

Conference Draft

***Strengthening Philanthropy in Asia Pacific:
An Agenda for Action***

Conference Summary Paper

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Background

In preparation for the upcoming conference, “*Strengthening Philanthropy in Asia Pacific: An Agenda for Action*,” representatives of the Asia Pacific Philanthropy Consortium (APPC) prepared papers reporting on the status of the philanthropic and nonprofit sectors in ten societies throughout Asia Pacific. These include Australia, Bangladesh, China, Hong Kong, Indonesia, Japan, Korea, The Philippines, Taiwan and Thailand. This *Conference Summary Paper* summarizes these papers, highlighting common themes, recent developments, interesting innovations, and recommended calls to action on ways to strengthen the philanthropic sector.

Each background paper discusses philanthropic funding sources as well as recent developments in the nongovernmental (NGO) sector.¹ Consistent with the scope of the July, 2001 APPC conference, this paper will focus primarily on the **revenues** that are raised or generated to support NGO activities. A description of how these funds are distributed in relation to social needs can be found in each of the background papers.

Introduction

The economies of countries in the East Asia and Pacific region were the most dynamic in the world during the 1980s and most of the 1990s.² Despite the economic downturn of the late 1990’s, the philanthropic and NGO sectors in Asia Pacific have continued to advance in the face of significant challenges. Forces supporting the growth of philanthropy within Asia Pacific include deeply rooted traditions, and cultural, and religious beliefs in the importance of helping others, particularly in such countries as Bangladesh, Hong Kong, Indonesia, Thailand, and the Philippines. This core value system has created a culture of individual giving to religious institutions and has formed a foundation of individual giving to the needy.³ Conversely, other countries, including China and Japan, cite the need to change public attitudes over time by educating the public about the role of both NGOs and individuals in relation to the state. A long-time dependence on government in these countries has resulted in a limited awareness and understanding of the importance of philanthropy.

NGO leaders also cite media coverage of natural disasters in some countries (Bangladesh, Japan, Indonesia, and Taiwan) as a catalytic force that has promoted philanthropic giving and volunteerism. The coverage promoted by such disasters has been a powerful tool for educating the public about the respective roles of individuals, government, and NGOs. Greater public awareness of NGO involvement in social issues has helped to sway public

¹ For the purposes of this Summary Paper, the term “NGO” will be used to capture the various types of charitable, social, civil society, and nonprofit organizations operating in countries throughout Asia Pacific. Other terms, such as social organization and private non-enterprise institutions (China), or civil society resource organizations (CSROs), are used throughout the papers.

² *East Asian Miracle: Economic Growth and Public Policy* (Washington: World Bank, 1993), especially pages 1-23.

³ This is also true in Pakistan. See *Philanthropy in Pakistan: A Report of the Initiative on Indigenous Philanthropy* (Aga Khan Development Network, August, 2000).

opinion, and in some cases public policies, relating to the philanthropic sector. As will be discussed later, the role of the media is increasingly important to the development of the philanthropic sector in terms of creating an enabling environment that encourages giving. In all cases, philanthropic leaders, working in concert with government, international, and business partners, cite the need to increase the level of financial resources flowing to the NGO sector.

Description of Funding Sources

NGOs in the societies studied rely on a mix of funding, including government, foundations (domestic and international), corporations, individuals, and earned income, particularly from service fees and from commercial ventures. The following table summarizes the philanthropic funding sources reported in the background papers, noting specific figures where available.⁴

Table A: Description of Funding Sources

| Society | Reported Philanthropic Funding Sources Supporting NGO Activities |
|-------------------|---|
| Australia | <ul style="list-style-type: none"> • Individuals (A\$2.8 B) • Corporations (A\$1.4B - \$1.8B) • Foundations (A\$.7B)⁵ <p>Total non-governmental giving comprises a very small portion of total NGO income. Reliable trend data on giving is unavailable.</p> <p>Recent development: Increasingly, foundations are being formed using money earned from such “vices” as gambling, beer, cigarettes, and related activities.⁶</p> |
| Bangladesh | <ul style="list-style-type: none"> • Individual giving (heavily inspired by religious and cultural customs) • Corporate (through NGOs, business houses, or clubs/associations) • Foundations/trusts; and religious organizations⁷ <p>Foundations include mainly family or closed circuit coalitions. Large foundations may run charitable works, including hospitals or educational institutions which collect service fees. Businesses that initiate social projects must also raise funds to support these initiatives.⁸</p> |

⁴ Comparative data among societies is unavailable. Table A summarizes NGO sector funding sources as reported in the country papers submitted.

⁵ Australia Paper (1997-98 data).

⁶ Ibid.

⁷ Bangladesh Paper.

⁸ Ibid.

| Society | Reported Philanthropic Funding Sources Supporting NGO Activities |
|------------------|---|
| China | <ul style="list-style-type: none"> • Government (sole source of support until early 1980s) • Individual giving (including three sources: a) government workers who are called on to give by their leadership; b) individuals who purchase lottery tickets as managed by government agencies; c) voluntary donations, the smallest source of individual donations)⁹ • Earned income, including service fees and commercial ventures. • International donors (an important source)¹⁰ <p>Very few corporate foundations exist in China.¹¹</p> |
| Hong Kong | <ul style="list-style-type: none"> • Government (single largest funding source, totaling US \$828M in 2000/01) • Foundations (Jockey Club (US \$143M in 2000/01) and Community Chest (US \$23M in 2000/01)) • International relief agencies • Corporate giving¹² • Fund-raisers • Individual giving • Earned income¹³ <p>Recent Developments: Some leading funders, including the Jockey Club, are becoming much more strategic in their funding, seeking out NGOs that can help implement specific initiatives. Government is also calling upon NGOs and corporations to play a bigger role in helping to define more effective solutions to social problems.</p> |
| Indonesia | <ul style="list-style-type: none"> • International sources (represents 65% of philanthropic funding) • Domestic sources (represents 35% of philanthropic funding) <p>Domestic sources include: earned income/fees (33%), interest on endowment funds (17%), corporations (17%), national and local government (5%), individual giving (14%), NGOs (3%), other (11%).¹⁴</p> |

⁹ China Paper.

¹⁰ Ibid. International donors include foundations, other NPOs, multi and bilateral government development agencies, and individuals. In relation to the overall need, the level of giving is small and “is not effectively and efficiently allocated and used in many cases.”

¹¹ Ibid.

¹² Hong Kong Paper. Largest portion of giving is derived from corporations, including funds, employee volunteers and client participation.

¹³ Ibid. The Central Policy Unit of the Hong Kong SAR Government is currently conducting comparative research on the Third Sector in Hong Kong, including philanthropic giving, that will be completed later in 2001.

¹⁴ Indonesia Paper. Data derived from a recent survey conducted by Ibrahim, Rustam (2000), *Direktori Organisasi Sumberdaya Masyarakat Sipil: Indonesia*. The Synergos Institute, *Series on Foundation building in Southeast Asia*.

| Society | Reported Philanthropic Funding Sources Supporting NGO Activities |
|--------------|---|
| Japan | <ul style="list-style-type: none"> • Fees and charges (52%) • Government aid (45%) • Private contributions (3%)¹⁵ <p>Individual giving has remained an insignificant factor in the overall philanthropic landscape. Neither organized private philanthropy nor corporate giving has grown significantly, though the latter has remained stable despite recent economic stagnation.</p> |
| Korea | <ul style="list-style-type: none"> • Foundations - A new type of foundation has emerged which: 1) advocates for a particular interest; 2) is initiated purely by private nonprofit organizations or leaders and has no direct connection to government or the business sector; and, 3) intends to rely heavily on individual giving and corporate donors.¹⁶ Another new source of funds includes venture capital philanthropy.¹⁷ • Corporations - Includes company-sponsored foundations, small and medium-sized scholarship funds, and government-funded foundations established by special laws and decrees. Major donors include companies, wealthy people, and the government. • Government – Since 1999, government ministries have expanded their financial support for NGOs “through the project application method.” During 1999 – 2000, central and local governments allocated 15 billion Korean Won (US \$12 million) respectively to NGOs.¹⁸ <p>Notable development: In late 1998, a major foundation, the Community Chest of Korea, was restructured to become an independent entity that both receives funds from the government and raises funds from private sources.</p> |

¹⁵ Japan Paper. Data from Johns Hopkins Comparative Nonprofit Sector Project (1990-1996).

¹⁶ Korea Paper. Examples of newly-emerging foundations include The Womens Fund, the Beautiful Foundation, and the Korea Human Rights Foundation.

¹⁷ Venture philanthropy is commonly referred to as the practice of applying venture capital investment principles to social investments. “Changing Corporate Roles and Responsibilities: “Business and Venture Philanthropy,” *The International Business Leaders Forum (IBLF)*, January, 2001, page 1-2.

¹⁸ Korea Paper.

| Society | Reported Philanthropic Funding Sources Supporting NGO Activities |
|--------------------|--|
| Philippines | <ul style="list-style-type: none"> • Individual giving (to churches and schools) • Corporate¹⁹ • International donors • Local donors (including corporations) • Endowments • Earned income • Local and national governments • Endowment funds <p>Religious organizations also make substantial grants, though data on this revenue source is not tracked.²⁰ Individual giving to church movements is increasing. Some churches practice tithing.</p> |
| Taiwan | <ul style="list-style-type: none"> • Individual²¹ • Corporate • Foundations²² • Religious-based • Earned Income²³ |
| Thailand | <ul style="list-style-type: none"> • Individual giving (primarily motivated by religious influences) • Foundations • International foundations • Corporations (a limited number)²⁴ |
| | |

Though little relative data exists to conduct an analysis of philanthropic funding sources among these societies, some observations can be made.²⁵

¹⁹ Philippines Paper. In recent years, corporate giving to Philippine Business for Social Progress (PBSP) has been somewhat erratic, showing a downward trend. PBSP contends that more companies understand the need to respond to social problems and that many more companies may potentially engage in corporate giving as only a small fraction of those doing business in the country currently make donations.

²⁰ Philippines Paper. Data summarized from a Synergos Institute study (1998).

²¹ Taiwan Paper. "Trends of Taiwan Social Development," May 1999-April 2000. This recent study found that almost 11 million people out of nearly 23 million contributed money to NGOs during the period of study, representing 68.1 percent of the population over 15. The majority of these contributions were directed to earthquake relief programs.

²² Taiwan Paper. In 2000, there were 3, 014 foundations in Taiwan, most of which were operating foundations rather than grantmaking entities. About 65 percent were formed after 1987, the year the democratization process formally began. More than 85 percent have an endowment of less than NT\$10 million and 49 percent have an endowment of below NT\$5 million. About 70 percent of foundations are private, supported by individuals and the general public; 25 percent are corporate; and, the remainder are government-linked foundations.

²³ Taiwan Paper. In Taiwan, NGO business ventures are well-established and many organizations run ventures such as gift shops, laundry services, recycling centers, restaurants and car wash centers.

²⁴ Thailand Paper. Note: Foundations in Thailand are numerous, but inactive and small.

1. *Individuals in several countries give significant sums to religious institutions, and NGOs have begun to receive funds from individuals as well.* Donations from the Muslim community in Indonesia, Bangladesh, and Pakistan, giving by Buddhists in Thailand, and donations from Catholics in the Philippines, represent a significant source of revenue. Some NGOs receive donations from individuals who are inspired to give by a religious desire to help others, particularly during times of disaster. NGO leaders note, however, that this revenue stream is ad hoc and unsustainable.²⁶ Others contend that individual giving holds promise as it has remained steady, and in some cases increased, even during difficult economic times.²⁷ Overall, it is known that individuals give significant amounts to religious institutions, but little more is understood about this practice or how and if it relates to the philanthropic sector.

2. *In most of the countries studied, national governments are very interested in engaging the NGO sector to help understand and implement social policies, though the level of trust and involvement varies widely.* For instance, the Chinese government is both interested in and cautious of NGOs, the Thai government is just beginning to engage NGOs in a meaningful way, and the Korean government now actively seeks NGO participation on policy-making bodies and has created supportive laws and regulations. The Hong Kong government has had a long history of supporting NGOs and is now exploring ways to strengthen NGO-government partnerships.²⁸

3. *Corporate and business sector philanthropic support has been the source of some interesting innovations,* including marketing initiatives by Hong Kong banks and utilities,²⁹ and venture philanthropic support from Korean, Indian and Filipino venture capitalists. The former demonstrates a willingness to apply a broader spectrum of corporate resources – such as marketing expertise – to a social problem. The latter, as will be discussed in more detail later, may include the application of significant revenues and entrepreneurial business practices to social needs. Perhaps more

²⁵ APPC has sponsored a comparative study of fundraising practices in seven countries: Bangladesh, India, Indonesia, Nepal, Pakistan, Philippines, and Thailand. The study has two components: a series of case studies in each country to document successful efforts by Asian NGOs to raise funds beyond government contracts and grants from international aid agencies; and household surveys of charitable giving and volunteering in India, Indonesia, Philippines, and Thailand. Preliminary results of the study will be presented at the Bali conference. Preliminary results of the survey research and case studies of the NGO fundraising practice may be found in *Investing In Ourselves: Giving and Fundraising in the Philippines* (Manila: Venture for Fundraising, 2001).

²⁶ Australia Paper and Bangladesh Paper.

²⁷ Philippines Paper and Bangladesh Paper.

²⁸ Hong Kong Paper. The Hong Kong government, working in concert with NGO officials, seeks to encourage greater accountability from NGOs, in part by offering greater independence to NGOs. The government is also learning more toward employing privatization techniques to manage NGO relationships.

²⁹ *Ibid.* Several major banks in Hong Kong support charities by issuing appeal leaflets, together with monthly statements, to their millions of customers on behalf of charities and almost all of the retail banks provide a donation channel at their joint networks of thousands of Automatic Teller Machines. In addition, some Hong Kong public utility companies invite their subscribers to round up the odd cents/dollars of their utility bills to the nearest sum with the additional amount donated to the Community Chest.

importantly, venture philanthropy support holds the potential to influence the future model of private sector engagement.

4. *Earned income is becoming an increasingly important source of revenue in several countries.* In Australia, almost half of NGO income is derived from the sale of goods and services most related to their core business.³⁰ Hospitals in Bangladesh are also engaging in commercial ventures, including selling pharmaceuticals.³¹ NGOs in China have opened businesses, have created affiliated companies, and have invested in real estate, though with mixed results.³² Although a growing source of income, commercial activity by nonprofit organizations also raises significant challenges for NGO management and organizational culture, and has already led to lawsuits challenging NGO business activity in Bangladesh and elsewhere in the region.³³
5. *International funders have played a critical role in the promotion of civil society in Asia Pacific, but it will be increasingly difficult to obtain this level of funding from the relatively small number of private American foundations that have been traditional supporters of civil society programs in Asia.* Some American foundations, particularly some of the new and very large West Coast foundations whose wealth derives from Silicon Valley, are exploring new approaches to their philanthropy, including “venture philanthropy” (see below). This trend could mean that “civil society” programs in Asia might not benefit significantly from the large-scale inter-generational transfer of wealth expected to take place in the United States in the coming years, or from the explosive growth in the number of new American foundations.
6. In China, the government remains the primary source of funding for many of the older social organizations established during the early years of the reform period (early 1980’s). In recent years, the government has announced its intention to reduce its direct financial support to those institutions in the expectation that earned income from commercial activity, service fees, and other sources of funding will become available to them from corporations and individuals. Many social organizations that were established during the mid-to-late 1990’s are somewhat less reliant on government funding and have obtained at least some of their financial support from Chinese corporations and individuals and from international donors. In all cases, the Chinese government exercises close supervision over NGO finances and activities.

Each of the revenue sources discussed – be it funding from foundations and development agencies, government grants and contracts, generating fees for services and earned income, or soliciting individuals and corporations – requires a different kind of NGO capacity, including staff expertise, organizational commitment, and operational procedures. In addition, NGO managers need to develop relationships with different

³⁰ Australia Paper.

³¹ Bangladesh Paper.

³² China Paper.

³³ For an analysis of the challenges facing NGOs entering into commercial activity, using Central European examples, see *Profits for Nonprofits: An Assessment of the Challenges in NGO Self-Financing* (Santiago: NESST, 2001, at www.nesst.org)

groups of stakeholders, such as corporations, individuals, foundation leaders, etc., when pursuing multiple funding sources. To manage these tasks and relationships, philanthropic and NGOs leaders must assess their capacity to pursue diverse funding sources and establish strategic priorities based on available resources. This work must be done within the context of several other broad challenges that impact the growth of the philanthropic sector in Asia Pacific.

Challenges Inhibiting the Growth of the Philanthropic Sector

NGO leaders operating in Asia's current economic environment cite several challenges that influence their capacity to deliver programs and services and to develop their organizational capacity. At the core of these challenges is the continuing need to increase financial and other resources flowing to the sector during a period of economic slowdown. For, as stated in one background paper, "...one can actually witness a marked widening of the gap between the demand side and a supply side of civil society in terms of financial resources."³⁴ This widening gap is the result of increasing demand for NGO programs and services, as well protracted difficulties that continue to slow the ability of the sector to generate resources.

Legal and Regulatory Challenges. A significant challenge affecting the development of the philanthropic sector is the "enabling environment," in particular restrictive government policies and practices. NGO and Foundation leaders cite the need to improve laws and regulations as a core strategy for promoting the growth of the philanthropic sector, and indeed civil society.³⁵ In most of the background papers, philanthropic leaders stressed the importance of maintaining a positive working relationship with government officials, including finding common ground on areas of agreement and continuing dialogue on areas of disagreement.

The Philippines has perhaps the best-developed nonprofit infrastructure in Southeast Asia and NGO participation is mandated at various levels of government. In both Philippines and Indonesia, former NGO leaders occupy prominent places in governing bodies at the national and local levels. In Korea, after years of repression, the national government has embraced and increased funding to the nonprofit sector since the 1997 economic crisis.³⁶ In Hong Kong, Australia, and Bangladesh, the government has had a long-time working relationship with NGOs, though leaders in these countries see a need to strengthen relations further. For instance, NGO leaders in Bangladesh and Hong Kong note that though government policies are generally supportive of the philanthropic and NGO sectors, government agencies sometimes remain hostile to, competitive with, or seek to control NGOs.

³⁴ Japan Paper.

³⁵ APPC has conducted in depth research on the legal environment in East Asia. See Thomas Silk (ed), *Philanthropy and Law in Asia* (San Francisco: Jossey Bass, 1999). This entire book is also available for downloading without charge from the APPC web site www.asianphilanthropy.org. The APPC is currently sponsoring a similar study in South Asia.

³⁶ A report on an APPC-sponsored study on changes in NGO-government relations and civil society responses to the economic crisis in Korea, Thailand, and Indonesia will be presented at the Bali conference.

China, India, Indonesia, Japan, and Thailand are either in the early stages of developing a relationship with government and/or are working to implement much-needed laws and regulations to strengthen the sector. Many NGO leaders seek to pass or simplify regulations governing tax deductions to encourage contributions. Many Asian foundations complain about overly tight government restrictions on their ability to manage foundation assets in a manner that would maximize income. Out of perhaps misguided sense of protecting their assets, foundations and other NPOs in many countries are prohibited from investing their assets in equities or commercial paper. They are required to keep their assets in “secure” local currency savings accounts or government bonds. In practice, this means that many endowments earn very low rates of return and some Japanese foundations, for example, have recently been earning negative rates of return on endowments. A lack of trust among sectors, a limited understanding of the role of the NGOs, and the need for national governments to expand their own resource base pose challenges.

Need to clarify roles. Relationships with the governmental sector are often complicated by the sometimes lack of clarity around sector roles.³⁷ Though national governments generally understand the valuable role NGOs can play in relation to addressing social issues, they provide inconsistent support to and have mixed feelings about the value and role of NGOs. This dynamic may result in the passage of laws and regulations that provide partial support to – or frequently place restrictions on – NGOs.³⁸ This is an ongoing tension.

Culture of individual giving and volunteerism is still emerging. As noted earlier, some countries do not have a culture that supports individual giving (e.g., China, Japan) due to a long-term reliance on government as the primary provider of social goods and services and a lack of trust in private initiatives. Philanthropic and NGO leaders in these countries see a pressing need to cultivate greater public awareness of and support for philanthropy. Public pressure can help persuade governments to pass supportive laws and regulations to strengthen the sector. Donations of both time and money from individuals helps NGOs to broaden their funding base and create a new stakeholder constituency. However, in order to gain the trust of individuals, NGOs must demonstrate the value of their services to the public.

Limited organizational capacity of NGOs. Philanthropic leaders in all of the countries studied strongly advocate for programs and resources to improve NGO capacity. This long-standing need is reflected in NGO organizations that often lack the business, leadership and planning, technological, and coalition-building capacity to impact social issues at significant scale. All of the background papers cited a very strong need to help NGOs with capacity building, including developing the capacity to run commercial ventures that support NGO programs. Though the definition of capacity building may vary, in general it can be defined as:

³⁷ Australia Paper and Bangladesh Paper.

³⁸ Ibid.

“...the development of an organization’s core skills and capabilities, such as leadership, management, finance and fundraising, programs and evaluation, in order to build the organization’s effectiveness and sustainability. It is the process of assisting an individual or group to identify and address issues and gain the insights, knowledge, and experience needed to solve problems and implement change. Capacity building is facilitated through the provision of technical support activities, including coaching, training, specific technical assistance and resource networking.”³⁹

The typical types of capacity issues mentioned in the background papers include the need for philanthropic and NGO leaders to:

- become both more strategic and more thoughtful about fundraising (in particular in reference to reaching out to individuals);
- create independent and effective governing boards;
- hire well-trained and professional staff with an understanding of business principles;
- improve technology systems;⁴⁰ and,
- develop effective program assessment techniques to demonstrate the value of services to the public and governments.

Philanthropic and NGO leaders contend that improving organizational capacity, and ultimately NGO effectiveness, will position them to be perceived and received as valuable partners by representatives from other sectors, making it easier to generate philanthropic support. They contend that NGO and philanthropic leaders must show progress in this area before they will garner significant support from other sectors.

Reduced international aid and the emergence of venture philanthropy. As previously mentioned, international donor support has played a critical role in supporting civil society in Asia Pacific, but this support may not be as readily available in the future, at least in its current form. Based on a desire to have a greater impact on the issues they fund, some U.S.-based international funders, in particular “new wealth” philanthropists, have begun to adopt a new kind of grantmaking termed “venture philanthropy.” First initiated in the United States, three of the background papers (i.e., India, Korea, Philippines, and Taiwan) mention the emergence of this practice in their society. Though not yet a wide-spread practice in Asia Pacific, the topic is mentioned here because of its potential to influence future philanthropic endeavors in this and other parts of the world.

Characterized by the application of venture capital investment strategies, in particular a great interest in outcome evaluation, the definition of “venture philanthropy” is still emerging, but has been widely discussed in the United States. In general, the practice generally falls into three broad categories:

³⁹ *Reflections on Capacity Building*, The California Wellness Foundation, Woodland Hills, CA, April, 2001, page 4. (www.tcwf.org)

⁴⁰ Only one country, Korea, reported that technological resources and equipment have become widely available to NGOs and have in turn resulted in significant NGO advances.

- Venture-parallel philanthropic funds, where there is a high level of engagement and financial investment is matched with strategic management assistance. Generally, a venture capitalist's involvement in a start-up will last from *five to seven years*, during which time, he or she will be closely involved in the development of the project. Involvement may include sitting on the board, giving advice, and helping with recruiting managers. In return the NGO provides frequent progress reports [using previously agreed upon evaluation indicators, or metrics].⁴¹
- Venture-influenced philanthropic funds, which include some characteristics of venture capitalists such as risk-taking, outcome measuring and an emphasis on organizational leadership. However, strategic management assistance and staff capacity are usually minimal.
- Venture generated philanthropic funds, where the resources have been contributed from successful venture capital efforts, but are not necessarily given out or invested according to venture capital principles.⁴²

Though relatively new within the philanthropic world, venture philanthropy is only one of several strategies employed by foundations to impact social issues. Some contend, however, that its influence is growing as evidenced by the increasing numbers of philanthropists who have adopted this approach and who recognize the increasingly important role of NGOs. Most common among high tech entrepreneurs and some corporate foundations in the U.S., a wider spectrum of donors are becoming interested in this practice, in particular the notion of assessing the impact of their “social investments.” Examples include:

- *Pfizer Corporate Philanthropy Department*: In 1993, Pfizer adopted a venture philanthropy approach to its giving, describing its work as “a charitable endeavor based on risk taking, innovation and entrepreneurial spirit.” Giving is characterized by a close relationship between the company (through consultants and employees) and the grantee. Pfizer helps grantees develop ideas and then helps grantees assess both their resources and constraints in relation to implementing programs and ideas.⁴³
- *Acumen Fund (started with support from the Rockefeller Foundation in partnership with Cisco Foundation and other philanthropists)*: The mission of the Acumen Fund is “to build a unique model for philanthropy that utilizes information technologies to link new economy donors to effect change strategies that target the root causes of global problems.” The model for philanthropy focuses on helping high-net worth donors address root causes of global problems. This Fund seeks to strengthen

⁴¹ “Changing Corporate Roles and Responsibilities: “Business and Venture Philanthropy,” *The International Business Leaders Forum (IBLF)*, January, 2001, page 2. Venture philanthropy focuses on leadership, bold ideas, developing strong teams, active board involvement, long-term funding, and sometimes mezzanine or scale-up funding. (www.the-ef.org/faqs-content.html)

⁴² Ibid, page 2.

⁴³ Christopher Capers, Harvard Business School; and Michael Collins, Shahna Gooneratne, Harvard Kennedy School of Government, “Assessing Venture Philanthropy,” 1998, page 23.

philanthropy by building a global network of donors and linking them to [pre-selected “portfolios” of] innovative leaders and strategies focused on solving concrete problems. Through an on-line learning platform, site visits, and workshops the Fund will provide regular feedback on program/grantee progress. The Fund will provide examples from “the field” through the Acumen Fund web site and will use assessment metrics to monitor grantmaking portfolios. Through this network, AF seeks to “contribute to measurable change in the world.”⁴⁴

- *Edna McConnell Clark Foundation*: This Foundation focuses on encouraging innovation and the identification of solutions to problems and is interested in distributing the results to effect change. The Foundation believes that success in venture philanthropy would result in the emergence of at least four conditions: 1) A market increase in the output and productivity of the field as a whole and of several significant institutions in it; 2) Some organizations in the field, either intermediaries or significant front-line organizations, that have achieved the status of bellwethers of “great institutions,” whose activities lead and publicly represent the best practices of the field; 3) More revenue-generating capacity – and probably more revenue – in the field as a whole; and, 4) Significantly better means of measuring quality, production, and outcomes.⁴⁵

Depending on the level of engagement initiated by the donor, this type of philanthropic support may require the NGO to fully engage the donor and negotiate specific program activities to be supported. Such engagement typically requires a commitment to accepting external input and to inculcating business-like policies and practices with the goal of creating a more sustainable organizational structure. Grantees must also be willing to provide more regular and specific feedback on program progress and outcome evaluation. If done successfully, venture philanthropists contend that the organization receiving support will significantly increase its capacity to impact social issues.

The implications of this approach can be significant for NGOs, particularly if the organizations are not comfortable with adopting a more business-like management approach. The venture philanthropist’s emphasis on outcome assessment, or “metrics,” has already begun to influence the thinking of all US foundations. Many new and long-time international funders are not as interested in broader notions of “civil society,” or in philanthropy as a practice based on moral “obligations” or “responsibilities” in the sense that many NGOs advocate. If NGO-corporate partnerships are already strained due to problems with language and incompatible organizational cultures, those problems may become exacerbated in the future.

Lack of a strong private sector. In some countries the private sector is quite weak, either because the for-profit sector is still emerging or because established businesses have not demonstrated a culture of social responsibility. In China, the private sector is in the early stages of growth and development and has not matured enough to understand, focus on, or participate in the development of the NGO sector. In Bangladesh, corporate business

⁴⁴ Text is excerpted and summarized from a summary description of the Acumen Fund.

⁴⁵ “Assessing Venture Philanthropy,” op. cit., pages 18-19.

and responsibility practices leave much to be desired.⁴⁶ Conversely, in some countries multinational corporate community involvement practices have positively influenced indigenous business practices. Philanthropic leaders hope to leverage this latter influence.⁴⁷

Lack of Media Involvement and Coverage of Philanthropic and NGO activities. As is the case in most regions of the world, it is difficult to garner media focus on charitable giving and NGO activities in Asia Pacific. Yet, as previously discussed, there are compelling reasons to try. Media attention that examines the role of NGOs and philanthropy in relation to social issues can do much to educate the public and governments about the importance of “the third sector.” It can also help raise philanthropic funds, particularly from individuals. The latter outcome is the result of greater transparency that occurs when the media focuses on social issues involving philanthropy and NGOs.

Responding to the Challenges – Inter-Regional Partnerships

Philanthropic, NGO, government, and business leaders in Asia increasingly understand that cross-sector cooperation – in many forms – is needed to address the aforementioned challenges and pressing social, economic, and environmental issues. As discussed at the APPC-sponsored “International Conference on Supporting the Nonprofit Sector in Asia” in Bangkok in 1998, the formation of partnerships across sectors continues to be critically important:

“Partnerships are beginning to play a critical role within Asia for many reasons. First, the region’s governments have limited capacity, or limited political will to meet social needs. Governments are reaching out to NGOs for assistance, though with varying degrees of support. Second, society’s problems are complex, multifaceted, and interconnected, requiring multiple talents, resources, and expertise, attributes found within all sectors. Business in particular, can offer unique and valuable contributions to the resolution of social problems, including research and development expertise, distributions services, outreach and marketing support, as well as traditional giving and community involvement assistance. And third, the expansion of democracy around the world has made a growing number of people increasingly uncomfortable with inequality and perhaps more determined to resolve chronic social problems using whatever resources or measures are required.”⁴⁸

Predictably, some interesting relationships, partnerships and connections have emerged in an effort to address the aforementioned challenges.

⁴⁶ Bangladesh Paper.

⁴⁷ Indonesia Paper. The employee volunteer practices of General Electric and Citibank in Indonesia have encouraged some indigenous companies to promote employee volunteerism.

⁴⁸ Campbell, Colin. “Forging Partnerships Among Diverse Interests,” *International Conference on Supporting the Nonprofit Sector in Asia*, Bangkok, 1998. Excerpted from Conference Summary Paper, 1998, Asia Pacific Philanthropy Consortium, page 23.

- *Media.* Perhaps the most important relationship emerging is that between NGOs and the media because, if handled well, it holds the greatest potential to help NGOs with their fundraising, outreach, and public policy agendas. For instance, in Indonesia, when three newspapers covered the Bengkulu earthquake (June, 2000) and offered to collect money for the victims, individuals from all economic levels donated significant amounts. Philanthropic leaders contend that the high transparency offered by the media, particularly TV media, gives donors a sense of security and accountability.⁴⁹ As previously mentioned media involvement in other natural disasters has aided NGO mobilization, education, and fundraising efforts. The challenge is to find ways to engage the media on a more regular basis, including educating media representatives and positioning philanthropic leaders as resources to representatives of the media.
- *NGO partnerships.* With assistance from the Community Chest of Hong Kong and others, the China Charity Federation in China has become one of the “most influential philanthropic institutions in China within a relatively short period of time, and this has been achieved partly through the transfer of successful practices from Hong Kong.”⁵⁰ Besides managing its own operations, the China Charity Federation is trying to provide NGO support activities, including fundraising consultation, training and research, and other services to small and grassroots NGOs.⁵¹ NGOs in China would like to see more *information exchange, training programs, personnel exchanges, joint projects, institutional links, and financial assistance* with their colleagues in Hong Kong, Taiwan and elsewhere in Asia Pacific.⁵²
- *Business/Venture Capitalist.* As previously discussed, venture philanthropy, the practice of applying venture capital strategies to philanthropic giving, is emerging in Asia Pacific. For example, venture capitalists in Korea have established a new welfare foundation specializing in child welfare issues. The Foundation, “Kids and the Future,” seeks to create a new culture of corporate philanthropy in Korea.⁵³ Presumably this foundation will invest significant and sustained resources in programs addressing children’s welfare needs and will apply venture capital business practices to the management of this NGO.
- *Government.* In some countries national governments are engaging NGOs to help establish and implement policies and programs. In Bangladesh, the government planning process integrates NGO activities and has sought to encourage NGO involvement in training, the development of infrastructure, and extension services for primary health care services to poor women. Though this government-NGO relationship needs to be strengthened in some areas, it works smoothly in other areas. The Bangladesh government funds NGO work related to maternal and child health care, family planning services to the poor, technology transfer of homestead

⁴⁹ Indonesia Paper.

⁵⁰ Hong Kong Paper.

⁵¹ China Paper.

⁵² Ibid.

⁵³ Korea Paper.

agriculture, and more.⁵⁴ In Hong Kong, the government is restructuring its support of NGOs by seeking to maintain a generally supportive enabling environment for NGOs and by helping NGOs strengthen their organizational capacities. In return, NGOs are expected to serve as the governments' close partners in generating new ideas and devising new approaches to tackle emerging as well as long-standing social problems.⁵⁵ In Korea, the national government has recently embraced NGOs and works closely with them when implementing many social policies. Finally, in Taiwan multi-sectoral partnerships have increased since the 1990s.

- *Academic Centers.* Academic centers have emerged in such countries as Australia, China/Hong Kong, Japan, and Korea. Such institutions generate increased interest in NGO/academic partnerships, including an increase in graduate and undergraduate level degree programs, the establishment of research institutions, and the formation of NGO-related academic associations. These resources hold the potential to serve the NGO sector by *providing valuable data, training much-needed managers, and creating greater visibility and credibility for the philanthropic and NGO sectors.*
- *Information Technology.* The employment of technology holds great potential to foster information exchange, create coalitions, and to engage in resource networking. As experienced by Korean NGOs, “information technology (has been) the most dramatic development for the activities of the nonprofit sector in Korea in the 21st century.”⁵⁶ Sector leaders contend that information and communication technology will play an important role in transforming society, mobilizing people, challenging corruption and promoting democracy. High technology leaders can play a key leadership role in this area, similar to how they have assisted institutions of higher education in the United States.
- *Business.* In Taiwan, Citibank made a grant of US\$100,000 to Children Are Us Foundation in 1997 in order to help the NGO establish an income earning operation. Citibank then organized a task force of seven senior managers who specialize in running businesses to help manage the operation. Combined with another Citibank support program, these resources enabled the NGO to create a successful income generating operation.
- NGOs in Bangladesh have started businesses, building upon income-generating activities undertaken for the poor and disadvantaged. While maintaining their nonprofit status, such businesses are contributing to self-reliance and sustainability of the NGO sector. A recent corporate initiative is a service-oriented organization called Micro Industries Development Assistance and Services (MIDAS) which was established in 1982 with support from USAID. Its objective is to generate employment by promoting the development of small enterprises. Among its activities are counseling, training on business development, organizing sales outlets and extending loans and equity support to support entrepreneurs, especially women

⁵⁴ Bangladesh Paper.

⁵⁵ Hong Kong Paper.

⁵⁶ Korea Paper.

entrepreneurs. In 1992, MIDAS became self-sustaining and stopped receiving any financial help. Between 1998-1999, MIDAS developed 1481 projects, of which 1,265 were financed. In 1998-99 alone, it financed 227 projects.

Common to all partnerships is the challenge of developing and sustaining the relationship. Though this work takes significant time and resources, it is often the only way to address and solve issues.⁵⁷ All of the philanthropic and NGO leaders within the countries studied emphasized the need to promote and strengthen such partnerships as a strategy to improve the organizational and professional capacity of NGOs and solve pressing issues.

Recommended Next Steps

A central question addressed in each of the background papers is “What can be done to strengthen the philanthropic sector?” **Specific calls to action** in response to this question **are summarized in Appendix A**. An analysis of the ten background papers reveals several common themes, including the need to:

- continue to **work with governments to create stronger enabling environments**, including the enactment of laws that support the formation of NGO organizations and provide incentives to individuals, corporations, and foundations to make donations;
- dramatically **improve the organizational capacity** and of NGOs and foundations throughout the region as a strategy for improving their effectiveness and demonstrating value to external parties;
- **create a well-trained pool of NGO and foundation leaders**;
- **engage the media** as a means of promoting greater transparency and educating the public and creating greater awareness about the role of the nonprofit sector, government, individuals, and corporations;
- **create stronger partnerships** among government, NGOs, corporations, academic institutions and across national borders;
- **continue to cultivate relationships with international organizations** in order to remain current on trends and developments, form networks, and generate resources;
- **conduct research** that will identify sources and patterns of giving within countries; and,
- **link fundraising strategies**, particularly as related to individual donors, **to program activities**.

Many of these calls to actions are long-standing, resulting in some frustration among philanthropic and NGO leaders. Others recognize that this work of “creating civil society” and generating the required philanthropic resources demands a long-term commitment. While progress has been made, much more must be done to create new funding sources that sustain NGO operations.

⁵⁷ Campbell, Colin. “Forging Partnerships Among Diverse Interests,” *International Conference on Supporting the Nonprofit Sector in Asia*, Bangkok, 1998. Excerpted from Conference Summary Paper, 1998, Asia Pacific Philanthropy Consortium, pages 22-27.

Conclusion

NGO and philanthropic leaders remain committed to the growth and development of the philanthropic sectors in Asia Pacific countries. A strong network of leaders has emerged in the past few decades, but change is imminent. A critical question facing the philanthropic and NGO sector is what types of organization, leadership, and resources are needed to not only continue, but to strengthen and actively promote the philanthropic sector in this region?

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**APPC Guidelines for National-level Discussions and
Framework for Background Papers**

- I. Broad analysis of the present situation
 - A. Patterns and levels of philanthropic giving
 - 1. Sources (individual, corporate, foundations, religion-based)
 - 2. Purposes (social service delivery, policy advocacy, disaster relief, economic development, etc.)
 - B. Enabling environment
 - 1. Legal and regulatory
 - 2. Public understanding and awareness
 - C. Intersectoral relations
- II. Challenges and constraints to sustainable funding (this section can be framed in the same way as #1 above)
 - A. Government attitude and behavior (laws, regulations, administrative guidance)
 - B. Public awareness
 - C. Corporate attitude
 - D. Individual attitudes
 - E. Institutional/organizational development (including human resource development, fund-raising capacity)
- III. Responses/new developments
 - A. By sector (government, business, civil society)
 - B. Innovations
 - 1. Technology (for fundraising, training)
 - 2. Trisectoral initiatives
 - 3. Funding mechanisms
 - a. publicly-endowed foundations
 - b. venture capital approaches
 - c. NGO business ventures
- IV. Next steps
 - A. National level: identification of program priorities and mechanisms
 - B. International level: identification of program priorities and mechanisms
 - 1. Linkages between national and international levels
 - 2. Linkages among international and regional players

July 4, 2001

Appendix A
Strengthening the Philanthropic Sector:
Recommended Calls to Action by Country

| Country | National Level Calls to Action | International Level Calls to Action |
|------------------|---|--|
| Australia | <ul style="list-style-type: none"> • Research is urgently needed to document the numbers, income, assets, grantmaking, and purposes of foundations, numbers of employees, as well as exploration of fundraising organizations, methods and costs. Universities could play a larger role in raising awareness of and stimulating debate around philanthropy and the wider NGO sector. • Support the growing NGO sector as a profession and to focus on capacity building, particularly among smaller organizations. • “Create a national body to push the sector up the list of political priorities.” • Promote volunteerism as this is on the decline. • Make changes in charity and tax law to create greater clarity, coherence and consistency, facilitating and better regulating giving. This will require political will to view the legal and regulatory system for philanthropy as important. • Develop accountability and suitable common accounting standards for nonprofits. • Develop frameworks and tools for corporate social reporting. • Promote good corporate citizenship via, for example, education of young business leaders. • Develop a wider regional focus, in part through two strategies. First, opportunities for joint ventures between service providers at the regional level may encourage regional giving. Second, a regional focus may develop in response | <ul style="list-style-type: none"> • Need to move away from a domestic focus and to expand horizons beyond Australia to the wider region, including Asia, the Pacific, New Zealand and Papua New Guinea. |

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| | to corporate givers looking for region wide philanthropic organizations to assist in region wide giving and market entry. | |
| Bangladesh | <ul style="list-style-type: none"> • Create incentives to encourage the business community to contribute more to the field of philanthropy. Business leaders also need more education and awareness about social development programs and priorities. Established NGOs should develop appropriate orientation courses and exposure programs for business managers. • Clarify the role and involvement of the actors in the field of philanthropy in government policy documents. In official documents, general policy guidelines have been mentioned, but clear delineation of roles and responsibilities is absent. • Provide incentives in the form of fiscal measures to concerned individuals and organizations in order to attract more investments in social entrepreneurship. • Engage the media, particularly the print media, as it is a powerful tool to mobilize resources to aid victims of political and social oppression. • Continue promoting the strengthening of civil society as, given the colonial legacy of the country, civil society is still very weak and in formative stages. • Strengthen NGO-government relations further. For instance, the government does not allow tax deductions for individual or corporate donations. • Provide NGOs with support and guidance to increase commercial activities in response to decreasing international aid. | |

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| China | <ul style="list-style-type: none"> • Abide by the following principles when conducting NGO work: do not attempt to conduct political activities; avoid illegality; abide by laws and regulations while building NGO sector; avoid corruption; seek cooperation and coordination among NGOs; and, “sink their root into the society and cultivate close ties with citizens.” Seek to promote a positive relationship with government while also pursuing favorable tax exemption and tax reduction arrangements for philanthropic organizations and donors and to improve upon the NGO registration requirements. • Improve NGO organizational capacity and demonstrate self-regulation, supervision, and evaluation to win the trust of government and the public. To this end, various kinds of support organizations are also needed, including organizations that focus on grantmaking, information dissemination, coordination, consultation, training, evaluation, standard-setting, accreditation, monitoring, etc. • Develop NGO training and human resource development programs to create strong managers. “A pool of educated and competent people is needed if China is going to succeed at setting up a satisfactory NPO sector. To attract these people, NPOs must be able to offer economic security, social status, and enhancements to their professional reputation.” • Educate the public and raise awareness about the NGO and philanthropic community, through the media, including television, newspapers and publications. The public could be encouraged to donate, and perhaps more importantly, volunteer. • Create a system that can promote and coordinate revenues, including foundation donations, international aid, fundraising and other funding that could help reduce NGO dependence on government funding. | <ul style="list-style-type: none"> • There is a need to develop more information exchange, training, institutional building, networking and financial assistance collaborations between Chinese and philanthropic and NGO programs in other countries (similar to the China NPO network). |

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|------------------|--|--|
| | <ul style="list-style-type: none"> • Develop a corporate culture of giving within the emerging corporate sector. | |
| Hong Kong | <ul style="list-style-type: none"> • Conduct research to obtain more data on the sources of philanthropic giving. • Strengthen NGO accountability to donors by integrating better outcome and assessment techniques. NGOs need to do a better job of demonstrating the value of their services to government and the public. • Strengthen NGO boards so that they demonstrate more independence from government. Nonprofit managers need continued training and higher education to address NGO capacity building initiatives. • Support NGOs to become more equal partners with government – to propose ideas for addressing social needs and take more responsibility for outcomes. • Engage in more collaboration across sectors in pursuit of resolutions to social problems. Information sharing and the transfer of skills and expertise is needed. • Further develop corporate citizenship. | Need to expand philanthropic and NGO support activities between Hong Kong and China. |
| Indonesia | <ul style="list-style-type: none"> • Develop greater accountability, transparency, and professionalism among NGOs. Intermediary groups can help with this. • Expand public relations and communication efforts, but this activity must be supported with improved internal governance and Code of Conduct. Media training for journalists and editors area seen as important steps to both increasing public awareness and interest in philanthropy and social development. • Promote media contributions in support of social fund mobilization. | <ul style="list-style-type: none"> • International cooperation is needed to support human resource capacity building for sector managers, especially as related to fundraising, but also including database management |

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| | <ul style="list-style-type: none"> • Engage in broad-based coalition building. For instance, universities must play a crucial role in academic endeavors to develop further concepts and gather base line information to help both society and business groups to build their respective capacity in the “new frontier.” • Create a clearing-house of NGOs and foundations. | <p>and donor management.</p> |
| <p>Japan</p> | <ul style="list-style-type: none"> • Mobilize political and public support to bring about a better enabling environment by further revising tax legislation and other regulations over civil society organizations. • Initiate studies to revise the legal framework for civil society organizations in order to streamline the current two-tier structure of those incorporated under Article 34 of the Civil and those newly created under the newly enacted NPO Law with a view to reduce the discretionary control of the government authorities. • Promote efforts by civil society organizations to become more conscious of their fiduciary responsibility, improving their own governance, accountability and transparency to gain greater public trust. • Encourage greater efforts by civil society organizations for self-help and institution building through greater professionalization and human resource development. • Encourage greater corporate support for NGOs/NPOs through financial and other means. • Strengthen intermediary organizations that can facilitate greater corporate-NGO/NPO cooperation, and create opportunities for interaction of people working in diverse sectors interested in civil society development. | <ul style="list-style-type: none"> • Create and strengthen collaborative networks of like-minded individuals and organizations dedicated to philanthropic development inside and outside Japan • Strengthen intermediary organizations that can facilitate greater corporate NGO cooperation, and create opportunities for interaction of people working in diverse sectors interested in civil society development. |

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|--------------|---|-------------------------------------|
| | <ul style="list-style-type: none"> • Create mechanisms where public funds can be made available to NPOs and NGOs without government control. • Strengthen training of staff of civil society organizations who are engaged in fund raising, and further promote innovative approaches for fund raising such as "e-philanthropy" which is being developed by some organizations • Create and strengthen collaborative networks of like-minded individuals and organizations dedicated to philanthropic development inside and outside Japan. | |
| Korea | <ul style="list-style-type: none"> • Continue emerging transparency practices, such as maintaining updated financial records and make them available to the public. • Continue efforts to redefine and reorganize strategies to promote corporate philanthropy, such as the Federation of Korean Industries' 1% Club. Continue to promote corporate employee volunteerism and involvement. Support the existing effort to pass a law that would promote volunteerism. • Seek to strengthen tax deductibility laws by broadening the scope of tax deductibility of contributions and eliminating discrepancies. • Continue building coalitions among government, business, NGOs, and philanthropists. • Continue to leverage recent information technology advances within the NGO sector. | |

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|-------------|--|--|
| Philippines | <ul style="list-style-type: none"> • Improve the capacity of intermediary institutions, in particular to make them more independent of donors. Consider such funding mechanisms as endowments, NGO development bonds. Train future NGO managers and fundraisers to ensure that the knowledge of the current leaders is passed on. • Adopt standards of transparency and accountability. • Develop volunteer/internship programs in order to enlarge the constituency for development work. <p>Promote volunteerism and civic education. Work with the media to pursue this agenda as their support is critical.</p> | Engage in greater utilization of electronic media for international networking. |
| Taiwan | <ul style="list-style-type: none"> • Promote organizational reform and capacity building within the NGO sector. • Conduct research on foundation activity in Taiwan. • Use technology to improve communications and other operations using technology. • Help foundations and NGO to take advantage of the Internet to generate resources and perform their work. • Address quality management concerns within the NGO sector. • Develop more sufficient and reliable funding resources. | Form more alliances and networks among different NGOs and foundations working at the international cross-country level. |
| Thailand | <ul style="list-style-type: none"> • Encourage more accountability, transparency and professionalism among NGOs in order to strengthen the public’s confidence in and trust of the sector. • Advocate for government support to relax laws, rules, and regulations governing the philanthropic and nonprofit sectors. • Promote greater professionalism within the NGO sector in order to gain public trust and, ultimately, fundraise from individuals. | <ul style="list-style-type: none"> • Country leaders and organizations need to understand international movements, trends, and best practices. |

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|---------|---|---|
| | <ul style="list-style-type: none"> • Support NGO public relations and communications activities. Ideally there should be many voices that speak highly of NGOs. Academic NGOs could lend a positive and unbiased voice to this cause as the Thai public still retains esteem and respect for academic studies and research. • Create broad-based coalition. New networks must be formed and existing networks should be nurtured. | <ul style="list-style-type: none"> • It is important for government leaders to link with international organizations – for acceptance and stature reasons. • National and international links should be on-going. Longer term collaborations are needed. International actors need to trust national NGOs. State agencies can be partners in monitoring or regulating these activities. |

Note: Recommended calls to action were excerpted from each of the country papers