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FUNDING CIVIL SOCIETY IN ASIA:
Philanthropy and Public-Private Partnerships

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This paper provides a partial overview of the supply side of the nonprofit sector in East Asia — the donors rather than the recipients. While there is a vast literature describing and analyzing the demand side, Asian nongovernmental organizations (NGOs), very little systematic research has been done on the donor side of the equation.¹ To provide a comparative context, the paper begins with a description of the nonprofit sector in the United States, since many of the models and myths of that sector are being exported to Asia, sometimes without proper understanding of the cultural, political, and historical factors that have shaped and conditioned the American experience. While this paper cannot deal with the entirety of the U.S. experience, it is important to gain at least an appreciation of the size, scope, and complexity of the U.S. nonprofit sector before seeking to apply American experience elsewhere.

The paper then characterizes and provides some estimates of current levels of private philanthropic giving in East Asia. Several public-private partnerships are described, which may have more relevance to the future development of Asian nonprofit sectors. The third section discusses three major challenges to the further development of Asian nonprofit sectors. The paper concludes by placing private philanthropy squarely within the concept of civil society, defined here as the arena of interaction of government, business, and the nonprofit sector. An appendix provides a brief introduction to the Asia Pacific Philanthropy Consortium.

The Nonprofit Sector in the United States

Scale, sources, and uses of private charitable contributions

One of the most impressive and often-cited characteristics of American society is the amount of money donated each year to charitable and nonprofit organizations.² Table 1 provides an overview of private charitable giving in the United States in the 22-year period from 1974 to 1996. Levels of private giving have been growing steadily, reaching a record high \$150.7 billion in 1996.

Table 2 disaggregates the 1996 figures into their sources and uses. The vast majority of private charitable giving in the United States comes from individuals (79.6 percent) rather than formally organized foundations (7.8 percent) or corporations (5.6 percent). When bequests (funds left to charitable causes by deceased individuals in their wills) are added to the amounts donated by living individuals, nearly 87 cents of every charitable dollar are contributed by individuals.

TABLE 1
PRIVATE CHARITABLE GIVING IN THE U.S., 1974-1996
(in \$ billions)

YEAR	INDIVIDUALS	BEQUESTS	FOUNDATIONS	CORPORATIONS	TOTAL
1974	\$21.60	\$2.07	\$2.11	\$1.04	\$26.82
1975	23.53	2.23	1.65	1.08	28.49
1976	26.32	2.30	1.90	1.33	31.85
1977	29.55	2.12	2.00	1.54	35.21
1978	32.10	2.60	2.17	1.70	38.57
1979	36.59	2.23	2.24	2.05	43.11
1980	40.71	2.86	2.81	2.25	48.63
1981	45.99	3.58	3.07	2.64	55.28
1982	47.63	5.21	3.16	3.11	59.11
1983	52.06	3.88	3.60	3.67	63.21
1984	56.46	4.04	3.95	4.13	68.58
1985	58.66	4.77	4.90	4.63	72.96
1986	67.63	5.70	5.43	5.03	83.79
1987	72.32	6.58	5.88	5.21	89.99
1988	80.07	6.57	6.15	5.34	98.13
1989	87.75	6.97	6.55	5.46	106.73
1990	91.15	7.64	7.23	5.46	111.47
1991	96.10	7.78	7.72	5.62	117.22
1992	98.38	8.15	8.64	5.92	121.09
1993	102.13	8.54	9.53	6.26	126.45
1994	103.83	8.77	9.66	7.00	129.27
1995	112.22	9.77	10.56	7.90	140.45
1996	119.92	10.46	11.83	8.50	150.70

Source: Giving U.S.A (American Association for Fundraising Counsel), reported in *Chronicle of Philanthropy*, June 12, 1997.

TABLE 2
SOURCES AND USES OF CHARITABLE GIVING IN 1996
(in \$ billions)

SOURCES	PERCENT	AMOUNT
Individuals	79.6	119.92
Foundations	7.8	11.83
Bequests	6.9	10.46
Corporations	5.6	8.50
		150.70
USES	PERCENT	AMOUNT
Religion	46.1	69.44
Education	12.5	18.81
Health	9.2	13.89
Human Services	8.1	12.16
Arts, Culture	7.2	10.92
Gifts to Foundations	5.5	8.28
Public/Social Benefit	5.0	7.57
Environment, Wildlife	2.7	4.07
Undesignated	2.4	3.62
International Affairs	1.3	1.95
		150.70

Source: Giving U.S.A (American Association for Fundraising Counsel), reported in *Chronicle of Philanthropy*, June 12, 1997.

Table 2 also indicates that in 1996 almost half (46.1 percent) of all private charitable giving in the United States was collected through and went to religious institutions; 12.5 percent to education; 9.2 percent to health and hospitals; 8.1 percent to human service organizations; and slightly more than seven percent for arts and culture. Five percent went to “public and social benefit” organizations (organizations dedicated to strengthening civil rights, community development, public affairs education, and philanthropy and voluntarism). Only 1.3 percent of private charitable giving from all sources went to international affairs, development, peace, and human rights causes. (This was the second consecutive year in which private giving for international activities declined. In 1995, giving for international activities had declined by 6.6 percent from the previous year; in 1996, the decline was 4.6 percent from the previous year.)

With only minor variations, this pattern of distribution has remained stable for many years.

Table 3 summarizes the distribution by subject of grants made by the largest U.S. foundations in 1995. The data come from a national survey of 1,012 private, corporate, and community foundations, which together provided approximately two-thirds of total foundation grant disbursements in 1995. Mirroring the distribution of total charitable giving in 1994 and 1995, education, health, human services, arts and culture were the top categories, accounting for 71 percent of all foundation grants. Public and social benefit organizations and those dedicated to international affairs, development, peace, and human rights together received 15.1 percent of foundation grants.

TABLE 3
SUMMARY OF 1995 GRANTS FROM LARGE U.S. FOUNDATIONS
(Source: Foundation Grants Index, 1997)

SUBJECT	AMOUNT	PERCENT
Education	\$1,583,603	25.1
Human Services	1,040,427	16.5
Health	1,095,533	17.3
Arts and Culture	758,686	12.0
Public/Social Benefit	731,836	11.6
Environment/Animals	314,155	5.0
Science/Technology	300,582	4.8
International Affairs, Development, Peace, and Human Rights	220,119	3.5
Social Sciences	137,559	2.2
Religion	125,633	2.0
Other	9,740	0.2
 Total Grants from Large Foundations	 \$6,317,873	 100.0

Source: A national survey of 1,012 foundations, which provided about two-thirds of all private, corporate, and community foundation grants in the United States in 1995. Reported in the *Chronicle of Philanthropy*, January 23, 1997.

Table 4 summarizes trends in corporate giving in 1993 and 1994, based on a national survey of 383 companies accounting for about 35 percent of total reported corporate giving in those years.³ Again, education, health, human services, arts and culture received the major share of corporate grants. Although some multinational companies are reported to have increased their international grantmaking, total corporate contributions for international activities are minuscule.

TABLE 4
TRENDS IN CORPORATE GIVING, 1993-1994
(in \$ thousands)

<u>SECTOR</u>	1993		1994	
	<u>TOTAL</u>	<u>PERCENT</u>	<u>TOTAL</u>	<u>PERCENT</u>
Education	\$599,419	39.5	\$558,803	34.8
Health/ Human Services	393,232	25.9	392,165	24.5
Arts and Culture	172,747	11.4	178,227	11.1
Civic/Community Affairs	166,365	11.0	190,429	11.9
Other	30,769	2.0	99,305	6.2
Unallocated	154,936	10.2	184,989	11.5
Total	\$1,516,468	100.0	\$1,603,917	100.0

Source: Corporate Contributions 1994 (New York: Conference Board), based on a national survey of 383 manufacturing and service companies. Reported in the *Chronicle of Philanthropy*.

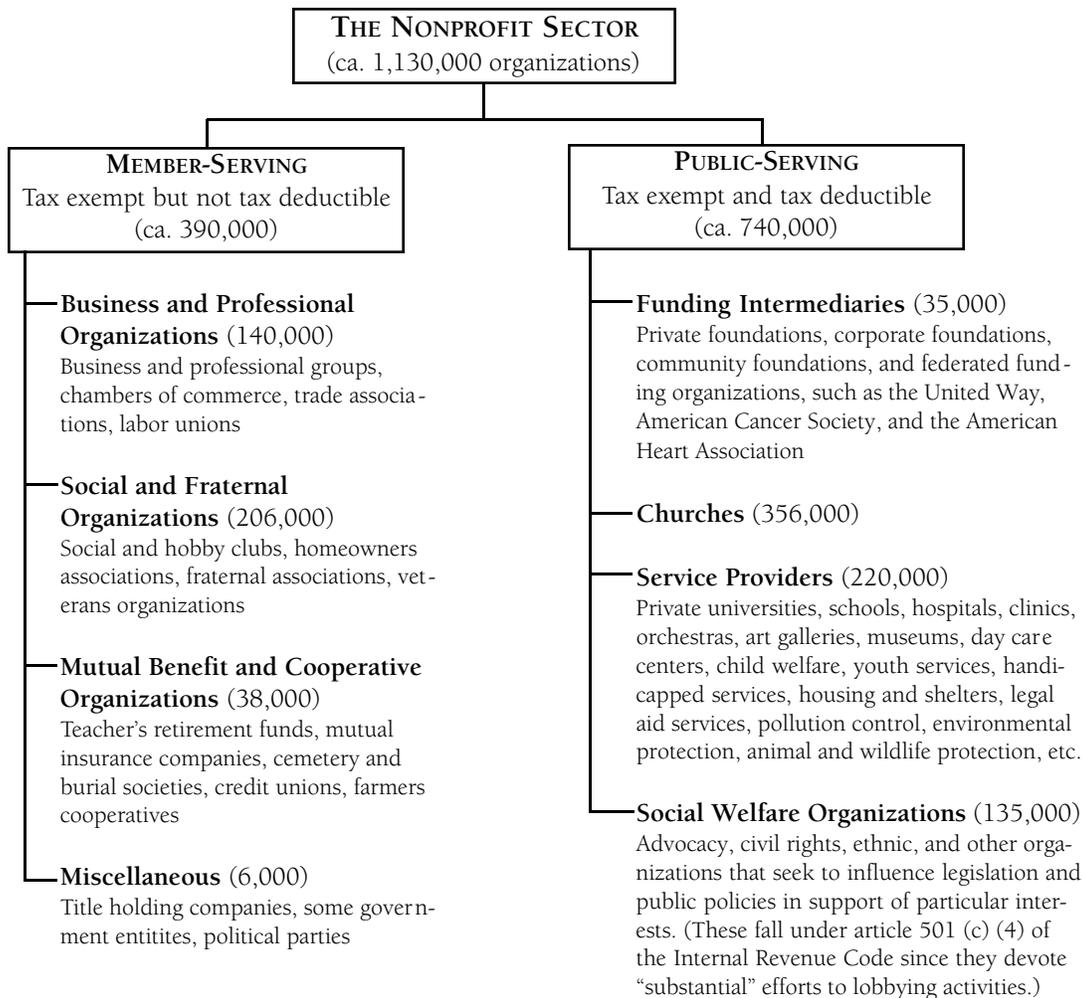
Defining the U.S. Nonprofit Sector

The U.S. nonprofit sector is larger, broader in scope, and much more complex than most people in the U.S. or Asia realize. Several classification systems are currently in use based on definitions embedded in the U.S. Internal Revenue Code (i.e., the tax code). These are the determining definitions since the Internal Revenue Service is the U.S. government agency responsible for certifying organizations' eligibility for tax exempt and tax deductible status.⁴ The two most widely used classification systems are the National Taxonomy of Exempt Entities (NTEE) used by Independent Sector and the International Classification of Nonprofit Organizations (ICNPO), currently being tested and applied internationally by the Johns Hopkins University Nonprofit Sector Project.⁵ Figure 1 is

a simplified summary of the U.S. nonprofit sector based on IRS definitions and information provided to the IRS by these organizations in 1989.

Overall, there were more than 1.1 million nonprofit organizations formally registered in the U.S. in 1989, divided into two basic categories: member-serving and public-serving. Member-serving nonprofit organizations are tax exempt, but not tax deductible because their services are directed solely at their members; public-serving nonprofit organizations are both tax exempt and tax deductible because they are considered to serve the broader public interest. Examples of organizations in each subcategory are provided in Figure 1.

**FIGURE 1
TAXONOMY OF THE U.S. NONPROFIT SECTOR***



*Adapted from Lester M. Salamon, "Defining the Nonprofit Sector: The United States," *Working Papers of the Johns Hopkins Comparative Nonprofit Sector Project*, No. 18 (Baltimore: The Johns Hopkins Institute of Policy Studies, 1996). Data refer to 1989.

As defined in Figure 1, expenditures by the U.S. nonprofit sector in 1992-1993 constituted about 7 percent of gross domestic product (GDP) and about 6 percent of total U.S. employment. Nonprofit revenues and expenditures are substantial (around \$350 billion a year), equivalent to one-seventh of the combined spending of federal, state, and local governments.⁶

Funding the U.S. Nonprofit Sector: The Myth of Voluntarism

Although the amounts of private charitable giving in the U.S. (see Table 1) are enormous, private charitable giving is not the major source of funding for most of the U.S. nonprofit sector. In numerous studies over the past two decades, Lester Salamon, a leading scholar of the U.S. nonprofit sector and director of the Institute of Policy Studies at The Johns Hopkins University, has argued that both in the U.S. and internationally, efforts to strengthen the nonprofit sector suffer from several dysfunctional “myths” that impede its ability to deal effectively with contemporary challenges. One of those is the “myth of voluntarism,” defined by Salamon as:

the belief that true nonprofit organizations rely chiefly, or even exclusively, on private voluntary action and private philanthropic support. This myth is particularly pervasive in American thinking about the nonprofit sector.... Underlying it is a view of the relationship between [nonprofits] and the State that springs from a conservative political philosophy that builds upon a ‘paradigm of conflict.’ According to this paradigm, an inherent conflict exists between ‘the State’ and the multitude of so-called ‘mediating institutions’ such as voluntary groups that stand between it and the individual....Under these circumstances, the key to the expansion of the third sector is to reduce the role of the state and rely on private action, and private charitable support, instead.⁷

In fact, as Salamon and others have shown in numerous studies of the U.S. nonprofit sector, the relationship between government and nonprofits has not been one of conflict, but of extensive partnership in which the U.S. Government relies heavily on the nonprofit sector for the implementation of its human services programs, particularly in health, education, and welfare services. The great expansion of U.S. nonprofits in the 1960s and 1970s was not the result of increased private philanthropy, but the inability of the government to implement federal poverty alleviation programs while bearing the enormous costs of the war in Vietnam.

When poverty was “rediscovered” in the 1960s, therefore, occasioning powerful new calls for federal involvement, the resulting response had to be largely indirect. Instead of establishing a system of direct federal assistance to supply the services considered necessary...the federal government was obliged to rely instead on state and local governments, and on private nonprofit groups. The era of the Great Society of the 1960s and 1970s was not, therefore, an era simply of massive expansion of the federal government, as it has come to be portrayed. Rather, what expanded was a pervasive partnership between the government and the nonprofit sector, thus returning to a pattern with deep roots in the American past. By the late 1970s, in fact, nonprofit organizations were delivering a larger share of government-funded human services than all levels of government combined, and government support had outdistanced the support those institutions received from private charitable donations by a factor of almost two to one. In the process, the American nonprofit sector underwent one of the most dramatic expansions in its history, growing substantially in both size and scope.⁸

In the 1950s, charitable organizations in the United States raised about 70 percent of their income from private donations. By 1994, only about 9 percent of total funding for the nonprofit sector as a whole came from individual donations and corporate and foundations grants. Thirty-seven percent came from government grants and contracts, while more than half of total nonprofit income (54 percent) came from client dues, fees, and other charges. By sector, government funding as a share of total revenues accounted for 36 percent in health services, 17 percent in education, 42 percent in social and legal services, and 11 percent in the arts.⁹

The partnership between the American nonprofit sector and the U.S. Government is well documented in the case of internationally-oriented relief and development organizations, the subset of the U.S. nonprofit sector best known to bilateral donors and multinational organizations. Table 5 provides data on the sources of funding for 417 U.S. NGOs registered with the United States Agency for International Development (USAID) in 1995. Total private funding for these organizations, in the form of cash donations, in-kind donations, and their own earnings accounted for 67 percent of their combined income in 1995, compared with 26.2 percent from USAID and other U.S. gov-

ernment agencies. In terms of cash contributions alone, USAID provided \$1.4 billion to these organizations in 1995, while private individuals, corporations, and foundations contributed \$2.4 billion.

TABLE 5
SOURCES OF FUNDING FOR 417 U.S. NONPROFIT
ORGANIZATIONS REGISTERED WITH USAID
 (Fiscal Year 1995)

	AMOUNT	PERCENT
USAID ¹	1,440,920,493	19.9
Other U.S. Government	450,976,248	6.2
Other Governments and International Organizations	488,362,056	6.8
Private In-kind Contributions	1,200,139,376	16.6
Private Cash Donations	2,405,946,232	33.3
Private Revenues ²	1,236,127,712	17.1
Grand Total	7,222,472,117	100.0

¹Includes freight, PL 480 food and commodities, grants, and contracts.

²Includes fees, dues, sales, interest and dividends on investments.

Source: *Voluntary Foreign Aid Programs: Summary of Activities and Privatness Percentages* (1995) (Washington: USAID, 1997).

In summary, four points relevant to comparisons with Asia can be made about the American nonprofit sector:

1. It is broader and more complex than generally realized, extending far beyond those NGOs dedicated to social and economic development, protection of rights, and international affairs most familiar to bilateral assistance agencies and the international financial institutions.
2. It is much larger than commonly believed, accounting for roughly 6 million jobs and 7 percent of GDP.
3. Private philanthropy contributes a significant but smaller share of its total income than is generally realized or, to put it another way, American nonprofit organizations are much more dependent on U.S. government funding than prevalent myths about the sector suggest.
4. The distribution of charitable giving in Asia by fields of interest appears, to the extent data are available, to be similar to that in the U.S. The vast majority of private charitable giving in the U.S. and in Asia goes to religious causes, fol-

lowed by education, health, culture, and contributions to local activities, usually in that order. The many Asian NGO leaders who assume that vast amounts of private funding are available in the U.S. for development or rights-oriented causes are simply wrong. In terms of the percentages of private funding available for international activities, or those devoted to development issues, NGO leaders in the United States face the same relative scarcity of private support as do their counterparts in Asia.

Characteristics and Estimates of Giving in East Asia

Capital accumulation is the most fundamental requirement for philanthropy. That basic requirement is beginning to be met in East Asia, whose economic “miracle” of the past 40 years has been amply documented. One consequence of that miracle is the creation of wealthy individuals and corporations throughout the region. *Forbes’* annual review of the world’s richest people increasingly includes Asian billionaires. The *Forbes’* 1996 review (published in July 1996) includes 123 Asians among the 447 individuals and families listed. Of these, 41 are from Japan and 82 from eight other East Asian countries and India. Five of the world’s 10 richest individuals, according to *Forbes*, are Asians (one each from Japan and Taiwan, two from Hong Kong, and one from the Philippines). Many of these fortunes are new. Five years ago, in its 1991 survey, *Forbes* identified only 68 Asians among the world’s 274 billionaires, including 41 from Japan and 27 from elsewhere in the region.

Much of the new wealth outside of Japan and Korea is concentrated among ethnic Chinese. The four Chinese economies of East Asia (the People’s Republic of China, Taiwan, Hong Kong, and Singapore) have each experienced phenomenal economic growth in the past 40 years, creating at least the economic preconditions for philanthropy. In addition to these four economies, in which Chinese are the majority populations, a recent study estimated the extent to which ethnic Chinese are also key economic powers in several Southeast Asian countries, although they constitute only a small minority of the population¹⁰:

ESTIMATED ETHNIC CHINESE SHARE OF PRIVATE, NONLAND CAPITAL

	POPULATION (percent)	CAPITAL (percent)
Malaysia	29	61
Thailand	10	81
Philippines	2	50 - 60
Indonesia	3.5	73

Nine of the 10 largest Indonesian business groups by gross assets are owned by ethnic Chinese; 204 of the top 300 conglomerates in Indonesia — 68 percent — are owned by ethnic Chinese.¹¹

Filipinos of ethnic Chinese origin control an estimated 50 to 60 percent of nonland share capital in the Philippines, and as much as 35 percent of total sales are attributed to firms controlled by ethnic Chinese.¹²

Sino-Thais own most of the major private commercial, manufacturing, banking, property, and telecommunications firms in Thailand, and are prominent, if not predominant, in small- and medium-size firms as well. The four largest private banks are Sino-Thai: Bangkok Bank, Thai Farmers Bank, Bank of Ayudhya, and Bangkok Commercial Bank.¹³

In addition to capital accumulation, sustained levels of philanthropy also require the passage of time and confidence in one's political and economic security. The first priority of successful entrepreneurs is to accumulate wealth and ensure its stability, not to give it away. East Asia's economic miracle, remarkable though it may be, is of very recent vintage. Economic development in Korea and Taiwan, for example, "took off" only in the 1970s — a mere 25 years ago. Most large firms in Southeast Asia are even younger. Many East Asian business leaders, therefore, while justifiably proud of their accomplishments and publicly confident of East Asia's continued economic growth, nevertheless remain acutely aware of the newness of their economic success and its fragile dependence on trends in international economic and trade policies that are beyond their direct control. The potential for economic disaster resulting from any one of East Asia's potential hot spots is to them not beyond possibility or personal memory. This is particularly true of East Asia's ethnic Chinese populations. Of the more than 150 ethnic Chinese entrepreneurs interviewed for the Australian study of ethnic Chinese business networks (cited above), 90 percent of first generation business leaders had personally experienced war, 40 percent had survived a political disaster such as the Cultural Revolution or anti-Chinese riots in Southeast Asia, and 32 percent had lost one or more homes. Securing wealth rather than giving it away remains first priority.

Despite these caveats, a by-product of increasing Asian wealth has been the emergence of a steadily growing philanthropic sector consisting of formally organized corporate foundations or corporate giving programs, and a sprinkling of family foundations in several East Asian countries. Unfortunately, very little empirical data is available on their giving patterns, although some important initial efforts have been made to catalog and describe them.¹⁴ I am not aware of

any national level empirical research on giving patterns within Asia's diverse religious communities, although small-scale studies have been done and anecdotal evidence abounds. The Thai press regularly reports on the extensive land and property holdings of the Buddhist *sangha*, as well as the alleged financial excesses of a few prominent monks and abbots. It is widely believed that the more than 1,500 mostly Sino-Thai cremation societies are very wealthy. In Taiwan, the Buddhist Compassion Relief Foundation (Tzu-Chi Fund), led by a charismatic nun, is by far the largest private foundation, with reported assets of approximately \$690 million in 1997.¹⁵ According to some accounts, the Tzu-Chi fund has attracted up to two-thirds of total private donations in Taiwan in recent years. In the Philippines and Korea, with the first and second largest Christian populations in Asia, church-related charitable giving is believed to be very high — however, empirical data is not available.

Four Characteristics of East Asian Philanthropy

A review of available research suggests at least four salient characteristics of contemporary East Asian philanthropy:

1. *There is great diversity in the types of philanthropic institutions and foundation-like entities in East Asia. Unlike the U.S., however, there are still very few private foundations based on individual or family wealth.*

Formally-organized philanthropic entities in East Asia include endowed private foundations, publicly-funded grantmaking foundations established by national legislatures, community trusts, a vast number of operating foundations (particularly in the form of schools, hospitals, cultural and religious institutions), and a rapidly growing number of corporate foundations and giving programs. There are also many successful rural credit and loan programs which are philanthropic in intent but operate as not-for-profit businesses. Many Asian foundations are both fundraisers and grantmakers, and several large Asian NGOs are also grantmakers. Developing classification systems that will allow international comparisons among Asian philanthropic institutions, and between Asian institutions and those found elsewhere, will be a necessary and major task in the period ahead.

The limited number of private foundations in Asia reflects in part cultural traditions in which the ostentatious display of personal (or family) wealth is considered unacceptable. Political, social, and business leaders are expected to be personally generous to those in need, and demonstrations of personal charity

at critical times are an important part of demonstrating and legitimizing high social position. But in general, displays of personal wealth are contrary to traditional norms in many Asian cultures. That pattern may be changing, however. The Foundation Library Center's 1990 survey of grantmaking foundations in Japan, for example, found that 112 of the 394 large foundations covered in the survey (28 percent) were established by wealthy individuals, compared to 229 corporate foundations (58 percent). Even in Thailand, a very small number of newly wealthy individuals have established grantmaking foundations, such as the Chaiyong Limthongkul Foundation, which supports activities related to public policy, international relations, the arts, and culture.

2. *Most philanthropic entities in the region are corporate foundations or, even more commonly, corporate giving programs funded on an annual basis rather than endowed.*

Overall, East Asian corporate foundations and giving programs tend to be new, small, closely tied to corporate marketing objectives and limited in the scope of their philanthropic interests. But that is the present snapshot; the sector is growing rapidly in terms of the number of corporate foundations, their assets, and their grantmaking.

The Japanese foundation sector is the most developed. The sector is surveyed regularly by the Foundation Library Center in Tokyo, which conducted its first survey in 1987 and has produced biannual editions of the *Directory of Grantmaking Foundations* since 1988. The 1988 edition of the Directory covered 419 grantmaking foundations and did an extensive analysis of a subset of 171 foundations. The 1996 edition covered 494 grantmaking foundations which responded to a detailed survey in July 1995. Overall, 702 Japanese foundations participated in surveys at least once since 1987; 183 participated in all of the surveys conducted during the 1987-1995 period. Comparing the surveys illustrates several key points.¹⁶

First, the number of Japanese foundations grew rapidly during the 1980s, but the rate of increase has declined since 1991, reflecting Japan's continuing economic recession. There were 246 new foundations established between 1985 and 1991, or an average of 35 new foundations a year. Those numbers declined to 26 new foundations in 1992, nine in 1993, and only seven in 1994.

Between 1987 and 1991, foundation assets grew substantially, but were still small compared to the United States. The total reported assets of the 171 largest foundations in 1987 (\$1.7 billion) was equivalent to only one-third the endowment of the Ford Foundation alone in that year. By fiscal year 1994 (which

ended March 30, 1995), the reported assets of the 20 largest Japanese foundations totaled about \$3.7 billion. In the same year, the endowments of the 20 largest U.S. private foundations totaled about \$49.3 billion, approximately 13 times greater than the total assets of these Japanese company-sponsored foundations. It must be noted, however, that most Japanese foundations operate on annual budgets provided by their parent corporation, rather than from the income earned by their endowments.¹⁷

In 1987, the 419 grantmaking foundations surveyed reported making a total of about \$170 million in grants. By fiscal year 1994 (ending March 30, 1995), the 494 foundations surveyed reported making a total of \$457 million in grants. Based on detailed information from the 183 major foundations which reported each year between 1987 and 1994, it appears that overall grant spending leveled off in 1992 and then declined 8 percent between 1993 and 1994, again reflecting Japan's economic recession. In fiscal year 1994, the 20 largest Japanese foundations made grants totaling \$245 million, about one-ninth the total of grants made by the 20 largest U.S. foundations in that same year (\$2.3 billion).

Other recent data suggest a contrary trend: corporate giving in Japan seems to be increasing despite the prolonged economic downturn. A Keidanren study in December 1994 reported that 389 of its corporate members had made a total of \$1.51 billion in grants within Japan in 1993, and the Association for Corporate Support to the Arts reported a total of \$1.96 billion in grants made by its members during the 1995 Japanese fiscal year.¹⁸

In Korea, 48 of the 81 corporate foundations (60 percent) listed in the *1993 Directory of Company Sponsored Foundations* were established in the 12 years since 1980.¹⁹ Sixty of the 81 corporate foundations surveyed had assets of \$6.3 million or less, and only 13 had assets of more than \$12.6 million. The total of grants made in 1992 by all 81 foundations was \$133 million, or an average per foundation of about \$1.6 million. Of the 81 corporate foundations, 66 limited their activities to providing educational scholarships or annual rounds of research awards recommended to them by panels of outside experts.

In the Philippines, 249 companies were reported to have made grants equivalent to \$12.35 million in 1993, while 204 companies reported total grants of \$12.81 million in 1993.²⁰ Average grantmaking per foundation was only \$104,400 in 1992 and about \$115,000 in 1993, although these average figures are weighted heavily toward a few larger foundations. The distribution of corporate grants in 1992 and 1993 by field of interest was as follows:

PHILIPPINE CORPORATE GRANTS

(in \$ millions)

	1992	1994
Education	2.220	2.850
Health	.900	2.430
Disaster Response	2.180	1.340
Community Events	1.380	.921
Small Business Devl.	.942	1.290
Science/Technical	.209	.649
Other	4.519	3.330
Total	\$12.350	\$12.810

Overall estimates of corporate philanthropy in Thailand are not available, but a 1993 survey of 108 corporations (55 Thai and 53 multinational) showed that only 16 had regular annual allocations for charitable giving. Fifty-five reported making charitable donations on a regular basis from their operating budgets, and the remaining 37 responded to requests on an ad hoc basis only. Of the 16 firms with annual allocations, only three Thai and four international firms budgeted more than \$20,000 for charitable giving in 1993.²¹ Interest in corporate giving programs has increased among Thai corporations in recent years. Since 1989, more than 80 local companies have participated in the Thailand Business Initiative for Rural Development (TBIRD), under which companies “adopt” a village and contribute not only cash, but provide direct economic assistance by establishing local production facilities, outsourcing to village producers, and establishing marketing linkages for local products. In August 1996, a group of Thai corporations took the initial steps toward establishing an association, possibly to be based on the League of Corporate Foundations in the Philippines.

These recent surveys from Korea, Taiwan, Philippines, and Thailand all show that education (provision of scholarships), social welfare services, medical care, and community events are the most common fields of corporate philanthropic donations. In Japan, most donations still go to science and technology because of the structure of tax incentives and because of an obvious interest in supporting business-related research and development.

3. *There are numerous examples of innovative fundraising for philanthropy.*

Community chests are increasingly popular, thanks to the assistance of United Way International in several countries, including Singapore, Hong Kong, and Taiwan. The amounts collected are still small, usually less than \$10 million in recent years, but payroll deductions and annual charity drives are increasingly common and growing in public acceptance.

Child-oriented charities are beginning to do well in Taiwan, Japan, and Thailand, as demonstrated by the success of Christian Children's Fund and Plan International in raising funds through monthly child sponsorships.

Community foundation models are showing some growth, particularly in Japan, where the Japan Center for International Exchange has successfully operated the first example of a fund modeled on the community foundation — the Asian Community Trust — since 1979. The first formal community foundation in Japan, the Osaka Community Foundation, was established in 1991 at the initiative of the Osaka Chamber of Commerce.

Philanthropy based on horse racing, motorboat racing, or other forms of gambling is big business in the region. The Jockey Club in Hong Kong is the major philanthropic force in the territory, as are the Royal Bangkok Sports Club and the Turf Club in Thailand. The three largest Japanese foundations (by grant spending) in 1991 derived their funds from motorboat racing (Sasakawa Peace Foundation), horse racing (National Horse Racing Welfare Foundation) and automobile racing (Vehicle Racing Commemorative Foundation), respectively.

4. *One of the most important and, in some respects, challenging trends in East Asian philanthropy over the past five years is the emergence of several new kinds of grant-making foundations, which are at the interface of the public and private domains — those which are endowed with public funds but managed by at least semi-private boards of trustees.*

There are many models of external donor support for NGO projects and NGO coalitions in Asia, but these new publicly endowed foundations differ from traditional NGO-managed projects in at least three critical ways. First, they are funded from the income earned on endowments intended to provide a secure and steady stream of income to support public interest activities and local NGOs. Second, the endowment is typically created from public funds or from a mix of public and private funds. Third, they are governed by semi-autonomous boards of trustees, composed at least in part of private citizens which have the authority and responsibility to oversee the endowment and the distribution of grants.²²

Most of these new hybrid funds are in the environmental field. Five such funds currently exist (Bhutan Trust for Environmental Conservation, Indonesia Biodiversity Foundation, Foundation for the Philippine Environment, Sri Lanka Conservation of Forest Trust, and the Wildlife Trust of Sri Lanka), and at least 13 others are currently being negotiated or are in various stages of establishment. The first Asia Pacific Forum on Environmental Funds took place in Cebu, Philippines in January 1997 to share experiences of developing and managing these funds.

Endowments have been created by a variety of innovative mechanisms, including the local currency proceeds of debt swaps, proceeds from the sale of donated food commodities, endowment grants from bilateral donors, corporate donations of blocked local currencies, as well as cash contributions from private citizens. These endowments can be quite substantial, ranging up to tens of millions of dollars. Endowments of this size typically exceed the total of purely “private” philanthropic resources in the country involved.

Several bilateral donors, including the U.S., Canada, Netherlands, Norway, and Switzerland have participated in this type of financing. Major support has also come from the Global Environment Facility of the United Nations Development Program. The discussion that follows is based primarily on USAID’s experience.²³

Changes in U.S. law and USAID policy guidelines in 1989 made it possible to use grant funds and the proceeds from debt-swaps to create endowments which, in principle, could ensure a steady stream of income to cover local foundation operating costs and grants far into the future. With the addition of autonomous policymaking boards of trustees, comprised mostly of private citizens and a limited number of government representatives, a new type of endowed grantmaking entity, quasi-privately managed, devoted to public interest causes, and publicly accountable, was created.

Under legislation and administrative guidelines adopted since 1989, USAID funds can be used to purchase discounted debt currently owed by a developing country to a foreign creditor. The debt paper is then exchanged for local currency at face value and invested, typically in host country bonds or other secure financial instruments. At the end of the process, the interest earned by the endowment is available to the endowed NGO or foundation for the purposes specified in an agreement between the NGO or foundation, AID, and the host government.

Since the actual debt swap is a highly technical set of transactions usually

involving negotiations among foreign creditors, the central bank, the ministry of finance, and sectoral ministries, the initial USAID grant is typically made to an intermediary organization experienced in negotiating these transactions. (World Wildlife Fund, the Nature Conservancy, and the Debt-for-Development Coalition have become expert in debt swap transactions.) The intermediary, in turn, sub-grants or “assigns” the local currency proceeds to the local NGO or foundation that will actually administer the interest earned on the endowment. Endowment funds are often required to be invested in host government bonds. If not, additional decisions have to be made about where to invest the endowment funds. Yet another experienced intermediary may then be called upon to manage the endowment investment portfolio.

Until the endowment begins to earn enough interest to support the endowed foundation’s operations, AID may provide an additional grant to cover the foundation’s initial operating and program expenses.

The legal and programmatic stewardship of the endowed foundation is usually vested in a board of trustees, which serves in a fiduciary role and is legally obligated and accountable for managing and protecting the endowment in accordance with the terms specified in the founding agreement. Frequently the founding agreement will require the appointment of a qualified securities firm to manage the portfolio of endowment investments and the appointment of an accounting firm to conduct regular audits.

Some founding agreements clearly specify the life of the endowment, after which it must either be dissolved or a new agreement negotiated. Others are open-ended and intended to be permanent.

In addition to its fiduciary responsibilities, the most critical issue facing the Board of Trustees is the establishment and maintenance of institutional independence — from both USAID and the host government. Some agreements specify that both USAID and the host government will be represented on the Board, either as full voting members or as observers. In other cases, the Board is intended to be independent and self-perpetuating; that is, the Board chooses its own members and successors without the need for approval from either the government or AID.

How to ensure independence? Various approaches have been tried. The most common is to enlist the participation of distinguished individuals, from within and outside the host country, to serve as members of the Board or on external advisory councils, thereby providing a degree of international visibility and “cover.” In general,

[the] most effective strategy in averting or defusing government antipathy is by ensuring that the endowed organization has a leadership that is politically astute and sensitive to government concerns. In particular, the leadership should be skilled in building coalitions of support across a broad political spectrum, while at the same time establishing the endowed organization as a non-partisan entity.²⁴

It does not always work. The Trust for Voluntary Organizations (TVO) in Pakistan was formally established in February 1990 and became operational in May 1992 with a USAID-provided endowment of \$20 million. TVO differed from other AID-supported endowments in one critical respect: the nature of its governance. Three of the 13 voting members of TVO's Board of Directors were ex officio government officials, and all new (replacement) directors were to be appointed by the Government of Pakistan from a list of candidates submitted by TVO. Relations between TVO and the Government of Pakistan subsequently deteriorated, however, and the TVO and its endowment were fully nationalized in 1994.

The Foundation for the Philippine Environment, established in 1991 with USAID and Japanese funds, is an example of this type of officially endowed grantmaking foundation, as is the Indonesia Biodiversity Foundation, established in 1994, also with USAID and Japanese funding.²⁵

There are other examples of this hybrid model in Thailand. In September 1993, the Department of Technical and Economic Cooperation, the government body responsible for coordinating foreign assistance to Thailand, created the Development Cooperation Foundation (DCF), because "it recognizes that with development aid dwindling and rural development no longer a priority for a number of foreign aid donors, a new mechanism that provides a continuation of rural development programme delivery with the participation of nongovernmental organizations should be fostered." Initially endowed with debt forgiven by the Canadian Government and additional funds provided by the Thai Government, DCF is seeking to establish funding partnerships with the Thai business community and with official and private foreign donors. DCF is intended to support development-oriented NGOs in Thailand and eventually in neighboring Southeast Asian countries. Its governing board consists of representatives of government, business, NGOs, and academia.

The Thailand Research Fund (TRF) was created in 1992 through the "Research Support Endowment Act" with an initial endowment of Baht 150 mil-

lion (approximately \$6 million). The purpose of the TRF is to make grants for scientific and policy research so that Thailand “can sustain and further its competitive edge into the 21st century.” Grants are made to support “economic, political, social, and cultural research” to explore Thailand’s development options; to promote scientific and technological research for production, marketing, and services; and to support research on natural resources management and environmental balance. TRF’s primary emphasis is on Thailand, but there will also be a small program of regional grants in which research on similar issues related to ASEAN, Indochina, and Burma may also be supported. In its grant program, TRF seeks to encourage collaboration between public and private researchers. TRF is governed by a board of 19 members, including 10 government officials serving ex officio and nine distinguished private members drawn from universities, business, and the NGO sector. TRF’s charter states that the board will enjoy “a substantial degree of autonomy and flexibility necessary for the operation of a successful research and development think-tank,” and to enable it to make grants solely on the basis of substantive merit.

Given the growing interest in such funding mechanisms among bilateral donors and multinational institutions, we may expect their number and impact to increase in the future. While the prospect of increased and assured public funding for the nonprofit sector is welcome and exciting, these mechanisms pose important challenges as well. For Asian NGOs, the challenge will be to achieve a balance between financial sustainability and autonomy — to develop effective relationships with their governments in order to produce sufficient legal and financial support while preserving their independence and autonomy.

Challenges to the Future Development of Philanthropy in East Asia

Three of the most commonly cited impediments to the further development of private philanthropy in Asia are the presumed absence of philanthropic traditions as understood in the West; unfavorable legal and regulatory contexts; and civic cultures in which there is only limited acceptance of a legitimate role for private actors to influence public policy.

Philanthropic Traditions

While noting the salience of the issue, this paper cannot possibly address the nature of Asia’s many philanthropic traditions in any depth. Several published studies have sought to do so in recent years, particularly the research cited in endnote 14. Suffice it to say that there are strong philanthropic traditions in all

Asian countries, codified in traditional religious texts and reported in cultural and anthropological studies. Most of these traditions are markedly different from those of the West in their cultural contexts, degrees of formal institutionalization, and modes of operation; and all are continuing to evolve in response to the profound economic, political, and social forces shaping contemporary East and Southeast Asia. In relating contemporary to traditional forms of philanthropy and charitable behavior, the issue is not whether philanthropy or charity existed in traditional culture — they invariably did exist. The more critical issues are the definition and extent of community encompassed in those traditions (that is, who was intended to benefit and why), and the impact of profound political, cultural, and economic change.

Within the framework of the extensive political, cultural, and economic changes that have shaped contemporary East and Southeast Asia over the past few decades, many factors have helped shape contemporary notions of philanthropy and the nonprofit sector. Among them are:

- the nature of traditional philanthropic attitudes and practices in each country, the impact of increased social and political pluralism, and the emergence of new economic elites;
- the structure of East and Southeast Asian wealth, and widespread perceptions within Asia of economic insecurity (including the fact that much of the wealth is new and concentrated in the hands of Southeast Asian Chinese families and firms, which are themselves subject to varying degrees of discrimination, control, and insecurity throughout Southeast Asia);
- the changing nature of government-business relations in the region;
- the legal and regulatory context affecting the establishment and operations of philanthropies;
- perceptions of the NGO sector in each country and its relationships to the State and to the business community.²⁶

Legal and Regulatory Contexts

The regulatory contexts in which East and Southeast Asian foundations currently operate do not, in general, provide strong incentives for charitable giving. Little research has been done on regulatory contexts except in Japan, where a restrictive tax code is often cited as an important obstacle to the development of a strong domestic philanthropic sector. Particularly in Southeast Asia, the regulatory context affecting the nonprofit sector is closely related to governmental

perceptions of internal security needs. A politically significant distinction exists in most Southeast Asian countries between “associations” and “foundations.” Associations are groups of people, while foundations represent financial assets controlled by social, economic, or political elites. Associations tend to be closely supervised and controlled; foundations are usually subject to minimal legal oversight.

The prevalent hypothesis is that more favorable tax treatment and easier routes to formal registration and incorporation will create a more favorable environment for the development of indigenous philanthropy, particularly in East Asia, where the tax base is broad and tax collection is efficient. In Southeast Asia, on the other hand, with the exception of Malaysia and Singapore, the tax base is narrow and tax collection is very inefficient. If more favorable tax incentives were combined with more efficient tax collection, it could be argued that the net effect might be to reduce corporate philanthropy.²⁷ Given the rapid increase in the number and size of philanthropic foundations throughout East and Southeast Asia in recent years, generally without favorable tax legislation, it is arguable that while tax incentives are undoubtedly important “on the margin,” they are demonstrably less important than corporate earnings and marketing strategies in determining the quantity and direction of corporate philanthropy.

All these issues are being systematically explored in 10 East Asian countries through the Comparative Nonprofit Law Project (CNLP), sponsored by the Asia Pacific Philanthropy Consortium. The project, scheduled for completion in the Fall of 1997, has two objectives. The first is to support research on the legal and regulatory framework of the nonprofit sector in the region and to deepen public awareness and academic interest in the sector, particularly with respect to philanthropic grantmaking institutions. The second objective, building upon the legal analysis, is to stimulate and assist local demand for policy improvements in each country that will lead, over time, to a more supportive environment for philanthropic development in the region.

The legal analysis phase of the project will establish a baseline of information and analysis about existing laws and regulations affecting the philanthropic sector in each country. No comparative work on nonprofit legal systems in East and Southeast Asia has been undertaken to date, although partial analyses have been conducted in several countries. The first step in this project, therefore, was to systematically collect (and translate where necessary) already available research on the legal and regulatory context in each country. Legal scholars in each country have been commissioned to prepare comprehensive country stud-

ies, using a common research outline. After a process of review and editing, through in-country workshops and an international conference, the country papers and an analytic overview will be published together in book form.

The project's second objective is to help identify legal and regulatory obstacles to the further development of the philanthropic sector in each country, to develop action strategies to address those obstacles, and to explore opportunities for legal and policy reform. Host institutions in most countries have been selected to serve two purposes: to provide appropriate professional auspices under which the initial legal research will be conducted and to guide subsequent advocacy efforts in that country. The 10 participating countries are Australia, China, Indonesia, Japan, Korea, Philippines, Singapore, Taiwan, Thailand, and Vietnam. The project is scheduled for completion in November 1997.

Broadening Public Awareness and Support for Private Philanthropy

Private foundations and private wealth have traditionally played important catalytic and implementing roles in providing social services and influencing public policies in the United States. In most of East and Southeast Asia, however, popular views of the relative roles of the "public" and "private" sectors — and their relationship — differ significantly from the U.S. Religious, ethnic, or regional organizations continue to provide specialized educational, medical, or social welfare services to their members, and private schools and hospitals are increasingly common in East and Southeast Asia. But the concept of privately funded and privately managed public interest organizations, whose scope extends beyond limited sectarian or functional mandates, is neither well-understood nor widely appreciated. The legitimate scope for "private" social action is generally perceived to be rather limited, while the State is expected to provide all basic services. Indeed, "private" NGOs are often greeted with suspicion as to their motives and intentions, and rarely receive or are eligible for the favorable legal status and tax treatment that nonprofit organizations have come to expect in the U.S. In Japan, for example, the registration of nonprofit organizations is a difficult, time-consuming, and expensive process. As a result, most Japanese cultural and other citizen organizations, that would as a matter of course be readily recognized as nonprofit organizations in the U.S., operate as informal clubs or associations in Japan, unable to obtain the official recognition, tax exemptions, or tax deductibility privileges, which in the U.S. are considered essential for their financial viability.

Private business in Japan, Korea, and Taiwan is still emerging from a historic pattern of government guidance through control of credit and licenses, access to energy and raw materials, or even direct involvement in business decisionmaking. Within this context, there have been many instances of government-initiated philanthropy. A recent survey in Japan, for example, found that almost 20 percent of incorporated foundations and associations were actually established directly by government agencies to carry out government-initiated activities. “These organizations not only receive government subsidies, but also receive funds from companies that are obligated to make such donations. One might say that these organizations’ philanthropic activities result in private funds being raised for government activities.”²⁸ Similar examples can be cited in Korea and Taiwan, including compulsory corporate contributions in the form of “quasi-taxes.”

Instances of quasi-taxes imposed by the government or national leaders can be found in Southeast Asia as well. In Indonesia, for example, at least 18 foundations (*yayasan*) have been established by President Suharto or members of his immediate family. The three largest, Yayasan Supersemar, established in 1974 to provide educational grants and scholarships, Yayasan Dharma Bhakti Sosial, founded in 1975 to help destitute children, and Yayasan Dana Abadi Karya Bakti, established in 1985 with the explicit purpose of promoting the political and economic development of Golkar, the government’s mass political organization headed by President Suharto, were reported to have had a total of 325 billion rupiah (approximately \$180 million) in assets in 1989. In the fiscal year ending March 31, 1990, they reported grants totaling 63.5 billion rupiah (\$35 million). Most of these foundations are reportedly financed by “fees” or mandated contributions from Indonesian business firms or monthly contributions deducted from the paychecks of government employees.²⁹ Similarly, private corporations in Thailand are expected to contribute, although on a smaller scale, to charitable foundations established by members of the Royal Family, the military, and various government ministries.

In addition to government-initiated philanthropy, legally incorporated “non-profit” foundations have allegedly been widely used in East and Southeast Asia as corporate holding companies or to shelter corporate earnings, and have sometimes earned unsavory reputations among the public. Corporate foundations in East and Southeast Asia are frequently managed as part of the parent corporation’s operations (usually directly from the chairman’s office), seldom have independent policymaking authority, and are usually staffed by corporate employees assigned to manage the foundation for relatively short periods of

time. The concept of a career in the nonprofit foundation sector, as opposed to temporary assignments as part of one's career within the corporation, is largely unknown anywhere in the region.

For all these reasons, corporate or private foundations in East and Southeast Asia are seldom perceived by the public as pro bono entities independent of government or corporate interests. The challenges and opportunities inherent in creating public-private philanthropic partnerships for "disinterested" public interest purposes, discussed earlier, can thus be seen in sharper perspective.

Philanthropy and Civil Society

The concept of civil society has a long history in Western political thought. In medieval Europe, it referred to efforts by an emerging bourgeoisie to resist the absolute authority of monarchy and to create a space in which private enterprise could flourish. In the eighteenth century, the concept of civil society as a community of free and equal citizens standing in opposition to the monarchy and enjoying "natural" rights and freedoms, found expression in the French Declaration on the Rights of Man and the Citizen (1789) and in the "self-evident rights" enshrined in the American Declaration of Independence from British colonial rule. More recently, during the 1980s, the term came into vogue again, this time with particular reference to the efforts of East Europeans to free themselves from Soviet and communist rule. In each of these historical usages, civil society was viewed as a counterweight to a dominant state, an effort to create political space in which citizens could exercise their rights to free association and expression, usually in opposition to the state.

In common usage among Western political scientists and donor agencies, the term civil society therefore refers primarily to the wide variety of voluntary associations and citizen groups which now exist in many countries around the world and constitute the primary vehicles for individual citizens to articulate their views and participate in policy processes. The common assumption is that freedom of association and the existence of a vibrant nonprofit sector contribute to and are defining characteristics of democratic political systems. International interest in promoting the growth of the indigenous nonprofit sector in Asia, therefore, derives in part from the parallel effort to promote democratic governance and increased citizen participation in those countries.

In diverse Asian contexts, however, civil society as defined above has both limited analytic utility and significant political baggage. A recent effort to apply the concept in the Chinese context, for example, noted that the concept of civil society

is derived from Western historical experience, so it may prove problematic as a way of understanding social change in societies with very different historical trajectories and social characteristics. Moreover, as the currency of the term ‘civil society’ has spread during the past decade and the number of different constituencies across the political spectrum that find it appealing has increased, its meaning has become more and more ambiguous and confusing. It has also become embroiled in ideological struggles, functioning often as an idealized counter-image of the state, an embodiment of social virtue confronting political vice; the realm of freedom versus the realm of coercion, of participation versus hierarchy, pluralism versus conformity, spontaneity versus manipulation, purity versus corruption. While this kind of apotheosis serves to adopt the idea to the exigencies of political mobilization, it reduces its value for empirical, social scientific analysis.³⁰

Experience has shown, moreover, that civil society defined as voluntary associations acting in opposition to the state is neither descriptive of reality in most countries, nor is it an adequate prescription for the development of a democratic political system. It is not descriptive because voluntary associations cannot exist in the face of determined efforts by the state to eliminate them or prevent their emergence. A vibrant civil society — defined narrowly as the free interaction of voluntary associations among themselves and with the state — requires state acquiescence for minimal survival and state collaboration in the form of an enabling legal and regulatory environment to flourish. After all, it is the state that determines the laws, policies, regulations, and administrative guidelines that govern the operations of voluntary organizations.

Moreover, defining civil society in terms of what it stands against is hardly a prescription for the development of social harmony or political democracy, for once the uniting force of common opposition disappears, the chaos of voluntarism comes to the fore, and there is no longer a clear and obvious direction forward. The dilemma is captured well by Bronislaw Geremek, formerly a chief advisor to Lech Walesa and Solidarity in Poland, writing in the *Journal of Democracy*:

In light of the dangers that have appeared on the horizon for Poland in particular and for Eastern Europe in general, we must ask whether the idea of a civil society — however effective it was in helping to bring down communism — will turn out to be use-

less in the building of democracy. I do not think that it will. Rather, the concept of civil society will retain its validity, both as an instrument of analysis and as a program of pragmatic action. Its internal content has changed, however. The civil society of 1980 was a projection into the future of a vision that rested upon an awesome emotional unity. The civil society of more than ten years later cannot and should not base itself on emotions, but on the building of carefully nurtured institutions; on the practical realization of ethical values; and on the involvement of the greatest possible numbers of people in public life. The main task now is constructing democratic mechanisms of stability, such as constitutional checks and balances; civil education in the spirit of respect for law; and the encouragement of citizen activism. Civil society does not act in opposition to the democratic state, but cooperates with it. It no longer has to be a kind of 'parallel polis,' but now can simply be part of the polis.... In the end, a robust civil society offers the best prospects for overcoming the divergence of state and society and bringing citizens into active engagement with public life. Only under such conditions can democracy be made secure.³¹

For purposes of this discussion, I prefer a definition of civil society that captures its normative as well as its structural characteristics. Civil society denotes the arena of interaction among three vital sectors of society: private and family level institutions (which embody a society's religious and social values), governmental institutions, and the commercial sector. The institutional core of civil society consists of a combination of political and socioeconomic arrangements, including a government which is limited and accountable, and operates under the rule of law; a market economy; an array of free, voluntary associations; and a sphere of free public debate. Civil society is characterized by pluralism, tolerance of differing views and opinions, and procedural arrangements for the settlement of disputes without use of force. The civil society arena is populated by a wide variety of organizations and associations intermediary between the citizen, the State, and the commercial sector. These associations may be economic, cultural, educational, interest-based, development-oriented, or issue-oriented. Civil society associations are voluntary, self-generating, and autonomous; they are oriented to public rather than private issues. In political terms, civil society associations supplement the role of political parties in providing additional vehi-

cles through which individual citizens may articulate their values and perspectives and participate in policy processes, especially for traditionally underrepresented groups, such as women and minorities.

In this definition, organized private philanthropy stands at the heart of civil society. To flourish, private philanthropy requires a legal and regulatory environment that can only be provided and guaranteed by the state. But laws and regulations are not enough; a favorable tax code will not itself produce a flourishing nonprofit sector in the absence of governmental and societal acceptance of a legitimate role for nonprofit organizations. Philanthropy requires and emerges from a society that values pluralism, organizational autonomy, and innovation, and that acknowledges the legitimate role of private actors to participate in and sometimes lead the way toward public and social policy. Effective philanthropy also requires nonprofit grantees that are valued in the society as legitimate, accountable, and effective providers of services deemed to be in the public interest.

Fundamentally, the prospects for organized private philanthropy depend only in part on the accumulation of wealth. The more fundamental requirements are freedom of association and expression, tolerance of diversity and pluralism, societal acceptance of the role of private actors in public life, and a supportive legal and regulatory environment — the defining characteristics of civil society.

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Endnotes

1. For an excellent overview of the broad scope and numbers of nongovernmental organizations and philanthropic entities in 15 Asia-Pacific countries in 1994, see Tadashi Yamamoto (ed), *Emerging Civil Society in the Asia Pacific Community* (Singapore: Institute of Southeast Asian Studies, 1994).
2. This paper deliberately sidesteps the complicated task of precisely defining terms such as charitable, philanthropic, or voluntary, difficult enough in English, even more complicated to translate to Asian languages and contexts. The most important distinction that needs to be made, however, is that between the technical and the common meanings of “charity” and “nonprofit.” In popular usage, “charity” implies aid to the needy, as in soup kitchens, famine relief, and provision of emergency aid following natural disasters. A critical distinction between common law and civil law traditions is that in the common law, the term “charitable” technically extends far beyond assistance to the poor. It embraces the arts, culture, education, health care, and other activities that, while serving the common good, are not limited to or even primarily focused on assisting the needy. Similarly, common usage implies that nonprofit organizations may not earn a profit from their activities, but may only offset their actual expenses through charitable contributions. In fact, U.S. law does allow nonprofit organizations to earn profits from commercial activities, provided that the profit is used to promote the tax-exempt purpose of the organization and cannot be distributed to the organization’s officers and directors. (It can be used to pay staff salaries, of course.)
3. It is difficult to accurately estimate corporate giving because most companies make donations through operating budgets (such as public affairs, community affairs, or advertising) rather than through formally organized corporate foundations. Only formally organized corporate foundations are required by law to report their charitable contributions.
4. *Tax exempt* means that the organization does not have to pay taxes on its earnings and assets; *tax deductible* means that contributions to the organization may be deducted from the taxes owed by the individual or corporate donor.
5. The National Taxonomy of Exempt Entities (NTEE) took over a decade to develop and consists of dozens of organizational types arranged by institutional purpose and activities into 10 major fields and 26 subcategories. These are detailed in Virginia Hodgkinson et al., *Portrait of the Independent Sector: The Activities and Finances of Charitable Organizations* (Washington: Independent Sector, 1993). According to the International Classification of Nonprofit Organizations (ICNPO), the nonprofit sector consists of entities that share five basic characteristics. They must be *organized* (institutionalized as opposed to ad hoc gatherings, events, or bodies), *private* (institutionally separate from government), *self-governing* (control their own policies and activities and governed by autonomous boards), *nonprofit distributing* (they may earn profits but those must be used to further the entities’ basic charitable mission and cannot be distributed to the organization’s owners, members, founders, or governing boards), and *voluntary* (participation cannot be compulsory or required by law or regulation, and the entity must use volunteers in

some capacity, either in its governance or management). Further, the ICNPO system groups the nonprofit sector, as defined above, into 12 major activity groups and 24 subgroups. For details, see Lester M. Salamon and Helmut K. Anheier, *The Emerging Sector: An Overview* (Baltimore: The Johns Hopkins Institute of Policy Studies, 1994), and “The International Classification of Nonprofit Organizations: Revision 1, 1996,” Working Papers of the Johns Hopkins Comparative Nonprofit Sector Project, No. 19 (Baltimore: The Johns Hopkins Institute for Policy Studies, 1996).

6. *Nonprofit Almanac 1992-1993: Dimensions of the Independent Sector* (Washington: Independent Sector, 1992).
7. Lester M. Salamon, “The Rise of the Nonprofit Sector,” *Foreign Affairs*, Vol. 73, No. 4, July/August 1994, pp. 109-22; this is an abridged version of “The Global Associational Revolution: The Rise of the Third Sector on the World Scene,” The Johns Hopkins University, Institute of Policy Studies, *Occasional Paper*, No. 15, April 1993.
8. Lester M. Salamon, “Defining the Nonprofit Sector: The United States,” in Lester M. Salamon and Helmut Anheier (eds), *Defining the Nonprofit Sector: A Cross National Analysis* (Manchester: Manchester University Press, 1997), pp. 288-289. See also Salamon’s *Partners in Public Service: Government-Nonprofit Relations in the Modern Welfare State* (Baltimore: The Johns Hopkins University Press, 1995).
9. Virginia Hodgkinson, et al., *The Impact of Federal Budget Proposals Upon the Activities of Charitable Organizations and the People They Serve* (Washington: Independent Sector, 1995). On the potential impact of proposed cuts in federal funding for the nonprofit sector, see also Julian Wolpert, *What Charity Can and Cannot Do* (New York: Twentieth Century Fund Press, 1996).
10. *Overseas Chinese Business Networks in Asia* (Canberra: East Asia Analytic Unit, Department of Foreign Affairs and Trade, 1995). Hereafter cited as Networks.
11. *Networks*, p. 41.
12. *Networks*, p. 65.
13. *Networks*, pp. 78-79.
14. See, for example, Nancy London, *Japanese Corporate Philanthropy* (New York: Oxford University Press, 1991); Barnett F. Baron (ed), *Philanthropy and the Dynamics of Change in East and Southeast Asia* (New York: East Asian Institute, Columbia University, 1991); Ku-Hyun Jung (ed), *Evolving Patterns of Asia Pacific Philanthropy* (Seoul: Institute of East and West Studies, Yonsei University, 1994); *Directory of Japanese Grantmaking Foundations* (Tokyo: Foundation Library Center, 1988 and 1992 — in Japanese); Ku-Hyun Jung, Sang-Yong Park, Tae-Kyu Park, *Social Responsibilities and Social Services of Korean Corporations* (Seoul: Long-Term Credit Bank, 1991 — in Korean); Yu-Kuen Shin and Jung-Hwa Han, *Social Activities of Korean Corporations* (Seoul: KFI, 1991 — in Korean); Hsin-Huang Michael Hsiao, *Development of Cultural and Educational Foundations in Taiwan* (Taipei: Research Center, Academia Sinica, 1991— in Chinese); *Foundations in Taiwan: Directory and Activities 1994* (Taipei: Himalaya Foundation, 1994 — in Chinese); Gisela T. Velasco, *Annual Report on Corporate Giving* (Manila: Center for

Corporate Citizenship, 1993, 1994, 1995); Amara Pongsapich and Nitaya Kataleradabhan, *Philanthropy, NGO Activities and Corporate Funding in Thailand* (Bangkok: Social Research Institute, Chulalongkorn University, April 1994); and Tadashi Yamamoto (ed), *Emerging Civil Society in the Asia Pacific Community* (Singapore: Institute of Southeast Asian Studies, 1994).

15. Preliminary research on the 200 largest foundations in Taiwan (private, corporate, and quasi-governmental) indicates that only seven reported assets greater than one billion New Taiwan dollars in 1997 (about \$US 37 million), seven fell into the NT500-750 million ranges (\$US 18-28 million), eleven into the NT200-499 million range (\$US 7.4-18 million), 32 into the NT 100-199 range (\$US 3.7-7.4 million), 59 reported assets between NT 28-99 million, and the remaining 84 reported assets of less than NT28 million (\$US 1 million). *Foundations in Taiwan 1997* (Taipei: Himalaya Foundation, 1997).
16. *Directory of Japanese Grantmaking Foundations* (Tokyo: Foundation Library Center, 1988 and 1996).
17. It should also be noted that in an effort to protect the public interest in perpetuating charitable endowments, there is very strict ministerial oversight of endowment investment policies in Japan. Foundation endowments cannot be invested in equities, as is common practice in the U.S., but only in secure (and low-yield) bonds and insured savings deposits. The unintended consequence has been that as Japan's economic recession has deepened, several major Japanese foundations — including the Japan Foundation's Center for Global Partnership — have had to suspend or reduce grantmaking in 1997 owing to insufficient endowment income.
18. Both figures are cited in Tadashi Yamamoto and Hitomi Komatsu, "Japan's Philanthropic Development in an Asia Pacific Context," in Yamamoto, *Emerging Civil Society*, op. cit., pp. 561-582.
19. Park Tae-kyu, "Non-Profit Foundations in Korea," in Jung, *Evolving Patterns*, op. cit., 1994.
20. Gisela T. Velasco et al., *Annual Report on Corporate Giving* (Manila: Center for Corporate Citizenship, Philippine Business for Social Progress, July 1993 and January 1995).
21. Amara Pongspich and Natiya Kathaleeradaphan, *Philanthropy and NGO Activities in Thailand* (Bangkok: Chulalongkorn University, Social Research Institute, April 1994); see also Pongsapich, "Defining the Nonprofit Sector: Thailand," in Salamon and Anheier, *Defining the Nonprofit Sector*, op. cit. (1997), pp. 446-468.
22. The existence of an autonomous board of directors differentiates this model from the innovative approach of the Voluntary Savings Fund of the Ministry of Posts and Telecommunications in Japan. In 1990, the Ministry initiated a system whereby postal savings account holders could donate 20 percent of the interest on their accounts for grants to internationally-oriented Japanese NGOs. In fiscal year 1995, 16 million people signed up for the scheme, which distributed \$30 million to Japanese NGOs. In the 1996 fiscal year, however, disbursements are expected to be only half that amount, owing to falling interest rates.
23. For USAID's recent experience and guidelines, see Gary Hansen, "Terms of Endowment: A New AID Approach to Institutional Development," *Innovative*

Development Approaches (Washington: AID Center for Development Information and Evaluation, December 1990); Paul Weatherly, *Guidelines for Planning and Programming Endowments and Endowed Foundations in Africa* (report to the Africa Bureau, January 1993); and *Draft Guidelines on Endowments from Appropriated Funds*, February 1994.

24. Hansen, *op. cit.*, p. 9.
25. Further details on these examples may be found in Barnett F. Baron, "Innovation and Future Directions in East Asian Philanthropy: Strengthening the Public-Private Interface," in Jung, *Evolving Patterns*, *op. cit.*, 1994.
26. These issues are elaborated in the introductory chapter of Baron, *Philanthropy and the Dynamics of Change*, *op. cit.*, 1991.
27. An analogous situation appears to have been the case in the Philippines. Under its Enterprise in Community Development program from 1986 to 1990, USAID offered to match the philanthropic contributions of participating Philippine corporations, dollar for dollar, in order to encourage corporate giving for development programs. Before contributing its match, however, USAID insisted on auditing the books of participating corporations in order to certify the level of their contributions. Fewer than half of the target corporations agreed to this requirement — or to participate in the USAID program — although all those approached were already supporting similar community-based programs directly or through Philippine Business for Social Progress, the country's most prominent business philanthropy.
28. Masayuki Deguchi, "Comparison of Japanese and American Philanthropy," Center for Global Partnership, *Newsletter*, Vol. 5, Summer 1994, pp. 6-8. See also Takayoshi Amenomori, "Defining the Nonprofit Sector: Japan," in Salamon and Anheier (eds), *Defining the Nonprofit Sector*, *op. cit.* (1997), pp. 188-214.
29. *Far Eastern Economic Review*, October 4, 1990, pp. 62-63; see also Richard Robison, *Indonesia: The Rise of Capital* (Sydney: Allen and Unwin, 1986), especially pp. 229-33 and 345-46.
30. Gordon White, Jude Howell, Shang Xiaoyuan, *In Search of Civil Society: Market Reform and Social Change in Contemporary China* (Oxford: Clarendon Press, 1996), p. 2. This chapter includes an extensive bibliography of Chinese discourse on the meaning of civil society in a Chinese context.
31. Bronislaw Geremek, "Civil Society Then and Now," *Journal of Democracy*, Vol. 3 No. 2, April 1993, pp. 10, 12.

Appendix

ASIA PACIFIC PHILANTHROPY CONSORTIUM

The Asia Pacific Philanthropy Consortium emerged out of a series of research efforts that began in 1988. Research symposia took place in Bangkok, Thailand in 1989, Seoul, Korea in 1993, and Osaka, Japan in 1994. These research efforts focused on understanding traditional patterns of philanthropic giving in Asia and the impact on them of the enormous economic, social, and political changes that have taken place in the Asia Pacific region during the past 30 years. Importantly, they also focused on understanding contemporary forms and operations of indigenous Asian philanthropies within their own cultural, historical, and political contexts. The Consortium was formally launched at the Osaka Conference in December 1994.

The Consortium is not a membership organization, but an informal network of grantmaking philanthropic institutions and organizations that support the growth and development of Asian grantmaking philanthropies. The Consortium is governed by a six-person executive committee consisting of members from Australia, Japan, Korea, Philippines, Thailand, and the United States. The Consortium has received funding from more than a dozen private and corporate foundations in Australia, Japan, Korea, and the United States.

The Consortium's objectives are to increase the flow and effectiveness of philanthropic giving within and to the Asia Pacific region; to increase public awareness and promote the role of philanthropy in addressing critical social needs; to help strengthen philanthropic institutions in the region; and to facilitate efforts by Asia Pacific philanthropies to identify and collaborate on issues of mutual concern.

The Consortium is currently engaged in four major activities:

- A comparative research project on the legal and regulatory frameworks affecting philanthropic organizations and the nonprofit sector in 10 East and Southeast Asian countries. The project is establishing a baseline of legal information in these countries and will facilitate ongoing efforts at legal reform and policy improvement. Country reports are being prepared by legal specialists from each country using a common analytic framework, under the direction of Thomas Silk, an American attorney whose firm specializes in nonprofit law. Two workshops for legal specialists have taken place to date. The edited country reports and several analytic chapters will be completed and submitted for publication in book form by the end of 1997.

- The creation of electronically linked databases and information centers on the nonprofit sector in six countries: Australia, Hong Kong (China), Korea, Japan, Philippines, and Thailand. Each center will contain directories and other information about the nonprofit sector in each country, bibliographies on the country's nonprofit sector, and a list of bibliographic materials available at each center. The centers are scheduled to become operational in the Fall of 1997. The databases will be accessible through the Worldwide Web.
- A series of short training courses for corporate and foundation officers and staff, offered through Philippine Business for Social Progress. The 1997 course offerings consist of a two-day course on "Competitive Social Behavior: Corporate Imperatives in Asia," offered in partnership with the Asian Institute of Management; a four-day program on corporate community relations; a two-day workshop on creating effective governing boards; and a four-day seminar on fundraising techniques and principles, offered in collaboration with the Fundraising School at Indiana University.
- Networking among regional philanthropies. In September 1995 the Consortium helped the U.S. Council on Foundations organize and fund a conference in Hong Kong on Corporate Citizenship in Asia. Representatives of 95 Asian, American, and European corporate foundations and giving programs met to share experience and best practices in several programmatic areas, including education, science and technology, rural development, preservation of historical monuments, and AIDS prevention.

With financial and planning support from a group of private donors in Asia, the United States, and Europe, the Consortium is currently organizing an international conference on "Supporting the Nonprofit Sector in Asia," scheduled to take place in Bangkok, in January 1998. The international conference will be organized around five major themes: why it is important to encourage and sustain external and indigenous support for the nonprofit sector; increasing public awareness of the importance and impact of the nonprofit sector through research, documentation, and information dissemination; improving the legal, regulatory, and fiscal framework for the nonprofit sector; increasing the absorptive capacities of Asian nonprofit organizations, including their technical and fundraising capacities; and strengthening the capacity of intermediary organizations to match resource needs with available supply.

The Consortium publishes a quarterly newsletter, *Asian Philanthropy*, which can be obtained free of charge by writing to the Consortium Secretariat in Manila (c/o The Asia Foundation, P.O. Box 7072, Domestic Airport Post Office, 1300 Domestic Road, Pasay City, Philippines. Fax: 632-833-9628. Email: appc@mozcom.com).

Asia Pacific Philanthropy Consortium



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