profits. It is also worth mentioning that a number of DHI Portfolio companies (such as TTP or the State Mining Corporation) don't have any allocated amounts, since those were announced in the 2013 Guidelines, prior to the establishment of such SOEs.

Charitable contributions support a wide range of causes, **with religious contributions and cultural events being the most common.** The eligibility for receiving funds typically includes **non-profit criteria, non-reciprocity, and unsolicited proposals,** with specific approval processes based on the amount requested. However, there is often limited transparency and publicity regarding CSR allocations and activities. While budgets may be reported in annual reports, detailed disclosures and public communications are rare, reducing the visibility of these contributions to the public.

For substantial contributions, DHI sometimes asks its portfolio companies to contribute. DGPC does the same with its projects and subsidiary companies.

Certain companies, **like the Bhutan National Bank (BNB), have developed more structured and transparent CSR approaches**. These include setting aside a percentage of profits for CSR, using competitive grant mechanisms, and publicizing allocations. Such structured approaches suggest a potential model for other DHI companies to enhance the transparency and impact of their CSR activities.

Across the board, **sponsorships are not considered part of CSR.** Instead, they are used as marketing tools to enhance the companies' brand and visibility, focusing on creating a return on investment.

Collaboration with Civil Society Organizations (CSOs) in CSR activities is limited. CSOs can submit proposals for charitable contributions, but engagement is often restricted by budget constraints (considering the small amount of the allocations, often below 25.000 Nu). While some CSOs have benefited from CSR funds, the overall interaction between DHI companies and CSOs in CSR practices is not robust, indicating a potential area for increased collaboration and mutual benefit.

Finally, it is also worth noting that **several companies provide in-kind contributions or subsidies as part of their CSR efforts**, although these are often not formalized as CSR activities. This includes donations of old equipment and subsidized services.

All in all, **it is possible to conclude that Corporate Social Responsibility (CSR) in Bhutan is predominantly perceived as philanthropy (or even charity)**, with DHI and its portfolio companies mostly focusing on donations and establishing a clear distinction between these donations and sponsorships. This approach is taken rather than adopting a comprehensive and “win-win” strategy for CSR that maintains its fundamental values. This somewhat narrow view limits the potential impact of more strategic CSR initiatives and their alignment with Gross National Happiness (GNH) and national development goals. These conclusions **echo those from the study conducted in 2013 by the Bhutan Chamber of Commerce and Industry (BCCI)** [43], which also highlighted other relevant challenges, including the weak enforcement of environmental and labour laws, inadequate investment in human resource development, and limited stakeholder engagement.

Interviewed DHI portfolio companies during the assessment highlighted additional challenges, including:

- **Economic Recession Impact:** CSR is often deprioritized during times of economic recession or poor economic performance. The economic impact of the COVID-19 pandemic, in particular, has led to financial constraints, causing many companies to scale back or postpone their CSR activities.
- **Transformation**: As part of the transformation exercises across the civil service and government agencies, DHI and SOEs are also undergoing organizational transformation with a strong impetus on operational efficiency. This leaves little room for focus on CSR.
- **Poor Quality of CSR Proposals:** There are concerns about the poor quality of CSR proposals received, which increases the time and effort required for due diligence and vetting processes, straining the resources of the companies.
- **Lack of Robust Accountability Mechanisms:** Many CSR proposals lack robust accountability mechanisms, clear mandates, incentives, and well-defined targets and deliverables.

Despite these challenges, there **are significant opportunities to broaden the understanding of CSR among Bhutanese SOEs and businesses in general**. This potential was evidenced by discussions organized with them and the BCCI during the assessment. Educating SOEs and businesses on the broader aspects of CSR beyond philanthropy, promoting better adherence to Environmental, Social, and Governance (ESG) standards, and encouraging regular environmental and social impact assessments can enhance the effectiveness of CSR initiatives. However, some private enterprises have also expressed that CSR regulations cannot be prescriptive.

Fostering continuous dialogue with stakeholders (including CSOs) and developing clearer frameworks for submission and reporting, as piloted by the Bhutan National Bank (BNB), could further improve CSR practices. This can be achieved through the provision of guidelines and templates for proposal submissions and establishing clearer criteria for evaluation. More structured scenarios (as outlined in Section 4.3) could also be explored in line with international CSR practices.

4.2. Analysis of global CSR trends with selected case studies

CSR has become a crucial aspect of business operations globally, with companies increasingly recognizing their role in contributing to societal and environmental well-being. The approach to CSR varies significantly across countries, strongly influenced by local regulations, cultural norms, and economic conditions.

4.2.1. Examples of international CSR regulations

The growth of CSR has been supported by both voluntary actions and regulatory frameworks. In several countries, governments have introduced legislation to mandate CSR activities, to ensure that companies contribute to social and environmental welfare as part of their business operations. These regulations vary in scope and requirements, reflecting each country's unique socio-economic context and policy priorities:

Here are some notable examples of countries that have made CSR mandatory for certain companies:

[43] BCCI (2013): Corporate Social Responsibility in Bhutan. General perception and some related problems. BCCI Study Report

- **India's Companies Act 2013** mandates that companies meeting certain criteria (e.g., net worth, turnover, or net profit thresholds) spend at least 2% of their average net profits from the preceding three years on CSR activities. This regulation ensures that a significant amount of corporate funds is directed towards social and environmental initiatives, fostering a more structured approach to CSR. The regulation has led to increased corporate engagement in community development, education, healthcare, and environmental sustainability projects.
- **Indonesian law (Law No. 40 of 2007 on Limited Liability Companies) mandates that companies in the natural resources sector undertake CSR activities as part of their business operations**. This includes reporting on their CSR activities and their impacts. This regulation ensures that companies exploiting natural resources contribute to the welfare of the communities and environments affected by their operations, promoting sustainable development.
- According to the Danish Financial Statements Act (Amendments in 2008), **large companies in Denmark must include information on CSR in their annual reports.** They must disclose their CSR policies, how they are implemented, and the results achieved. This requirement promotes transparency and encourages companies to systematically address social and environmental issues, integrating CSR into their reporting and strategic planning.

In several other countries, **CSR is not regulated but strongly encouraged** as per the Environmental, Social, and Governance (ESG) reporting requirements, which mandate companies to disclose their environmental and social impacts, governance practices, and sustainability initiatives to stakeholders and the public. This approach aims to enhance transparency, accountability, and responsible business conduct while promoting sustainable development and ethical practices across various industries.

- In South Africa, while not mandating specific CSR spending, **the Companies Act and King IV Report on Corporate Governance provides guidelines on corporate governance,** including principles related to sustainability, social responsibility, and ethical conduct. Companies are expected to integrate these principles into their operations The focus on governance and sustainability encourages South African companies to consider the broader impacts of their activities and engage in responsible business practices.
- As per Federal Law 11.638/07 B**razilian companies are required to include information about their social and environmental initiatives** in their annual reports. While specific CSR spending is not mandated, this promotes transparency and accountability.
- L**arge companies in the UK** (as per 2018 regulations) are required to report annually on various non-financial aspects, including environmental matters, employee relations, social and community issues, respect for human rights, and anti-corruption measures. While not mandating specific CSR spending, it enforces transparency and accountability. This regulation encourages companies to integrate CSR into their core business strategies and be transparent about their social and environmental impacts, thus promoting responsible business practices.
- **In Germany** CSR is voluntary, but many large companies often invest in CSR activities to improve their corporate image and comply with sustainability standards. Spending varies widely but can be around 1-2% of profits.
- **The Corporate Duty of Vigilance Law (2017) requires large French companies to establish and implement a vigilance plan to identify and prevent human rights violations and environmental damage** resulting from their activities, including those of subsidiaries and suppliers. It compels companies to take proactive steps in ensuring their operations do not harm people or the environment, fostering a culture of accountability and ethical business practices.
- **In Bangladesh** CSR spending in Bangladesh is voluntary but encouraged by the government. Companies often allocate around 1-2% of their profits to CSR activities

4.2.2. Example of companies and their CSR Practices:

CSR practices vary globally, but a common trend is t**he allocation of around 1-2% of company profits to CSR activities**. The specific allocation often depends on factors such as industry, company size, and regulatory requirements. Beyond mere compliance, companies are increasingly adopting strategic CSR approaches that integrate social responsibility into their core business strategies. This approach focuses on sustainable development, innovation, and community welfare, with common focus areas including education, health, community development, and environmental sustainability.

To illustrate how different countries and companies approach CSR, consider the following examples across Asia:

In India:

- **Reliance Industries**: Focuses on education, healthcare, and rural development. The company often exceeds the mandatory 2% CSR expenditure to support large-scale initiatives like the Reliance Foundation, which runs programs in areas such as urban renewal, healthcare, education, and disaster response.
- **Infosys**: Invests heavily in education, rural development, and environmental sustainability. The company consistently meets and sometimes exceeds the 2% requirement, supporting initiatives like the Infosys Foundation, which funds educational institutions, healthcare facilities, and rural development projects.

In Bangladesh:

- **BEXIMCO Group**: Invests in health, education, and disaster relief programs, with CSR spending around 1-2% of profits. BEXIMCO's initiatives aim to improve community welfare and enhance corporate reputation, including setting up medical camps, providing scholarships, and supporting disaster-stricken areas.
- **Grameenphone**: Focuses on digital inclusion, education, and disaster response. The company spends around 1-2% of its profits on CSR activities such as the "Internet for All" initiative, which aims to provide internet access to underserved areas, and disaster response programs aiding flood and cyclone victims.

In Indonesia:

- **Bank Mandiri**: Concentrates on education, entrepreneurship, and environmental sustainability. The bank's CSR spending, typically around 2-3% of profits, aligns with national priorities and community needs. Initiatives include educational scholarships, support for small and medium-sized enterprises (SMEs), and environmental conservation projects.
- **Pertamina**: Invests in community development, education, and environmental conservation. Pertamina's CSR spending often exceeds 3% of profits, reflecting its commitment to sustainable development through programs such as reforestation, vocational training, and health services for remote communities.

In Nepal:

- **Himalayan Bank**: Engages in various CSR activities, particularly in education and health, with spending around 1-2% of profits. The bank supports community development and enhances its corporate image through projects like school infrastructure development and health camps in rural areas.
- **Nabil Bank**: Focuses on health, education, and disaster relief, consistently spending around 1-2% of profits on CSR. The bank demonstrates its commitment to social responsibility by funding scholarships, building schools, and providing emergency relief supplies during natural disasters.

In Malaysia:

- **Petronas**: Allocates around 1-2% of its annual profits to CSR, focusing on education, community development, and environmental sustainability. Notable initiatives include scholarships for underprivileged students, rural development projects, and large-scale conservation efforts such as mangrove restoration.
- **Maybank**: Invests approximately 1-2% of profits in CSR activities, emphasizing financial inclusion, education, and healthcare. Programs include financial literacy workshops for low-income communities, scholarships for higher education, and healthcare camps in underserved areas.

In Thailand:

- **PTT Public Company Limited**: Dedicates about 1-2% of annual profits to CSR, with a strong focus on environmental sustainability, education, and community development. Projects include reforestation, educational scholarships for students from low-income families, and community health programs providing free medical check-ups.

- **Thai Union Group**: Spends around 1-2% of profits on CSR, focusing on sustainable seafood, community welfare, and education. Initiatives include promoting sustainable fishing practices, supporting local communities with health and education programs, and providing educational grants.

In Japan:

- **Toyota**: Allocates around 1-2% of annual profits to CSR, with a focus on environmental sustainability, education, and community development. Key projects include the development of hybrid vehicle technology, scholarships for engineering students, and disaster relief efforts like providing aid to earthquake and tsunami victims.
- **Sony**: Invests approximately 1-2% of profits in CSR activities, emphasizing technology for good, education, and environmental conservation. Programs include using tech innovation for social impact, supporting educational initiatives in science and technology, and undertaking sustainability projects to reduce carbon footprints.

In South Korea:

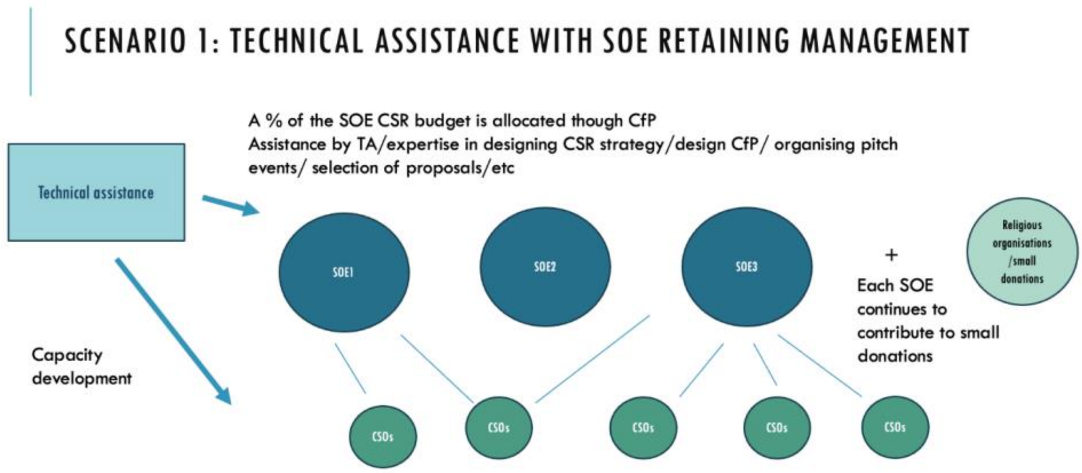
- **Samsung**: Dedicates around 1-2% of profits to CSR, focusing on education, healthcare, and environmental sustainability. Initiatives include tech education programs for youth, healthcare support for underserved communities, and green technology projects aimed at reducing environmental impact.
- **LG Electronics**: Allocates a similar percentage of profits to CSR, with efforts in education, environmental sustainability, and community health. Examples include providing scholarships, developing energy-efficient appliances, and supporting medical facilities in rural areas.

4.3. Scenarios for Ensuring a More Structured CSR for Enhanced Impact in Bhutan

4.3.1. Scenario 1: Technical Assistance with SOE[44] Retained Decision-Making & Management

In this scenario, **State Owned Enterprises retain decision-making power over their CSR funds but receive technical assistance to strategize and optimize their CSR initiatives**. This model combines the benefits of autonomy and expertise, enabling SOEs to tailor their CSR activities according to their strategic priorities while leveraging external support to enhance effectiveness and impact. This model is inspired by the current practices at BNB.

[44] SOE throughout this section of the report refers to DHI Portfolio Companies



Structure:

- **SOE Control**: SOEs maintain control over their CSR funds and decision-making processes.
- **CSR Committees within SOEs**: Each SOE has an internal CSR committee that makes final decisions on fund allocation.
- **Strategic Planning**: Technical assistance helps SOEs develop strategic CSR plans aligned with national priorities and Gross National Happiness (GNH) themes.
- **Technical Assistance Teams**: External experts or dedicated TA teams provide strategic advice, project selection support, and monitoring assistance.
- **Stakeholder Consultations**: Regular consultations with CSOs and other stakeholders ensure the relevance and impact of CSR initiatives.

Type of assistance provided by the TA:

- **Strategic Planning and Optimization**: SOEs receive expert guidance on how to align their CSR initiatives with both corporate goals and broader societal needs. Technical assistance can include developing comprehensive CSR strategies, identifying key areas for investment, and setting measurable objectives.
- **Launching & managing Calls for Proposals**: Following the example of the Bhutan National Bank (BNB), SOEs can receive support in organizing and managing calls for proposals. Technical advisors assist in drafting clear and comprehensive guidelines for project submissions, ensuring transparency and fairness in the selection process (through a dedicated assessment grid) and assessing proposals. This structured approach attracts high-quality proposals from CSOs and other organizations, fostering innovation and maximizing the impact of CSR funds.
- **Organizing "Pitching" Events**: Similar to start-up pitching events, TA could assist in organizing events where potential project partners present their ideas. Technical assistance can help plan and execute these events, including selecting a panel of judges, providing feedback to participants, and ensuring a transparent and engaging selection process. These events stimulate creativity, foster competition, and highlight the most promising projects for funding.
- **Monitoring and Impact Evaluation**: SOEs could benefit from external expertise in setting up robust monitoring and evaluation frameworks. Technical assistance includes designing metrics for measuring

project success, establishing regular reporting protocols, and conducting impact assessments. This ensures that CSR initiatives are implemented effectively and achieve their intended outcomes.

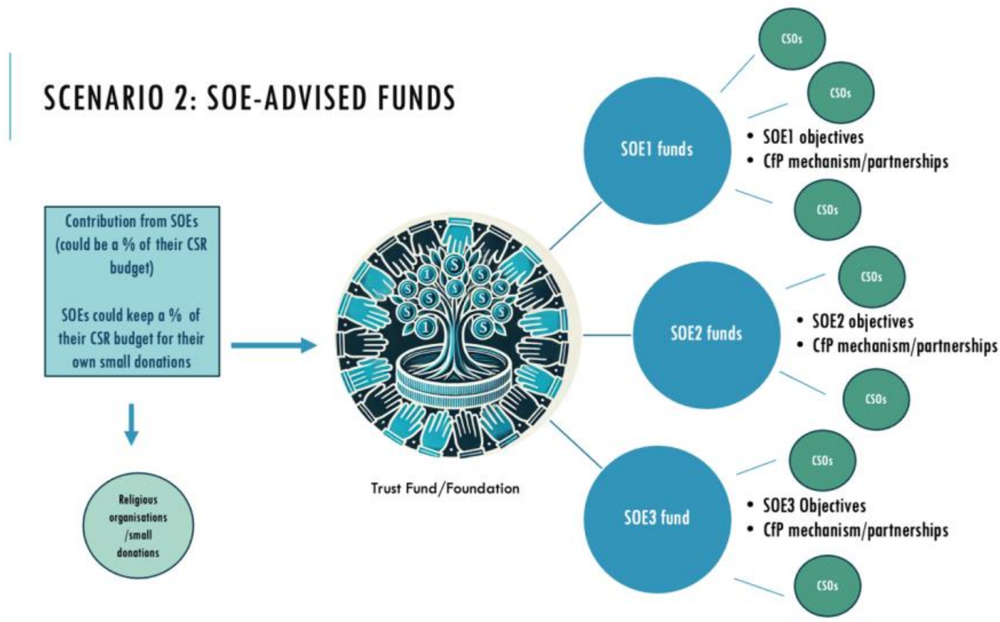
Pros	Cons
• **Retained Autonomy**: SOEs maintain control over their CSR funds and decisions, allowing them to align initiatives closely with their corporate mission and values. • **Enhanced Effectiveness**: By leveraging technical assistance, SOEs can enhance the quality and impact of their CSR initiatives. • **Innovation and Engagement**: Organizing pitching events and open calls for proposals can stimulate innovation and engage a broader range of stakeholders. These activities can uncover new ideas and approaches to addressing social and environmental challenges, leading to more dynamic and impactful CSR projects. • **Accountability and Transparency**: Structured processes for project selection and evaluation enhance transparency and accountability. Clear guidelines and rigorous evaluation criteria ensure that CSR funds are allocated to projects that meet high standards of quality and impact.	• **Buy-In**: Requires buy-in from SOEs to accept external assistance and advice. • **Consistency**: Maintaining consistent and high-quality technical assistance (TA) across different SOEs can be challenging. Variability in the quality of TA can lead to uneven implementation and outcomes. • **Sustainability**: Ensuring the sustainability of the TA model in the long term is crucial. Continued reliance on external expertise may lead to dependency, and funding for ongoing TA may be uncertain. • **Resource Intensive**: Implementing this model requires significant investment in external expertise and administrative support. • **Consistency in Implementation**: Ensuring consistency in the application of guidelines and evaluation criteria across different projects and periods can be challenging. Continuous oversight and regular reviews are necessary to maintain standards and adapt to evolving needs.
Implications for CSOs	
• **Strategic Funding Opportunities**: Access to well-planned and impactful CSR projects provides CSOs with strategic funding opportunities. The involvement of technical assistance ensures that CSR initiatives are thoroughly vetted and strategically aligned with both corporate and societal goals. • **Capacity Building**: Opportunities to build capacity through interactions with technical assistance teams and collaborative projects are a significant benefit for CSOs. Engaging with external experts and participating in well-structured CSR projects can enhance the operational capabilities of CSOs. They can learn best practices in project management, monitoring and evaluation, financial reporting, and stakeholder engagement. • **Increased Visibility and Credibility**: Participation in high-quality, strategically aligned CSR projects can enhance the visibility and credibility of CSOs. Being associated with well-respected SOEs and successfully implemented projects can attract additional supporters, donors, and volunteers. • **Access to Expertise and Innovation**: CSOs can benefit from the expertise and innovative approaches brought in by technical assistance teams. This exposure can inspire new ways of thinking and working, helping CSOs to innovate in their own practices. • **Enhanced Accountability and Transparency**: The rigorous monitoring and evaluation frameworks provided by technical assistance can help CSOs improve their accountability and transparency. Clear reporting requirements and regular assessments ensure that CSOs maintain high standards of operation, which can build trust with stakeholders and donors.	

4.3.2. Scenario 2: SOE-Advised Funds

This scenario involves setting up **a Trust Fund where CSR contributions from SOEs are kept in separate accounts and earmarked for specific themes and activities (chosen by the SOE)**. Unlike a pooled fund (see scenario 3), where resources from multiple SOEs are combined, each SOE's funds in this scenario **are kept separate and managed according to their specific objectives**.

SOE-advised funds (which take after donor-advised funds[45]) allow individual SOEs to maintain control over how their CSR contributions are utilized, ensuring alignment with their corporate values, strategic goals, and stakeholder expectations. This approach provides companies with the flexibility to focus on areas where they have expertise or a particular interest, such as education, healthcare, environmental sustainability, or community development. For example, an SOE in the technology sector might earmark its trust fund for projects related to digital literacy, innovation hubs, or tech education. A company in the electricity sector could direct its funds toward renewable energy projects, rural electrification, or energy efficiency programs. Meanwhile, an SOE in banking might focus its contributions on financial literacy, microfinance initiatives, or support for Social Enterprises.

Considering the importance of small contributions to religious activities and similar causes, a small percentage of the CSR fund could be kept at the level of each State-Owned Enterprise (SOE) (and not channelled to the Trust Fund) to continue supporting these initiatives.



Structure:

- **Individual Governance Structures:** Each SOE's fund has its own governance structure under the main trust's umbrella.
- **Advisory Panels:** Each fund can have advisory panels to provide Guidelines on specific initiatives/projects.

[45]Donor-Advised Funds (DAFs) are philanthropic accounts managed by public charities that allow donors to make irrevocable, tax-deductible contributions and receive an immediate tax benefit. Once a DAF is established with an initial donation—ranging from cash to real estate—the funds can be invested to grow tax-free. This growth increases the potential amount available for charitable grants. Donors retain the ability to recommend grants to qualified charities over time, offering flexibility and control in their philanthropic efforts.
The sponsoring organization handles all administrative tasks, including due diligence, tax reporting, and legal compliance, which simplifies the giving process for donors. This structure allows for strategic, long-term charitable planning, as donors can support various causes and adjust their giving based on changing interests or community needs. Additionally, DAFs provide privacy, as donors can choose to remain anonymous. Despite the advantages, donors should be aware of administrative fees and the irrevocable nature of the donations, which can limit their control over the funds once contributed. Overall, DAFs are a versatile and efficient tool for impactful philanthropy.

- **Central Administration:** A central body (the Trust Fund) oversees compliance, reporting, and audit functions for all earmarked funds.
- **Earmarked Funds:** Funds are earmarked for specific projects or themes chosen by the contributing company, ensuring alignment with their CSR goals.
- **Stakeholder Consultations**: Regular consultations with CSOs and other stakeholders ensure the relevance and impact of CSR initiatives.

Financial Management:

- **Separate Accounts:** Funds are managed in separate accounts, ensuring clear tracking and accountability.
- **Potential use of an Endowment Fund:** Part of the funds and/or initial donations (as was the case for the BTFCE[46]) could be placed in an **endowment to generate stable, long-term income**. The principal would then remain intact and invested in the capital market while the interest could support the operational cost of the Trust Fund and its annual grant-making projects and relate capacity development initiatives.
- **Transparency and Accountability:** Regular reporting, audits, and evaluations ensure accountability and transparency.

Pros	Cons
• **Alignment with Corporate Strategy**: SOE-advised trust funds allow companies to tailor their CSR activities to support their long-term strategic goals and corporate identity. • **Flexibility and Customization**: SOEs can design and implement CSR projects that reflect their specific priorities and areas of expertise. This customization can lead to more effective and meaningful interventions that directly address identified needs. • **Accountability and Transparency**: By keeping control over their own advised- funds, SOEs can ensure greater oversight and accountability in the use of their CSR resources. Detailed reporting and monitoring mechanisms can be established to track progress and measure impact. • **Enhanced Stakeholder Engagement**: Enables SOEs to engage more closely with their stakeholders, including employees, customers, and community members. Tailored CSR projects can help build stronger relationships and enhance the SOE's reputation and social license to operate. • **Showcasing Leadership and Innovation**: SOEs can use their advised funds to pilot innovative CSR initiatives and demonstrate leadership in specific areas. • Compliance with the Corporate Regulatory Authority: This is in line with the CRA's CG Code 2022.	• **Resource Allocation**: Managing separate SOE-advised funds for individual SOEs can lead to duplication of efforts and less efficient resource allocation compared to pooled funds. Without coordination, multiple SOEs might end up funding similar projects or initiatives, leading to redundant efforts and a potential waste of resources. This fragmentation can also result in missed opportunities for synergistic partnerships and larger-scale impacts that a pooled fund could achieve. • **Higher Administrative Costs**: Establishing and maintaining separate governance and reporting structures for each SOE-advised fund can increase administrative overhead. These higher administrative costs can reduce the overall funds available for actual CSR activities, potentially diminishing the impact of the initiatives. • **Complexity in Management**: Managing multiple, individualized funds adds layers of complexity in terms of oversight and accountability. • **Monitoring and Evaluation Difficulties**: Ensuring robust monitoring and evaluation of CSR projects becomes more complex with multiple funds. Each SOE will need to establish its own mechanisms for tracking progress and measuring impact. • **Scalability Issues**: Individualized CSR projects may lack the scale and reach that a pooled fund could achieve. Larger, more coordinated projects can address systemic issues more effectively and create broader, long-lasting impacts.

[46] https://www.bhutantrustfund.bt/public_page/organization

Implications for CSOs

- **Variety of Opportunities**: Multiple funds mean diverse opportunities for different types of projects. With SOE-advised funds, CSOs have a broader range of funding sources to approach, each potentially supporting different thematic areas.
- **Targeted Impact**: CSOs can develop specialized programs that align with the specific goals of the different funds. For instance, a CSO focused on environmental sustainability can tailor its projects to match the priorities of an SOE's fund dedicated to green initiatives. This targeted approach can increase the chances of securing funding and achieving more significant, measurable outcomes in specific areas of need.
- **Capacity Building**: Partnerships with SOEs can also lead to opportunities for capacity building. Companies often have resources and expertise that can benefit CSOs, such as training in project management, access to technology, or strategic planning support.
- **Collaborative Networks**: The establishment of multiple SOE-advised funds creates opportunities for CSOs to build networks and collaborate with a variety of stakeholders. These networks can facilitate knowledge sharing, joint initiatives, and collective action on larger issues.
- **Innovation and Best Practices**: Working closely with SOEs, especially those in the technology and energy sectors, can expose CSOs to innovative practices and technologies. This exposure can inspire new approaches to addressing social issues, incorporating cutting-edge solutions that CSOs might not have access to otherwise.
- **Consistent Support**: Long-term partnerships with specific companies can lead to more stable and consistent support. When a CSO forms a relationship with an SOE that has a dedicated advised fund, it can benefit from ongoing funding rather than one-off donations.
- **Branding and Recognition**: CSOs can enhance their visibility and reputation. By partnering with well-known SOEs, CSOs can leverage the corporate brand's credibility and reach. This association can attract additional support from other donors, volunteers, and stakeholders who recognize the CSO's connection with reputable companies. Enhanced visibility can also help CSOs raise awareness about their causes and increase their impact.

Example: The National Philanthropic Trust in the US

National Philanthropic Trust (NPT)[47] is an American independent public charity that provides philanthropic expertise to donors, foundations and financial institutions. NPT ranks among the largest grant making institutions in the United States. NPT specializes in offering donor-advised funds.

This structure allows donors to contribute to individual donor-advised funds while retaining advisory privileges over how their contributions are invested and granted. This means that donors can recommend specific projects, organizations, or causes to receive funding, thereby ensuring their philanthropic goals are met according to their preferences. Each donor maintains a separate account within the trust, providing a personalized approach to charitable giving.

The impact of this structure is significant, as it empowers donors to directly support the initiatives, they are passionate about, while also benefiting from the administrative support and expertise of NPT. This model facilitates a strategic and

47 https://www.nptrust.org

targeted approach to philanthropy, maximizing the effectiveness of charitable contributions. Moreover, the flexibility and control offered by donor-advised funds make them an attractive option for individuals seeking to make a meaningful impact through their philanthropic efforts.

4.3.3. Scenario 3: Multi-SOE/Pooled CSR Fund Mechanism (e.g. the Happiness CSR Fund)

A multi-SOE or pooled fund mechanism involves the creation of a **Trust Fund or foundation where multiple State-Owned Enterprises (SOEs) contribute and consolidate their CSR funds**. This approach consolidates resources from various SOEs to support a broad range of initiatives aligned with Bhutan's Gross National Happiness (GNH) pillars. Additionally, it offers the possibility for other funders, including the government or international donors, to contribute.

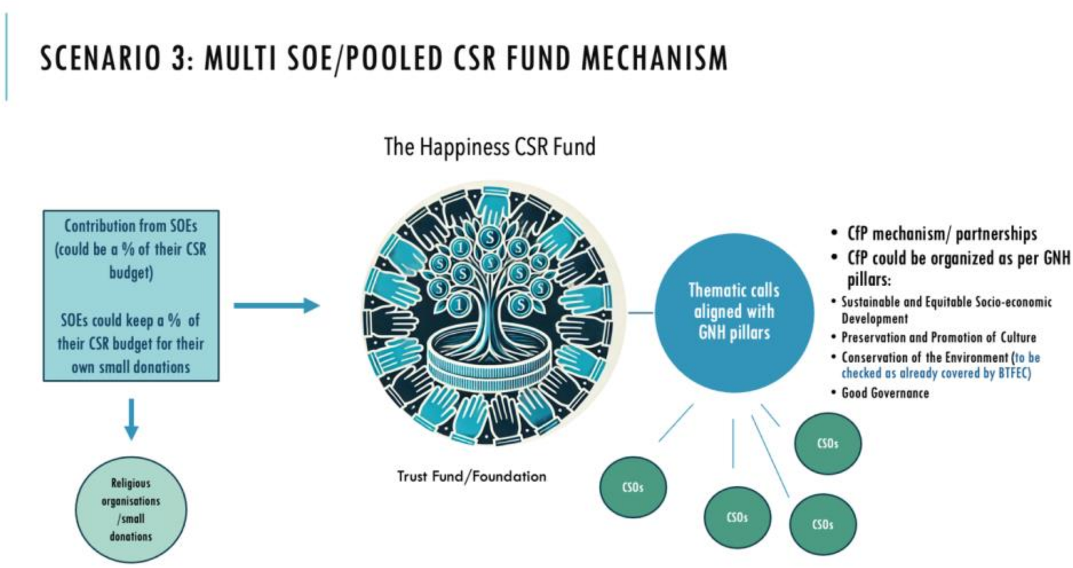
This model takes after the BTFEC, existing in Bhutan since 1991[48].

Unlike ad-hoc CSR activities, such a consolidated Trust Fund offers a **structured and systematic approach to CSR, allowing SOEs to make more strategic and impactful contributions compared to fragmented, short-term initiatives.** This consolidated effort can lead to more significant and sustainable outcomes, as it pools resources and expertise, enabling larger and more comprehensive projects that might be beyond the reach of individual SOEs.

Moreover, a pooled fund mechanism ensures better coordination and avoids duplication of efforts, enhancing the overall efficiency and effectiveness of CSR initiatives. It also provides a platform for continuous monitoring and evaluation, ensuring that the initiatives remain aligned with national priorities and adapt to changing needs.

By participating in a pooled fund, SOEs can collectively address critical issues such as education, healthcare, environmental sustainability, and rural development, which are integral to the GNH pillars. This collaborative approach not only amplifies the impact of CSR activities but also strengthens partnerships among various stakeholders, fostering a sense of shared responsibility towards national development.

As with scenario 2 and considering the importance of small contributions to religious activities and similar causes, a small percentage of the CSR fund could be kept at the level of each State-Owned Enterprise (SOE) (and not channelled to the Trust Fund) to continue supporting these initiatives.



[48] https://www.bhutantrustfund.bt

Structure:

- **Trust Fund/Foundation:** An independent entity is established to manage the pooled funds.
- **Governance:** A board of trustees or an advisory committee, comprised of representatives from contributing SOEs, CSOA, and CSOs representatives (ensuring there is no conflict of interest). This board sets strategic directions, approves budgets, and oversees fund management.
- **Executive Director and Staff:** Hired to manage day-to-day operations, including fund disbursement, monitoring, and reporting.
- **Thematic Areas:** Funding is allocated to different themes corresponding to the GNH pillars, i.e. sustainable development, environmental conservation, cultural preservation, and good governance. The third pillar (Conservation of the Environment) is however already addressed by the BTFCE and might therefore be redundant.
- **Stakeholder Consultations**: Regular consultations with CSOs and other stakeholders ensure the relevance and impact of CSR initiatives.

Sustainable and Equitable Socio-economic Development	Preservation and Promotion of Culture	Conservation of the Environment	Good Governance
Focus: Economic growth that is equitable and inclusive, ensuring that the benefits of development are shared across all sections of society.	**Focus**: Maintaining and promoting Bhutan's rich cultural heritage and traditions, ensuring that cultural values are preserved amidst modernization.	**Focus**: Ensuring sustainable environmental practices to protect Bhutan's natural resources and biodiversity for future generations.	**Focus**: Establishing a transparent, accountable, and participatory governance system that promotes the rule of law and ensures public service efficiency.

Financial Management:

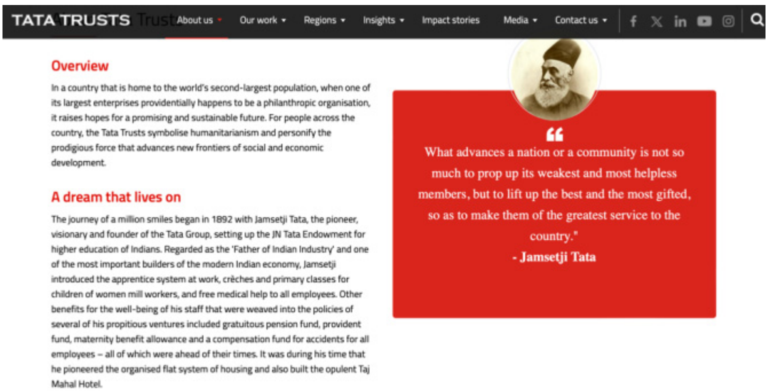
- **Yearly contributions from SOEs**
- **Potential use of an Endowment Fund:** Part of the pooled funds and/or initial donations (as was the case for the BTFCE) could be placed in an **endowment to generate stable, long-term income**. The principal would then remain intact and invested in the capital market while the interest could support the operational cost of the Trust Fund and its annual grant-making projects and relate capacity development initiatives.
- **Annual Fundraising:** Ongoing fundraising from multiple sources (including international donors) to replenish and grow the fund.
- **Transparency and Accountability:** Regular reporting, audits, and evaluations ensure accountability and transparency.

Pros	Cons
• **Resource Optimization**: Allows for larger-scale projects and reduces administrative costs. By consolidating funds from multiple SOEs, the pooled model can finance more ambitious and comprehensive initiatives that would be beyond the reach of individual companies. Additionally, centralized administration reduces redundant costs associated with managing multiple individual funds, allowing more of the contributions to go directly toward impactful projects.	• **Strong Governance Mechanisms**: Requires very strong governance mechanisms to ensure its independence and autonomy. Without robust and transparent governance structures, there is a risk of mismanagement, conflicts of interest, or undue influence from powerful stakeholders. Ensuring that the fund operates with integrity and impartiality requires meticulous planning, clear guidelines, and continuous oversight. • **Professional management**: Needs robust and professional management structures to handle

• **Strategic Alignment with GNH Principles**: Ensures that CSR activities are aligned with Bhutan's holistic development philosophy of Gross National Happiness (GNH). By centralizing the management of CSR funds, the model can prioritize projects that adhere to GNH principles. • **Enhanced Corporate Engagement**: Deepens the relationship between the corporate sector and civil society, fostering a collaborative approach to national development. This collaborative approach not only strengthens the ties between the corporate and civil sectors but also promotes a shared sense of responsibility and commitment to sustainable development. • **Enhanced Impact**: The collective effort can lead to more significant and sustainable impacts. When resources are pooled, projects can be designed and implemented at a scale that addresses systemic issues effectively. Larger-scale initiatives can achieve broader reach, greater visibility, and more profound change. • **Attraction of Additional Funding**: Has a greater potential to attract more funding from government and international donors. When multiple SOEs come together to create a centralized fund, it presents a unified and substantial platform that is more appealing to larger institutional donors. • **Greater Transparency and Accountability**: Can implement robust monitoring and evaluation frameworks. This centralized oversight ensures that all projects funded through the pool are subject to consistent and rigorous assessment, enhancing transparency and accountability. Regular reporting and audits can be conducted to track progress, measure outcomes, and ensure that funds are used effectively and ethically. • **Enhanced Collaboration and Knowledge Sharing**: Facilitates greater collaboration and knowledge sharing among participating SOEs and other stakeholders. • **Increased Visibility and Public Support**: Projects supported by a pooled fund are likely to receive higher visibility and public support due to their scale and impact. A unified approach to CSR can attract attention from media, government, and international donors, increasing awareness and support for the initiatives. • **Reduced Duplication and Overlap**: By having a comprehensive view of all ongoing and planned projects, the managing body can ensure that resources are directed towards areas of greatest need and that efforts are complementary rather than redundant. This strategic allocation maximizes the effectiveness of the collective contributions.	diverse interests and large funds. The pooled funding model requires the establishment of a central governing body responsible for managing the fund, making strategic decisions, and ensuring transparency and accountability. This body must be equipped to handle the complexities of managing large sums of money and the diverse interests of multiple donors. • **Coordination**: Requires effective coordination and consensus among multiple stakeholders. Managing a pooled fund involves bringing together various SOEs, each with its own priorities, goals, and expectations. Achieving consensus on the allocation of funds, the selection of projects, and the overall strategy can be challenging. • **Potential Dilution of Interests**: When multiple SOEs contribute to a pooled fund, there is a risk that individual companies' specific interests and priorities may not be fully addressed. • **Risk of Bureaucracy**: The need for a centralized management structure can introduce bureaucratic layers that may slow down the responsiveness and agility of the fund. • **Maintaining Stakeholder Engagement**: Ensuring continuous engagement and commitment from all participating SOEs can be difficult. As the pooled fund operates over time, maintaining the enthusiasm and active participation of all stakeholders is crucial. • **Regulation on Trust Funds:** There is little regulatory clarity on trust funds.
Implications for CSOs	

- **Increased Access to Funds**: A larger pool of funds means more structured opportunities for CSOs. By consolidating resources from multiple SOEs, the pooled fund creates a substantial financial reservoir dedicated to CSR initiatives.
- **Streamlined Application Processes**: Unified application processes reduce the administrative burden on CSOs. With a centralized fund, CSOs can apply for funding through a single, standardized process, simplifying the often complex and time-consuming task of seeking financial support from multiple donors.
- **Capacity Building**: Engagement with a structured, professional fund offers opportunities for capacity-building. The pooled fund is likely to have robust governance, monitoring, and evaluation frameworks in place. CSOs participating in this system can benefit from training and support in areas such as project management, financial reporting, impact assessment, and strategic planning.
- **Enhanced Collaboration and Networking**: The centralized nature of a pooled fund encourages collaboration and networking among CSOs and other stakeholders. By participating in the pooled funding system, CSOs can connect with other organizations working on similar issues, facilitating knowledge sharing and partnerships.
- **Improved Accountability and Transparency**: The rigorous monitoring and evaluation requirements of a pooled fund can enhance the accountability and transparency of CSO operations. By adhering to standardized reporting and assessment protocols, CSOs can demonstrate the impact and effectiveness of their initiatives more clearly.
- **Increased Visibility and Recognition**: Being part of a pooled funding mechanism can raise the profile of CSOs, providing them with increased visibility and recognition. Successful projects funded through the pool can attract media attention, public support, and additional funding from other sources. This heightened visibility can enhance the reputation of CSOs, helping them to attract more volunteers, supporters, and resources for future initiatives.
- **Alignment with National Goals**: The pooled funding model ensures that CSR activities are aligned with Bhutan's holistic development philosophy of Gross National Happiness (GNH). CSOs can align their projects with these national priorities, contributing to a cohesive and strategic approach to development.

Example: The Tata Trust



The Tata Trusts[49] stand as one of oldest and most influential philanthropic organizations in India. The Trusts are renowned for their significant contributions to various sectors, including education, healthcare, rural development, and the arts. They operate by providing grants and funding to CSOs, including community-based organizations, academic institutions, medical institutions and other actors across India. Over the years, the Tata Trusts have been instrumental in initiating and supporting numerous impactful projects such as the Tata Institute of Social Sciences (TISS), the Indian Institute of Science (IISc), and the Tata Memorial Centre for Cancer Research and Treatment. Their commitment to social betterment aligns with their core philosophy of promoting inclusive growth and improving the quality of life for marginalized communities.

One of the key features of the Tata Trusts is their strategic approach to philanthropy, which involves not only financial support but also active involvement in project implementation and management. This hands-on

[49] https://www.tatatrusts.org

approach ensures that the initiatives they support are sustainable and scalable. The Trusts also place a strong emphasis on innovation and evidence-based practices, encouraging the adoption of new technologies and methodologies to address complex social issues. By collaborating with government agencies, private sector entities, and international organizations, the Tata Trusts create synergies that enhance the effectiveness of their interventions. This collaborative model has positioned the Tata Trusts as a leader in the field of philanthropy, setting a benchmark for other charitable organizations in India and beyond.

4.3.4. Conclusions and the way forward

In conclusion, each scenario presents its own set of pros and cons that need to be leveraged within the current Bhutanese context:

- **Scenario 1: Technical Assistance with Retained Decision-Making & management** strikes a balance by allowing DHI SOEs to retain control over their CSR funds while receiving expert guidance to optimize their initiatives. This model can enhance the effectiveness and impact of CSR activities but requires buy-in from SOEs, consistent and high-quality technical assistance, and robust governance to maintain independence and avoid undue influence.
- **Scenario 2: SOE-advised Funds (kept in a trust fund)** provides SOEs with autonomy and flexibility, allowing them to align their CSR activities closely with their strategic goals. This model can lead to innovation and stronger stakeholder engagement but can also result in higher administrative costs, overlapping, and complexity in maintaining different earmarked funds.
- **Scenario 3: Pooled Funding Model** offers resource optimization, enhanced corporate engagement, and the potential to attract additional funding from government and international donors. However, it also requires very strong governance mechanisms, professional management, effective coordination among stakeholders, and a consistent approach to managing diverse interests.

A **crucial factor in determining the most suitable model is the regulatory environment in Bhutan.** An enabling environment that promotes CSR is essential for the success of any model. This includes clear guidelines on CSR activities, incentives for SOEs to engage in strategic CSR, and a regulatory framework that supports transparency, accountability (in line with ESG standards), and the alignment of CSR activities with GHN and national development goals.

Furthermore, the **willingness of SOEs to embrace a more strategic form of CSR is pivotal.** This willingness can be fostered through awareness campaigns, capacity-building programs, and showcasing the long-term benefits of strategic CSR initiatives. By demonstrating the positive impact of well-planned CSR activities on both corporate reputation and societal well-being, SOEs can be encouraged to move beyond ad-hoc philanthropy towards more integrated and impactful CSR strategies.

All in all, to effectively leverage CSR funds and ensure their alignment with national development goals, it is essential to adopt a strategic and collaborative approach. The following recommendations aim to foster dialogue, enhance coordination, and build the capacities of key stakeholders, paving the way for impactful and sustainable CSR initiatives in Bhutan:

- **Deepen the Research on CSR in Bhutan**: Extend quantitative research to cover other SOEs not included in the initial scoping mission and investigate CSR activities within private corporations to gain a comprehensive understanding of the current landscape. Collaborating with academic institutions, such as JSW Law School, is highly advisable to explore different proposed CSR scenarios and learn from international CSR experiences.
- **Organize a National Public-Private Conclave**: Convene a national conclave bringing together representatives from SOEs, the private sector, CSOs, and government agencies (such as the Corporate Regulatory Authority of Bhutan and CSOA). This platform can foster dialogue, share best practices, and explore collaborative opportunities. The conclave should aim to build a common understanding of strategic CSR, align efforts with national development goals, and discuss the establishment of enabling legal and regulatory frameworks. Additionally, it can serve as a venue for launching new CSR initiatives, highlighting successful projects, and recognizing outstanding contributions to societal development.

- **Establish a CSR Coordination Committee**: Create a dedicated multi-stakeholder committee, potentially co-hosted by DHI and the Bhutan Chamber of Commerce and Industry (BCCI), comprising members from key stakeholder groups, including SOEs, CSOs, government representatives, and CSR experts. This committee would be responsible for overseeing the development and implementation of CSR strategies, ensuring alignment with national priorities, and providing guidance on best practices. The committee could also facilitate the coordination of pooled funding mechanisms and earmarked trust funds, promote transparency and accountability, and serve as a liaison between various stakeholders.
- **Review DHI Guidelines**: Engage in discussions with DHI's Corporate Governance division and support the review of CSR guidelines to ensure they are aligned with current best practices and national development goals, both quantitatively (as a percentage of profits between 1-2%, in line with international standards) and qualitatively.
- **Launch Capacity-Building Programs**: Implement training and capacity-building initiatives for SOEs, the private sector, and CSOs to enhance their understanding and execution of strategic CSR. These programs should cover essential topics such as CSR strategic planning, private-non-profit collaborations, monitoring and evaluation, and stakeholder engagement. By building internal capacities, SOEs and CSOs can design and implement more effective and impactful CSR projects. Capacity-building efforts should include workshops, seminars, and hands-on training sessions, as well as the development of comprehensive CSR toolkits and resources.

Annex 1. List of interviews and agenda

The following organizations and agencies were involved in the Focus Group Discussions, In Depth Interviews and validation workshop held on 26th June 2024:

1) Bank of Bhutan
2) Bhutan Association of Women Entrepreneurs
3) Bhutan Blossoms
4) Bhutan Cancer Society
5) Bhutan Chamber of Commerce and Industry
6) Bhutan Kidney Foundation
7) Bhutan Media Foundation
8) Bhutan National Bank
9) Bhutan Power Corporation
10) Bhutan Telecom
11) Bhutan Toilet Foundation
12) Bhutan Trust Fund for Environmental Conservation
13) Bhutan Youth Development Fund
14) Civil Society Organization Authority Secretariata
15) Corporate Regulatory Authority
16) Draktsho Vocational Training Centre for Special Children and Youth
17) Druk Green Power Corporation
18) Druk Holding and Investments
19) Handicraft Association of Bhutan
20) Jigme Singye Wangchuck Law School
21) Loden Foundation
22) Nazhoen Lamtoen
23) Private Sector representatives
24) RENEW Social Enterprises
25) Royal Monetary Authority
26) Tarayana Foundation
27) Terra Himalaya Private Limited
28) Thimphu TechPark