

PART ONE

---

An Introduction  
to Asian Philanthropy  
and NGOs

---

Marianne Quebral  
Niña Terol



# 1 | The Context of Non-Profit Sector Development

## Historical and Socio-Cultural Context

The history of Asian cultures has contributed much to the growth of philanthropy in the region over the last few centuries. As the continent is home to several of the world's major religions—Islam, Hinduism, Buddhism, and Christianity—much of philanthropic giving traces its roots to religious concepts of merit-making, alms-giving and performing charitable acts. Likewise, the close-knit family structure of most traditional Asian communities has made it common for family and neighbors to help one another in times of crises. Giving in this context has thus become an extension of service to one's family, rather than a random charitable act to a stranger.

### Giving in Islam

Islamic teachings mandate that a Muslim who has reached a certain level of income<sup>1</sup> must pay *Zakat*,<sup>2</sup> an obligatory social donation amounting to as much as 2.5 percent of his or her annual net savings. In Indonesia and Pakistan, the government has set up agencies to facilitate *Zakat* collection, which is in turn disbursed to religious and social service organizations. Aside from this mandatory form of giving, Muslims are also encouraged to practice *Infaq*<sup>3</sup> and *Sadaqah*.<sup>4</sup>

### Giving in Hinduism

Like Muslims, Hindus also espouse concepts of social contribution: *datra datrtva* and *daanam parmarrth*. More than this, however, they are also encouraged to perform voluntary service, as *seva* is another Hindu concept.

## Giving in Buddhism

Buddhism promotes the practice of *thambun*, or giving for merit-making religious purposes, and *thamtaan*, or giving to those in need. These concepts are considered the cornerstones of Buddhist philanthropy, as adherence to religious precepts is still a motivating factor for philanthropy among Buddhists.<sup>5</sup>

## Giving in Christianity

Christians practice religious giving through alms-giving, tithing,<sup>6</sup> and contributing to the Church during congregational worship and special occasions (e.g., weddings, baptisms and funerals). This was inspired by the teaching to “Love thy neighbor as thyself,” and was first operationalized in the Philippines through the *Misericordia*, a charitable institution founded by a Jesuit in 1594 for the social elite to give to the needy.<sup>7</sup>

## Traditional Asian society and philanthropy

Traditional Asian societies have developed around small, rural communities, and have instilled in members a sense of kinship and willingness to help each other in times of need. In Indonesia, for instance, a large portion of the population still lives in rural areas, and practices *gotong royong*—the concept of mutual aid. This practice is supported by four themes:<sup>8</sup>

1. That man does not live alone in this world, but is part of his community, the wider social environment, and the natural and spiritual universe around him;
2. Thus man is essentially dependent in all aspects of his life on his fellows;
3. Therefore he must always endeavor to maintain good relations with other members of the community, urged by a spirit of equality; and
4. He must always endeavor as much as possible to conform, and to do the same and be the same as his fellows in the community.

Likewise, the Nepalese have adopted many socio-cultural concepts of giving and volunteering. Among these are the *muthi daan*, *guthi* and *parma*. *Muthi daan*, literally “giving a handful,” consists mainly of separating a handful of rice or other food grain from the amount taken out for cooking the family meal, and saving it until the quantity reaches a reasonably useful

amount. This is then given to the needy in its original form or converted by the donor into money before handing over to the receiving person or organization.<sup>9</sup> *Guthi*, on the other hand, is the concept of extending support to members of the clan or community to which one belongs. Lastly, *parma* is the custom of labor exchange among people of mixed age-groups or families, similar to the Indonesian *gotong royong*.

Thai society, on the other hand, draws on the relationship between kinsmen for philanthropy in a different way. One finds that even in contemporary Thailand, persons who wish to perform an act of merit-making also solicit the support of family members through co-merit-making. This is said to strengthen family ties, as co-merit-making is rationalized to be an act that binds families together in “future existence.”<sup>10</sup>

The concepts presented above demonstrate how socio-religious culture has influenced the practice and development of philanthropy and volunteerism in the region. However, it should be noted that both religious and communal models of giving may be limiting in that they do not encourage an active participation in social and charitable causes outside one’s religious belief or community. In Indonesia, for example, it was noted that urbanization and modernization have led to the erosion of *gotong royong*, while Indians, on the other hand, lament that despite a “long and distinguished tradition of philanthropy... private giving to promote the public good is still inadequate.”<sup>11</sup> Likewise, there is now a prevalent attitude among Nepalese that only the government, foreign donors, and affluent philanthropists are responsible for providing for the less fortunate.<sup>12</sup>

Non-profit organizations are thus faced with the challenge of looking for new ways to motivate the giving public outside the religious and social pretexts. As economies expand and become more globalized, publics will be more discerning, and will search for a more powerful impetus for social involvement. The emergence of an economic and social elite, as well as the proliferation of new philanthropic foundations, present non-profit organizations with unique opportunities and challenges that may not be addressed by traditional models of giving and community participation.

## Economic and Developmental Context

The world has witnessed an explosion of significant economic and developmental changes over the past four decades, and these have been more apparent in Asia than elsewhere. As economic barriers broke down and nations embraced the concept of globalization, developing economies experienced an upsurge, and local markets experienced the impact of large multinational companies operating within the region. This, in turn, led to rapid economic growth, the democratization of many Asian governments, and the emergence of a new social and economic elite.<sup>13</sup>

These have all contributed to the growth of the non-profit sector in previous years. More than these, however, Lester Salamon argues that three forces added pressure to the expansion of the non-profit sector around the world:

- Pressure “from below” in the form of spontaneous grass-roots energies;
- Pressure “from the outside” through the actions of various public and private institutions; and
- Pressure “from above” in the form of governmental policies.<sup>14</sup>

### The proliferation of grassroots movements

The emergence of the middle class, coupled with governments’ inequity to respond to growing societal needs, sparked serious regional debates on the role of the elite towards the disadvantaged sectors of society.<sup>15</sup> This spurred non-profit organizations to act on behalf of the marginalized, and to take on a variety of roles that included providing basic and social services (e.g., food, water, health care, education), advocacy, political lobbying, and grassroots mobilization.<sup>16</sup>

### Support from local private institutions and international funding agencies

As economies created new wealth and enjoyed relative prosperity, private enterprises and corporations performed philanthropic activities for the benefit of local communities, albeit as part of their public relations exercises. In Hong Kong, for instance, major trading firms set up foundations or trusts that have funded scholarship, environmental protection, and infra-

structure development programs.<sup>17</sup> Japan, on the other hand, which has the most developed foundation sector in East Asia, supports initiatives in science and technology, education and medical research / public health. In recent years, however, the amount of grants given by Japanese foundations has been steadily declining, reflecting the country's deepening economic recession.<sup>18</sup>

Another significant factor in the growth of the Asian non-profit sector is the availability of Official Development Assistance (ODA), which until recently has been the major source of income for many NGOs. Countries such as Japan, the United States, the United Kingdom and Germany have been disbursing millions of dollars worth of ODA, while countries such as Bangladesh, India and Indonesia have been receiving large sums of ODA, amounting to more than US\$1 billion per year until 1999.<sup>19</sup> While this has certainly promoted international cooperation for many countries, it has also created dependence on foreign funding, and has hindered NGOs in developing countries from acquiring and sharpening skills in local resource mobilization and fund management.

This certainly becomes a cause for concern for many Asian NGOs, as foreign aid is in decline, and is expected to further decrease within the next few years. Michael Edwards, David Hulme and Tina Wallace cite the reasons as follows:

“This (the decline of foreign aid) is the consequence of persistent intellectual and communication failings in the case for aid, continued political disinterest and/or disillusion, and the emergence of new forms of international co-operation better-suited to the realities of a global economy where private flows of capital predominate (outside Sub-Saharan Africa) and economic integration is perceived as the best motor for change...”<sup>20</sup>

Thus, in the face of global and economic change, funding agencies are looking at ways to go beyond subsidiary support and move towards “participatory development,” a cooperation strategy employed by the Organization of Economic Cooperation and Development’s Development Assistance Committee. This suggests that international NGOs should now make the transition from direct implementation of aid-funded projects, and work more toward “capacity-building, ‘leaning-for-leverage’ and other measures

designed to support local institutions to engage in discussions over development priorities, take part in global regimes, and operate successfully as motors for change in economic systems, governance and social policy.”<sup>21</sup>

## The Asian economic crisis of 1997 and philanthropy

In discussing the relationship between economic change and Asian philanthropy, one must not forget to discuss the impact of the 1997 Asian financial crisis on many of the region’s societies. Tadashi Yamamoto quotes Jung Ku-hyun and Kim Ichoon as asserting that “the Asian financial crisis can be viewed as the failure of Asian economies... to adjust to these new realities of globalization.”<sup>22</sup> Furthermore, Yamamoto claims that:

“...there was a sudden shift of people’s attention in countries in Asia to the inadequacy of systems of governance both at the state level as well as the corporate level, and the lack of transparency and accountability became a major issue in public debate. Instead of extolling the Asian values that brought about phenomenal economic success, the government and corporate leaders have been forced to pay greater attention to such government issues as corruption, human rights, income disparity, and social welfare.”<sup>23</sup>

As governments were jolted with the reality of an economic crisis, the private and non-profit sectors worked to develop “social safety nets” for the public welfare. In Indonesia’s experience, the 1997 Asian financial crisis mobilized spontaneous public support for the marginalized, and forced NGOs to develop alternative fund raising strategies.<sup>24</sup> In fact, the major impact of the economic crisis was on government attitudes toward local NGOs in countries such as Korea, Japan, and Indonesia, all of which dramatically increased funding for local NGOs to provide services to the newly unemployed. Likewise, corporations were faced with calls “for greater financial transparency and more responsiveness to stakeholder concerns,”<sup>25</sup> and large multinational companies were faced with increasing pressure to give back to the local communities where they operated.

Indeed, development priorities, strategies and concerns have changed since the time when religion and traditional culture influenced much of

philanthropy. As economies open up and become more intertwined, so will international economics and politics play a role in local development initiatives. Communities are no longer distinct and disparate entities, but they now operate within the context of a larger, and much more dynamic and complex society. Thus, international governmental policies for development become central to local development, and force NGOs to look beyond traditional executive roles, as well as participate as policy legislators and advocates.

## Political and Regulatory Context

Another significant change that occurred in Asia within the last several decades is the democratization and decentralization of many Asian governments. Although some countries such as Nepal and Thailand still preserve their monarchic traditions, most have already adopted democratic and participatory processes, thus opening up further opportunities for growth in the non-profit sector. Moreover, some governments have recognized the contributions of NGOs in their local community, and have even established systems and policies to support these organizations.<sup>26</sup> In Pakistan, for instance, the government has witnessed an unprecedented entry of NGO leaders into senior positions. Moreover, it has also launched an Enabling Environment Initiative, designed to review and reform earlier NGO legislation. However, it also cannot be denied that NGO-government relations can be tense, even adversarial, in some other countries.

The Philippines may perhaps boast of having one of the most vibrant non-profit sectors in Asia, and this may be attributed to sustained government support since the Aquino administration of 1986. During this time, many socio-political organizations helped thwart the 20-year Marcos dictatorship, and were instrumental in Corazon Aquino's ascension to power. Recognizing the need for civil society to support local development programs, the 1987 Constitution encouraged the organization and promotion of NGOs and community-based or sectoral-based people's organizations. A few years later, the Local Government Code of 1991 was enacted to strengthen the capacity of NGOs to have a voice in policy-making, as they were made to participate in decision-making of local development councils. They were also allocated seats and given sectoral representation in the governing and legislative bodies at the local level respectively.<sup>28</sup>

While not all Asian non-profit organizations enjoy the same level of government recognition as those of the Philippines, administrations all over the region have developed regulatory measures to ensure some amount of control and management of NGOs. Following are eight issues upon which legal and regulatory matters of the non-profit sector revolve, cited by Thomas Silk, editor of *Philanthropy and Law in Asia*.<sup>29</sup>

1. Registration: How does the legal existence of an NPO (non-profit organization) begin?
2. Registration: What are the legal obstacles and restrictions?
3. Tax exemption: Are NPOs exempt from income taxation?
4. Tax deduction: Can individual and corporate contributors obtain a tax benefit by deducting their contributions?
5. Capital formation: Are there legal barriers that limit the growth of NPOs through obtaining and retaining capital?
6. Internal governance: What rules apply to the internal governance of NPOs?
7. Accountability and Reporting: What reporting obligations are required of NPOs?
8. Dissolution: How does the legal existence of an NPO end?

## Registration

The term “refers to the official process by which an NPO comes into legal existence as a distinct entity—with perpetual existence; and the ability to own property (including a bank account), to enter into contracts, and to bring legal actions.”<sup>30</sup>

According to Silk, several patterns emerged from the study, two of which are:

1. Compulsory registration laws, even in those states where the laws were enacted as social control measures, have not prevented the proliferation of NPOs in recent years.

This is especially true for Thailand, which has only 300 registered NGOs, on account of stringent registration requirements. Likewise, the Bangladesh country report admits that many NGOs are “unincorporated associations,” as registration procedures are unclear and arbitrary.<sup>31</sup>

2. The registration process for NPOs within the region varies widely.

This pattern was likewise seen in the seven countries surveyed in this particular project. Of these countries, only the Philippines has an independent registration council—the Philippine Council for NGO Certification—which accredits NGOs based on established standards and criteria on the following:

1. The organization's vision, mission and goals;
2. Internal governance;
3. Administration;
4. Program operations;
5. Financial management; and
6. Networking

Moreover, the PCNC grants accredited NGOs “seal of good housekeeping”<sup>32</sup> and recommends to the Bureau of Internal Revenue that they be granted donee status and tax exemption.

On the other hand, it was seen that NGOs in other countries were required to register with several distinct government agencies, depending on the nature of their organization. For instance, in Thailand, foundations and associations register with the National Cultural Commission; trade associations register with the Trade Association and Chamber of Commerce; and non-profit and voluntary cremation associations register with the Department of Public Welfare.<sup>33</sup> Likewise, Bangladeshi NGOs register with either the Department of Social Welfare, the Registrar of Societies, NGO-Affair Bureau, the Women and Children Affairs, the Home Ministry, or the National Board of Revenue for matters of taxation.<sup>34</sup>

At times, State regulations with regard to NGO registration are seen as an assertion of implicit force on non-profit organizations. In the case of Nepal, the Social Welfare Council (SWC) was created by Social Welfare Act 2049 in 1992, to “monitor and co-ordinate the activities of the NGOs. However, the Council is still regarded to be an arm of the government, since the government selects the councilors. One of the bones of contention is also that according to the rule, NGOs need affiliation with SWC and its prior approval (sic) to receive funds from sources external to Nepal. This is viewed with distrust and suspicion that the Council can use this rule as vendetta

against any NGO that might not see eye-to-eye with the officials of the Council or the government of the time. SWC officials have stated many a time that the rule is required to check discrepancies in the apparent and the intended activities of NGOs and to keep track of the funds entering Nepal. They have also said that this rule has not been and will not be used against the NGOs that are transparent and coherent in their stated purposes and activities. This justification has not yet been fully accepted.”<sup>35</sup>

In this regard, it can be seen that registration of non-profit organizations is still largely arbitrary, at times limiting, and in many cases controlled by the State.

### Legal obstacles and restrictions of registration

Silk mentions several barriers to NGO registration, but the ones most applicable to this study are:

#### 1. Burdensome financial requirements.

This is evident in Thailand, where only 300 NGOs are registered. According to the Thailand country report, the requirements for registration are a sizeable endowment fund and large membership base, which most NGOs have not successfully obtained.<sup>36</sup> In stark contrast, Bangladesh demonstrates a rather lax attitude toward NGO registration as laws do not require a capital structure and incentive for capital accumulation.<sup>37</sup>

#### 2. Limitations on legislative advocacy and elections for public office.

Although many Asian NGOs have now taken advocacy as part of their role and agenda in light of increasing social, political and environmental concerns, few are officially recognized by government as partners in legislation and policy reform. In the Osaka Symposium on Philanthropic Development and Cooperation in Asia Pacific, Tadashi Yamamoto and Susan Hubbard assert that:

“NGOs have usually been regarded with even more suspicion by governments. There are some NGO movements that have been encouraged by Asia Pacific governments who increasingly recognize that NGOs can be helpful in dealing with many of the newly-emerging socio-economic problems that are beyond the ability of the government to handle directly. The end of the cold war has reduced ideological conflicts within Asian countries, and there has been a growing

recognition by governments that these organizations can be a positive social force rather than dangerous anti-government elements.

“On the other hand, the public sector rarely appreciates the advocacy agendas associated with many NGOs. While experience varies around the region, many governments at the central and local levels regard NGOs as special interest organizations that do not keep the broader public interest at heart, as threats to social unity, or simply as private organizations placing additional burdens on government bureaucrats...”<sup>38</sup>

Although this report covers only the Asia Pacific community, similar observations may be made about South Asian NGOs and governments, especially in Nepal and Pakistan, where NGO-government relations are still hostile for the most part, and where both sectors eye each other with distrust.<sup>39</sup>

Some recent developments fortunately reveal some exceptions:

1. In the Philippines, former President Ramos' vision of a “Philippines 2000” sought the active participation of NGOs. A private sector coalition called the People's 2000 was organized to support the implementation of the Medium Term Philippines Development Plan. The Local Government Code of 1991 stipulated the participation of NGOs in all levels of decision making with the allocation of specific seats in local development councils.
2. In Thailand, NGO-CORD was asked to actively participate in the formulation of the Sixth and Seventh National Development Plans (1986-90 and 1991-95) as well as to serve as a member of several working groups and subcommittees on various development issues.<sup>40</sup>

### Tax exemption

Tax exemption is an issue with regard to NGO registration that most governments have not yet fully addressed. While it has gained the favor and acceptance of the Philippine, Nepalese, Pakistani and Indian governments, tax exemption is still rather hazy in Bangladesh, Thailand and Indonesia. Thai regulations require NGOs to be registered for at least three years before

gaining tax exemption status, and with only 300 NGOs registered with the government, companies and individuals are not really incentivized to support these organizations. Meanwhile, Indonesia reports that tax exemptions are available only for foundations working in the fields of religion, education, health, and culture; and these are applicable only to grants, donations, presents, inheritance, and government subsidies.<sup>41</sup> Some donations for “charitable” purposes are also tax exempt in Bangladesh, but tax exemption laws here are generally unclear.<sup>42</sup>

Besides these observations made from the country reports, Thomas Silk cites some patterns on tax exemption of Asia Pacific NGOs. Only those likewise noted in the participants of this seven-country study are mentioned:

1. Every country in the region has an income tax, and exemptions from income tax for NPOs are widespread throughout the region.
2. Tax exemptions for NPOs usually depend on two factors: the type of organization and the type of income received.
3. Gifts and contributions to NPOs are generally exempt from tax.
4. The exemption of passive (investment) income varies widely within the region.
5. The tax treatment of business income is not uniform within the region.
6. In some countries, tax exemption is an automatic consequence of registration,<sup>43</sup> but in other countries a separate step is required: application to a tax agency and receipt of favorable ruling.
7. To qualify for tax exemption, NPOs are not generally prohibited (sic) from engaging in business activities.
8. All of the country reports call for broadening the scope of income tax exemptions for NPOs.<sup>44</sup>

### Tax deduction

The Nonprofit Comparative Law Project found that most of the participant countries limited the percentage of income deducted from individual and corporate contributions. This is also true for some of the countries in this study, *if ever* they are found to provide tax incentives for individuals and corporations. The Philippines, Nepal, Pakistan and India country reports state that tax laws are favorable to the non-profit sector, and encourage individual and corporate giving, while Thailand, Bangladesh, and Indonesia say otherwise.

## Capital formation and restrictions on obtaining and retaining capital

Generally, the countries surveyed in this study report that there are few restrictions with regard to the receipt of financial support from abroad. In fact, Official Development Assistance has been the primary source of income for many NGOs, with the conditions and restrictions arising from the donor institution. However, it is noted that in Bangladesh law “the use of foreign fund is restricted by conditionalities and even interest income cannot be generated through its use.”<sup>45</sup> India has a strict Foreign Contributions Act that requires prior government approval before an NGO can accept foreign funds. Indian NGOs also appear to receive a smaller percentage of their income from foreign sources than in other Asian countries.

## Internal governance

To date, there are no formally set standards for the internal governance of NGOs in Asia. However, there are commonly accepted duties and responsibilities to beneficiaries. As Silk states:

“In common law countries, the basic legal obligations of directors of NPOs are usually expressed as fiduciary duties... Those duties are imposed on fiduciaries or trustees, who are charged with holding and administering property solely for the benefit of the beneficiaries of the trust. In performing their duties, trustees are obliged to observe a duty of care and a duty of loyalty. The duty of care requires the trustee or director to act in good faith... It also requires the director to act reasonably or prudently. The duty of loyalty obligates the director to avoid conflicts of interest, to act in the best interests of the NPO rather than in the interest of the director.”<sup>46</sup>

## Accountability and reporting

Financial transparency and accountability are NGO buzzwords that have come up more frequently in recent years, as an acknowledgment of NGOs' responsibility to the public, and in response to abuses uncovered in the past. Indonesia, for example, admits to having a non-profit sector that was once a pawn of the Suharto administration, with many *yayayans* (foundations) being controlled by government officials and their family and friends. During

this time, there were no explicit restrictions and regulations on the scope of work of NGOs, which “resulted in abuses of non-profit organizations and foundations for private interest.”<sup>47</sup> Because of this, Indonesia in 2001 enacted a new foundation law, which seeks to regularize foundation administration and increase public accountability as a condition for continued assistance by the International Monetary Fund (IMF).

Great care must thus be taken in evaluating organizations’ transparency and accountability, for which the Philippine Council for NGO Certification outlines several requirements:

1. Maintenance of financial books, such as a ledger, cash receipt book and cash disbursement book;
2. Registration with the appropriate government revenue agency;
3. Maintenance of a bank account;
4. Registration and documentation of official receipts;
5. The employment of separate officers for handling disbursements, bookkeeping and cash custody;
6. Auditing of supporting documents of financial transactions, conducted by a qualified and independent auditor;
7. The existence and observance of written policies and procedures in handling transactions; and
8. The use of a mechanism for disclosure of fund sources and fund raising activities.<sup>48</sup>

Despite the absence of an independent NGO regulating and certifying councils in other parts of Asia, state agencies require non-profit organizations to submit audited financial documents and other such mechanisms for disclosure of fund raising activities. However, laws do not require *public* disclosure of NGOs’ activities or accounts.<sup>49</sup>

## Dissolution

According to Silk, there is a prevalence of involuntary or compulsory dissolution laws that permit broad administrative discretion. Therefore, most of the country reports in the Nonprofit Comparative Law Project recommend that these non-profit dissolution laws be reformed to limit abuses of

official discretion. In the countries surveyed in this study, little was said with regard to dissolution, except in the case of Bangladesh which specified that “dissolution of an agency by the government is derived from the common law tradition, and grounds include: improper use of funds, activities outside the purpose of the association, inability to pay debts, violation of terms and conditions of registration, etc.”<sup>50</sup>

With the lack of a formal and systematic registration, evaluation and auditing process, it becomes evident that NGOs must take it upon themselves to regulate their own activities, and ensure the legitimacy, transparency and accountability of their particular organizations. However, this becomes another cause for concern, as NGOs recognize the dearth of instructional and training materials on organizational and financial management in the Asian non-profit sector. Thus, NGOs, umbrella organizations and their partners in the government and academe must collaborate to develop updated, relevant, and accurate information that will address this need and strengthen NGOs’ ability to govern and regulate themselves. ▶

## Notes

- 1 This includes non-monetary assets, such as gold and silver, or merchandise, crops and livestock. For more information, refer to the Indonesia Country Report.
- 2 The Zakat (alms) requires all Muslims to give 2.5 percent of wealth and assets each year (in excess of what is required) to the poor. This is done before the beginning of the month of Muharram, the first month of the new year. Giving the Zakat is considered an act of worship because it is a form of offering thanks to God for the material well-being one has acquired (<http://www.zpub.com/aaa/zakat-def.html>).
- 3 Voluntary spending for the poor. Definition is taken from *Human Development and Poverty in the Arab States*, a paper written for the United Nations Development Program by Moez Doraid, March 2000 (<http://www.worldbank.org/wbi/mdf/mdf3/papers/labor/Doraid.pdf>).
- 4 Sadaqah is a voluntary act of giving alms by Muslims who want to contribute more than their obligatory zakat payment. It may be given to mark or bring blessings to occasions such as weddings, anniversaries, personal success or even instances of sadness or bereavement ([http://www.islamiq.com/knowledgecenter/zakah\\_main.php4#sad](http://www.islamiq.com/knowledgecenter/zakah_main.php4#sad)).
- 5 For more information, refer to the Thailand Country Report.

- 6 This practice requires a Christian to give 10 percent of his or her income to the Church.
- 7 Taken from a report written by Jaime Faustino on the history of philanthropy in the Philippines.
- 8 Ouny S. Prijono, "Organized Philanthropy in Indonesia," in Baron, *Philanthropy and the Dynamics of Change in East and Southeast Asia*, op. cit. pp.127-128.
- 9 For more information, refer to the Nepal Country Report.
- 10 For more information, refer to the Thailand Country Report.
- 11 Taken from the India Country Report.
- 12 Taken from the Nepal Country Report.
- 13 Baron, p.4.
- 14 Olena P. Maslyukivska, *Role of Nongovernmental Organizations in Development Cooperation* (A paper prepared for the Collaborative Research Clinic: Using Public-Private Collaboration to Improve the Delivery of Urban Services in Developing Countries), (New Haven, Connecticut, May 10,1999), p.1. The third bullet will be discussed in the succeeding section.
- 15 Baron, p.4.
- 16 These roles will be discussed in detail in the chapter on the Roles of NGOs.
- 17 Tadashi Yamamoto, ed., *Emerging Civil Society in the Asia Pacific Community*, (Singapore: Japan Center for International Exchange, 1995), p.115.
- 18 Barnett F. Baron, *Philanthropic Foundations in East Asia* (a paper written for the Asia Pacific Philanthropy Consortium, August 2001), pp.6-9.
- 19 Sources: OECD, World Bank – <http://www1.oecd.org>.
- 20 Michael Edwards, David Hulme and Tina Wallace, *NGOs in a Global Future: Marrying Local Delivery to Worldwide Leverage* (Conference Background Paper, Birmingham, 1999), p.1.
- 21 Edwards, Hulme and Wallace, p.2; and Maslyukivska, p.1.
- 22 Tadashi Yamamoto, ed., *Governance and Civil Society in a Global Age*, (Japan: Japan Center for International Exchange, 2001), pp.16-17.
- 23 Yamamoto, *Governance and Civil Society in a Global Age*, p.17.
- 24 Taken from the Indonesia Country Report.
- 25 Baron, *Philanthropic Foundations in East Asia*, p. 5.
- 26 For more information, refer to the Philippine and India Country Reports.
- 27 Taken from the Pakistan Country Report.
- 28 Yamamoto, *Emerging Civil Society in the Asia Pacific Community*, p.188.
- 29 *Philanthropy and Law in Asia* is the result of a three-year study, the Comparative Nonprofit Law Project, an activity of the Asia Pacific Philanthropy Consortium. It contains baseline studies of the legal frameworks of nonprofit organizations in Australia, China, Indonesia, Japan, Korea, Philippines, Singapore, Taiwan, Thailand and Vietnam. Mr. Thomas Silk was the

- legal director of the Comparative Nonprofit Law Project, and editor of the book. Succeeding portions are taken from excerpts of the book, as quoted by Zhao LiQing and Larolyn Iyoya Irving, *The Non-Profit Sector and Development*, (Hong Kong: Hong Kong Press for Social Sciences Ltd., 2001), pp. 117-125.
- 30 Thomas Silk, "Philanthropy and Law in Asia: Summary and Further Reflections," in Zhao and Irving (ed.), *The Non-Profit Sector and Development*, p.118.
  - 31 Taken from the Thailand and Bangladesh Country Reports.
  - 32 Philippine Council for NGO Certification, *NGO Self-Regulation & Certification: The Philippine Experience* (The eighth in a series of monographs by the PCNC, funded by the Sasakawa Peace Foundation). The PCNC was founded by the League of Corporate Foundations (LCF), the Association of Foundations (AF), and Philippine Business for Social Progress (PBSP), on January 29, 1997.
  - 33 Taken from the Thailand Country Report.
  - 34 Taken from the Bangladesh Country Report.
  - 35 Taken from the Nepal Country Report.
  - 36 Taken from the Thailand Country Report.
  - 37 Taken from the Bangladesh Country Report.
  - 38 Tadashi Yamamoto and Susan Hubbard, *Summary Report on the Osaka Symposium on Philanthropic Development and Cooperation in Asia Pacific*, taken from Yamamoto, *Emerging Civil Society in the Asia Pacific Community*, p.46.
  - 39 For more information, refer to Nepal and Pakistan Country Reports.
  - 40 Yamamoto, *Emerging Civil Society in the Asia Pacific Community*, p.13.
  - 41 Taken from the Indonesia Country Report.
  - 42 Taken from the Bangladesh Country Report.
  - 43 This is especially true in Bangladesh. In the Philippines, *certification* is required, and not mere registration.
  - 44 The same can be noted for the country reports of this particular study.
  - 45 Taken from the Bangladesh Country Report.
  - 46 Thomas Silk, "Philanthropy and Law in Asia: Summary and Further Reflections," in Zhao and Irving (ed.), *The Non-Profit Sector and Development*, p.123.
  - 47 Taken from the Indonesia Country Report; and Baron, *Philanthropy and the Dynamics of Change in East and Southeast Asia*, p.8.
  - 48 Philippine Council for NGO Certification, *Evaluating Financial Management of NGOs (Monograph Series # 4*, funded by the Sasakawa Peace Foundation), p.4. Only relevant items were quoted.
  - 49 Taken from Bangladesh Country Report.
  - 50 Taken from Bangladesh Country Report.



## 2 | Non-Profit Organizations and Their Roles in Society

Non-profit organizations take on a multitude of roles and responsibilities, depending on the nature of their make-up, the needs of their beneficiaries, and their relations with the government, private sector, and the international community. This chapter examines the present roles of and challenges made to the non-profit sector as a whole, and will also discuss how these roles are affected by NGO relations with the State, the private sector, and the international community.

### Roles of NGOs

Given the four-phase transition in the non-profit sector, six roles have emerged for NGOs as discussed by Cousins William.<sup>1</sup> A seventh role is included in this discussion, as seen in the Philippine NGO experience, and published in Tadashi Yamamoto's *Emerging Civil Society in the Asia Pacific Community*.<sup>2</sup>

1. **Development and Operation of Infrastructure** refers to the acquisition, subdivision and development of land; construction of housing projects; provision of infrastructure such as wells or public toilets and solid waste collection services. It may also include developing centers for building material supply and other community-based economic enterprises.
2. **Supporting Innovation, Demonstration and Pilot Projects** refers to the implementation of innovative and time-bound projects in particular localities. Under this model, NGOs may pilot projects in certain localities, or they may be used by government agencies to test innovative ideas which may not be implemented on a national scale. In many cases, NGOs hold the advantage over government, as they are able to conceptualize and implement projects without bureaucratic delay.
3. **Facilitating Communication and Networking** refers to the role of NGOs as liaison to the government and the public. In serving as a communi-

cator from the public to the government, NGOs may represent the people's agenda in policy and decision-making by informing government about the "lives, capabilities, attitudes and cultural characteristics of the people at the local level."<sup>3</sup> On the other hand, they may also link government to the people by sharing information about government programs and initiatives.

4. **Technical Assistance and Training** refers to the role of NGOs in training other organizations and government, thus strengthening their technical capacity in a variety of fields.
5. **Research, Monitoring and Evaluation** refers to the role of NGOs in carefully documenting innovative projects, and sharing the results of the evaluation with the community and government, as well as the participant staff.
6. **Advocacy For and With the Poor** refers to the role of NGOs as "spokespersons or ombudsmen for the poor, and attempting to influence government policies and programs on their behalf." This may be done through policy advocacy, implementation of government programs, sponsoring of pilot projects, and mediation.
7. **Resource Mobilization and Management** refers to NGOs' role as intermediary organizations, obtaining funds from donors, and channeling these to beneficiary NGOs, who in turn distribute funds to local communities and people's organizations (POs).

The roles mentioned above are by no means mutually exclusive, and NGOs frequently have to grapple with a variety of these, depending on their community, their relations with government, and their audience. Many of the cases included in this study, in fact, shift from one role to another as the organization, or their community, matures. For example, **Mobile Crèches**,<sup>4</sup> a non-profit organization in India providing integrated day care facilities for children of working mothers on construction sites, went beyond the provision of a health care facility to conduct programs in health, hygiene and nutrition; education and cognitive development; and training.

## NGO Relations with Government and the Private Sector

The roles of NGOs are mostly performed with local communities as beneficiaries. However, it is important to note that NGOs cannot fully satisfy these roles without the support of two other central sectors of society: government and the private sector. As government is empowered to create an enabling environment for the growth and development of the non-profit side, the private sector has the capacity to share resources with, or transfer intellectual capital to, non-profit organizations for the benefit of the public. This section discusses some trends that either strengthen or threaten NGO relations with the public and private sectors, and suggests some options for improved collaboration.

### NGO relations with government

NGO relations with government vary widely across Asian countries. As mentioned in the previous section on the *Political and Regulatory Context* of NGO development, government support for the non-profit sector may take on various forms, such as increased funding, collaboration on community capacity-building projects, or support for legislative reforms advocated by NGOs. NGOs, on the other hand, demonstrate support for government by implementing government projects, pilot testing innovative programs at the community level, or conveying and explaining government sentiments to the public.

Upon closer scrutiny, NGO relations with government may be described as covering three roles:

1. Critic – when NGOs scrutinize government policies, advocate reforms and serve as a check-and-balance institution of the State;
2. Competitor – when NGOs deliver services and programs that governments are generally unable to handle efficiently; and
3. Partner – when NGOs implement programs under the government's official development banner, and collaborate with the state in looking for alternative development strategies.

### *NGOs as critics.*

In the book *Governance and Civil Society in a Global Age*, Tadashi Yamamoto and Kim Gould Ashizawa point out that non-profit organizations “can promote reform by playing a critical role as a watchdog, critic, and provider of alternative policy recommendations.”<sup>5</sup> Indeed, it can be seen in the history of Asian governments that non-profit organizations and civil society movements have been instrumental in effecting (radical) change in governance systems. This is best illustrated by the 1986 and 2001 EDSA uprisings in the Philippines, and the end of the Suharto regime in Indonesia, which were led by NGO and civil society leaders. However, reforms need not be as drastic as the ones just mentioned, and NGO leaders must learn to draw the line between effective policy advocacy and excessive criticism of government.

### *NGOs as competitors.*

One factor that led to the recent growth of the non-profit sector is the realization that governments have not efficiently provided needed services to the people. As states became decentralized and pluralized, new and varied concerns emerged which governments were unable to handle alone. Tadashi Yamamoto and Susan Hubbard wrote the following in their report on the Osaka Symposium on Philanthropic Development and Cooperation in Asia Pacific:

“Rapid economic growth in many Asian countries... brought about serious economic disparity among people within each country. The benefits of new wealth in urban areas attract people from rural areas, but the benefits are limited and the domestic migrants end up as squatters once jobs and housing are all gone. At the same time, rural areas are losing productive agricultural workers, a situation that exacerbates nationwide hunger and poverty. In addition, rapid economic development can result in the destruction of the natural environment, followed by the destruction of whole communities. These developments have made it clear that the state faces limitations on its ability to solve the problems arising from the recent trends in Asia, leaving a widening space for nonprofit organizations to move in and grapple with new and complex issues.”<sup>6</sup>

Indeed, NGOs have more than filled the gap left by governments in light of rapid economic advancement. They have mobilized and empowered communities, and implemented innovative programs in areas that governments could not reach. This may account for the deep-seated jealousy and mistrust that exists and remains until now between both sectors in many Asian countries.

### *NGOs as partners.*

This third role of NGOs with respect to the state is what Dr. Philip Eldridge calls “high-level partnership,” where non-profit organizations demonstrate “a high level of partnership... in official development programs... This approach appears to be strictly development oriented rather than focused on mobilization or advocacy work, and entails linking NGO programs to existing community organizations or creating new organizations for the same purpose.”<sup>7</sup>

Unfortunately, the scope of NGO-government partnership is limited, and is more program-oriented than policy-oriented. Both parties have yet been unable to create that “enabling environment” which needs to grow. However, it is not the fault of either party, and both have to acknowledge that much work needs to be done if they truly believe in sustaining their country’s socio-economic development.

To create this “enabling environment,” the World Bank outlines seven essential “ingredients”:<sup>8</sup>

#### **Box 1. Ingredients of an enabling policy environment**

1. “Good Governance” – social policies which encourage a healthy civil society and public accountability of state institutions.
2. Regulations – designed to help, not hinder, NGO growth, as well as to root out corruption and to foster sound management discipline; eliminate restrictive laws and procedures.
3. Taxation policies – to provide incentives for activities which conform with State development priorities; to encourage indigenous philanthropy and income generation.
4. Project/Policy implementation – State-NGO collaboration with proven NGOs in a way which allows the NGOs to remain true to their agenda and accountable to members or their traditional constituency. This might typically indicate the following roles for NGOs

within government: articulation of beneficiaries' needs to project authorities, providing information about the scheme to communities, organizing communities to take advantage of the scheme's benefits, delivering services to less accessible populations, serving as intermediaries to other NGOs.

5. Policy formulation – provision of information to NGOs for dissemination to their constituencies; offering a role to NGOs in public consultations; invitation to NGO leaders to serve on official commissions etc. (for example, the Indian NGO, DISHA, has been an influential member of the Central Government's Commission on bonded labor). Public access to information is the key to success in this area.
6. Coordination – where the government fosters but does not dominate coordination, for example, through having NGO Units in relevant line ministries or NGO consultative committees; NGOs would be encouraged to attend to geographic or sectoral gaps, to avoid religious or ethnic bias, to avoid activities which contradict state programs or which make unrealistic promises; the government encourages training of NGO staff, for example, by ensuring that its own training institutions offer courses of relevance to NGOs; the government encourages improved attention to management skills, strategic planning and sharing of experience within the sector.
7. Official support – the government provides funds, contracts and training opportunities to give special encouragement to NGO activities in priority areas without undermining NGOs' autonomy and independence; broad agreement is sought with NGOs on such priorities by establishing formal consultation with NGO leaders. The Council for Advancement of People's Action and Rural Technology (the body which channels government funds to NGOs in India) and the forthcoming Community Action Program (a local government scheme for financing NGOs and community initiatives in Uganda) are illustrations.

## NGO relations with the private sector

Another key player in development is the private sector, as it has precipitated the proliferation of non-government organizations. However, NGO relations with the private sector, like those with government, have been fragile—ranging from suspicious and volatile on one hand, to collaborative on the other.

Reasons for mutual distrust vary, but they may be fueled by increasing competition between both sectors, considering that non-profit organizations derive a substantial amount of funding from earned income ventures.<sup>9</sup>

Besides this, both may experience conflicts when they *do* engage in partnership, for “business does not perceive NGOs as being professional and competent to implement joint, very often costly, projects. NGOs prefer to ‘beg’ instead of putting a part of their material and human resources into projects.”<sup>10</sup>

In spite of this, two trends have emerged in the past several years that make one optimistic of the outcome of NGO-business relations: *corporate social responsibility* and *venture philanthropy*. Both very recent trends in business, these developments will be discussed in this section as the preferred modes of NGO-private sector interaction.

### *Corporate social responsibility (NGOs as beneficiaries)*

Corporate social responsibility<sup>11</sup> is a recent development in the corporate world that is hinged on the realization that companies will only thrive in a healthy socio-political and economic environment. In earlier years, corporate social responsibility (or what is also called “corporate citizenship”) was taken in the context of businesses developing good public or community relations, and involved in giving money to charities, sponsoring parties for orphans, and other low involvement activities. Fortunately, this model has evolved into something more participatory and innovative. Evelina Asuncion-Pangalanan notes this change as such:

“A new management thinking in response to the challenges facing business has recently been noted which may be labeled as ‘stakeholder’ model with a change from an exclusive focus on shareholders and customers to an expanded concern for the impact of the business operations on a number of other key stakeholders, including workers, communities and the wider public. While before the traditional realm of business was to provide jobs for people, the current demand is for them to respect human rights and indigenous cultures, protect children in the workplace and increase their transparency and public disclosure. They are also called upon to share in the burden of ensuring resource sustainability and securing the long-term development and growth of the locality (Velasco & Velmonte, 1999, p.1). These have greatly influenced the

initiatives of various companies to build development relationships with civil society organizations.”<sup>12</sup>

The concept of corporate social responsibility has broadened and deepened the private sector’s involvement in development issues, and has allowed corporations to explore innovative avenues of participation, such as cause-related or social marketing, philanthropic fund raising, and the establishment of trusts and/or corporate foundations. In his article *Put your money where your heart is*, Ramon Osorio discusses the rationale behind corporate social responsibility:

“Advocacy programs help consumers satisfy their urge to altruism. By making a purchase within an advocacy program, the consumer directly or indirectly contributes to solving a social problem or providing for the needy.

“In a few more years, patronage of consumers will no longer just depend on product benefit or brand reputation. The corporation or brand’s upright business citizenship action will be an added consideration. That is perhaps the reason many companies have declared... a social commitment in the form of meaningful acts of corporate assistance to the public they serve.

“Advocacy will no longer be a fad. Consumers will continue to consistently demand ethical alternatives. Great value will be added to a company or brand that builds its reputation based on integrity, honesty and positive actions towards the solution of societal problems.”<sup>13</sup>

*Venture philanthropy  
(NGOs and private enterprises  
as high-involvement partners).*

Venture philanthropy is a very recent development in business practice, and had its Asian origins in India, the Philippines and Korea.<sup>14</sup> Peninsula Community Foundation defines it as “the nonprofit sector’s application of certain practices used by venture capitalists when investing in new business ideas.”<sup>15</sup> The Foundation’s venture philanthropy model applies five key elements:

1. Investments in long-term (3-6 year) business plans;
2. A managing partner relationship;
3. An accountability-for-results process;
4. Provision of cash and expertise; and
5. An exit strategy.

“Investors make long-term funding commitments, closely monitor performance objectives through pre-defined measurement tools, and problem-solve jointly with the nonprofit leadership team on a regular basis.”<sup>16</sup>

What is both unique and exciting about this model is that it offers non-profit organizations the opportunity to sharpen their professional and managerial skills, and to benefit from a transfer of technology and intellectual resources. Since NGOs will be expected to draft detailed and feasible business plans, they will be forced to think thoroughly about the objectives, processes, and possible outcomes of their projects. They will also learn to look beyond a programmatic approach to project implementation, and will be exposed to the financial implications of their initiatives. Moreover, non-profit organizations will be forced to remain transparent and accountable to their sponsor, and to handle all transactions with utmost care.

More than this, however, NGOs will benefit from a mentor-protégé relationship that may exist between their organization and the sponsoring corporation. Since venture philanthropy is likened more to an investment than a dole-out, the chances for increased participation of the sponsoring organization are high. They may be consulted on policy and strategic decisions, and even on their suggestions for alternative practices to improve efficiency and effectiveness.

Of course, there is always a risk that adopting this system of partnership may result in increased dependency on the donor, decreased flexibility and independence, and the perception that private enterprises are using NGOs to further their own agenda. Nevertheless, venture philanthropy offers both the private and non-profit sectors an interesting proposition which may stimulate further growth in the development sector. ▶

## Notes

- 1 Cousin William, *Non-governmental Initiatives* (a paper published in *The Urban Poor and Basic Infrastructure Service in Asia and the Pacific*, (Asian Development Bank: Manila, 1991)) – <http://www.gdrc.org/ngo/ngo-roles.html>.
- 2 Segundo E. Romero, Jr. and Rostum J. Baustista, *Philippine NGOs in the Asia Pacific Context*, in Tadashi Yamamoto, *Emerging Civil Society in the Asia Pacific Community*, (Singapore: Japan Center for International Exchange, 1995), p.194.
- 3 William, op.cit.
- 4 Taken from *Mobile Crèches: An endeavor to bring the childhood back to the children of construction workers* (India case study).
- 5 Yamamoto Tadashi, ed., *Governance and Civil Society in a Global Age*, (Japan: Japan Center for International Exchange, 2001), p.22.
- 6 Yamamoto Tadashi and Susan Hubbard, *Summary Report on the Osaka Symposium on Philanthropic Development and Cooperation in the Asia Pacific*, as published in Yamamoto, *Emerging Civil Society in the Asia Pacific Community*, p. 44.
- 7 Dr. Philip Eldridge, *NGOs in Indonesia: Popular Movement or Arm of Government?*(working paper), as published in Yamamoto, *Emerging Civil Society in the Asia Pacific Community*, p.126.
- 8 The World Bank, as quoted by Maslyukivska, *Role of Nongovernmental Organizations in Development Cooperation* (a research paper for the UNDP/ Yale Collaborative Programme, 1999), p.12.
- 9 This topic will be discussed further in the chapter on fund raising strategies.
- 10 Aybek Dumbaev, *NGO and Business: Charity is good, but business relations are better* (Internet document), <http://www.cango.net/news/archive/june-13-2000/a0002.asp>.
- 11 Corporate social responsibility – “When a company with a product, image or service to market, builds a relationship or partnership with a cause or not for profit organisation for mutual benefit.” (Business in the Community, UK – <http://www.cavill.com.au/CRM/What.html>)
- 12 Evelina Asuncion-Pangalanan, *Corporate Role in Development Partnership Implications to Social Work Practice and Education*, a paper written for the College of Social Work and Community Development, University of the Philippines, Diliman, Quezon City, Philippines, p.3.
- 13 Ramon Osorio, “Put your money where your heart is”, *Philippine Star*, November 21, 2001. ([www.philstar.com](http://www.philstar.com))
- 14 Lori Vacek, *Strengthening Philanthropy in the Asia Pacific: An Agenda for Action* (a conference paper prepared for the Asia Pacific Philanthropy Consortium, Bali Indonesia, July 2001), p.8.

- 15 Taken from the Peninsula Community Foundation website: <http://www.pcf.org/oldsite/pcfsite/stratphil/stratphillinks/definition.html>.
- 16 Taken from the Peninsula Community Foundation website: <http://www.pcf.org/oldsite/pcfsite/stratphil/stratphillinks/definition.html>.