APPC

ASIA PACIFIC PHILANTHROPY CONSORTIUM

"Governance, Organizational Effectiveness and the Nonprofit Sector"
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CONFERENCE REPORT HIGHLIGHTS

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Opening

Opening Ritual
Rory Tolentino, *Executive Director, Asia Pacific Philanthropy Consortium*

Welcome
Iftekhar Zaman, *APPC Chair, Executive Director, Bangladesh Freedom Foundation*

Dr. Iftekhar Zaman welcomed the conference participants, acknowledging in particular the presence of two top government representatives, Dr. Patrick Ho, Secretary of Home Affairs of the Hong Kong SAR Government, and Ms. Lim Soo Hoon, Permanent Secretary of the Ministry of Community Development and Sports of Singapore.

In explaining the rationale for the conference, APPC Chair, Dr. Zaman articulated the use of a philanthropic approach by APPC in the discussion of issues of governance in the nonprofit sector. How can improving nonprofit governance within organizations and in the sector as a whole redound to bringing in more resources for nonprofit work? What are the learnings from 'best practice?' He stressed that APPC is not putting forward a specific model for NPOs to adopt, but rather encouraging NPOs to look at strategic options in working together to respond to concerns of legitimacy, effectiveness, transparency and accountability of the sector, and thus to build more responsible, effective organizations in our countries and in the region as a whole.

Overview: Framing the Governance Issues

Tadashi Yamamoto
Conference Planning Committee Chair,
APPC Governing Council and Executive Committee Member,
President, Japan Center for International Exchange

Mr. Yamamoto began by briefing participants about the project study process to produce the draft overview that attempts to provide a regional perspective of the governance issues in 11 countries/regions from papers commissioned for this purpose. The papers were the culmination of hard work by the authors, Governing Council members, research advisory boards and other participants in each country or region. The overview captures the basic thrusts in terms of analysis of recent developments related to the conference theme, general directions responding to challenges, the innovations and experiences to overcome these challenges and gives an agenda for issues to be explored.

The phenomenon of the dramatic rise of the nonprofit sector of civil society in each country/region has brought about a situation where the system or arrangement that deals with public interest has begun to shift from "governing" to "governance". This development has taken place in many countries/regions in a socio-political milieu where government bureaucracy has wielded almost exclusive of power of "governing" and the bureaucracy alone defines, provides or promotes public interest. "Governance" connotes nonprofit organizations' participation in the definition, protection and promotion of public interests. The background papers discussed the emergence of "public governance" in light of today's complex societal issues being tackled not by government alone but also by nonprofit organizations taking on an increasing number of roles conceded by government. New tensions have thus emerged in

the relationship between civil society and government. This shift has raised new questions between government and civil society, about the legitimacy of civil society organizations and their capacity to effectively undertake tasks traditionally in the realm of government. The key issue is: Are CSOs equipped with adequate internal governance to play a new role related to public governance? In this project, we are dealing with internal governance and public governance as they are closely related.

What is public governance and (i) the appropriate role of civil society organizations in public governance (ii) the linkage between public governance and internal governance of CSOs.

- Public governance may be viewed as (i) defining the public interest and setting social priorities (ii) mediation among and resolution of competing societal interests (iii) authoritative allocation of public goods and resources (iv) deciding who participates in decision-making. What is civil society's appropriate role in each of these elements?
- The linkage between public governance and internal governance of CSOs. The biggest challenge is how to forge new relationships between the public sector and CSOs. The question of whether government is a "friend" or "foe" is clearly important for CSOs. At the same time, for the public sector, the question is involving CSOs in developing a new system of public governance. For CSOs, it is critical to establish viable internal governance for organizational effectiveness that will validate its participation in the governance of society.

Government response to the greater involvement of civil society in public governance is varied among countries. But government response in general is one of ambivalence. There is a trend in the government bureaucracy to take advantage of public pressures on CSOs and to increase their control over CSOs, which leads to an inconsistent regulatory environment.

What should be the response of civil society to the challenges of internal governance? On this, the conference will hopefully lead to sharing ideas of how the sector can respond effectively to these challenges. The background papers provide some themes to start with—defensive approaches like compliance with reporting requirements and proactive approaches, or linking to organizational effectiveness. The challenge for CSOs is how to reflect proactive approach in the structure of governance, code of ethics, code of conduct, etc.

Presentations of a few sub-themes of internal governance were made on: boards and governance structures, sustainability of issues of NGOs, and diverse initiatives to improve internal governance.

- <u>On boards and governance structures.</u> To many of civil society practitioners, enhanced internal governance seems to be understood as the ability to account for their organization's mission and their commitment to their constituents and stakeholders, and being equipped with competent and transparent management and structure of governance. In the background papers, there is general acknowledgement of the importance of boards. The paper writers have provided a critical assessment of the functioning of boards and the issues arising in this area—the need for orientation and training, a selection process, the availability of human resources and the lack of tradition of civil society. The question of appropriateness of imported governance models was also raised, especially ones that place primary importance on the role of governing boards. More ideas of innovative governance structures than what is presented in papers are also needed, and hopefully these ideas will be shared in the conference.

- <u>On sustainability issues of NGOs.</u> Many CSOs are funder-driven or first generation institutions, moving towards becoming sustainable organizations. Sustainability issues of CSOs are also related to internal governance. Is it possible to retain professional staff when financial resources are drying up? Will CSOs lose their autonomy, that which is their competitive advantage, if they then rely on government funding?

- On diverse initiatives to improve internal governance. These initiatives include the role of umbrella organizations, use of advanced communication technologies, self-certification, and codes of conduct and codes of ethics. While the overview paper does not aim to evaluate these initiatives, we can point to some trends in how the governance issue is being addressed. There is general recognition of need for the nonprofit sector to be proactive, rather than inviting more government control in response to governance concerns.

In closing, APPC can play a facilitating role in these efforts to develop more effective governance in the nonprofit sector. It can play a catalytic role for collective efforts to gain a more enabling environment from government, promote self-certification and code of ethics, code of conduct, thus contributing to the improvement of internal governance, and to promote more effective partnerships with the public sector in diverse areas. As the Asia Pacific region becomes more interdependent, there will be a greater role for the collegial spirit and collaborative efforts such as those that APPC represents.

Open Forum

Several participants brought up questions on the relationship of CSOs with other sectors—business, media, academia, religious, professional organizations and the communities served, and what governance issues arise in these relationships. The view of nonprofits as development partners needs to be expanded to a view of NPOs as social entities. CSR issues, for example, are of rising importance and this should be included in the analysis, citing the role of business in influencing governance. Thus, while the relationship with government is important, CSO relationships with others are also important to discuss.

Mr. Yamamoto shared a personal tendency to view government bureaucracy in adversarial way, and recognized that CSOs should be careful not to discourage those bureaucrats who are more welcoming of civil society. He also clarified that he did not address the sides of corporate, media, others because of the preoccupation with CSO relationship with government, and recognize that it is a valid issue, reaching out to other actors beyond issue of regulatory environment.

There is a common perception that countries are not accustomed to the idea of management as applying to CSOs. Fiduciary responsibility is not understood by board members, and participants cited the reasons for this, focusing on the lack of understanding by board members of what CSOs are about and the need for a stronger role for auditors.

Replying to a question on how CSOs are defined, Mr. Yamamoto elaborated on civil society being characterized in many ways -- as voluntary in nature, in pursuit of public interest, people-oriented, value-oriented, etc.

Who is responsible for public governance, and where are the opportunities to develop better relationships and alliances given the that CS governance is affected at national, regional, municipal levels and resources vary at the different levels? It is acknowledged that government cannot do it alone, but CSOs and other sectors cannot do without government either. A way to project people's interest is needed, entailing lots of negotiations, and working out conflicts in defining public interest. But CSOs can project public interest in a positive way, with more balance compared to political parties or bureaucracy.

Plenary I: Contested Space: The Role of Civil Society

To set the context of the next two presentations, session chair **Dr. Joseph Chan** (Director of the Centre for Civil Society and Governance of the University of Hong Kong), acknowledged the participants' questions about the proper role, and definition of civil society. The articulation of "civil society" is lagging behind its actual growth and importance. All recognize that civil society is today a major player in public governance. The two presentors for this session will speak about this contestation that is about recognition, power, resource and intersectoral relationships.

"Contested Space: The Role of Civil Society Organizations in Hong Kong"
Dr. Patrick Ho
Secretary for Home Affairs, Hong Kong SAR Government

Dr. Ho expressed the Hong Kong government's policy to call for effective government jointly provided by the three sectors. The nonprofit sector is widely recognized as a social, economic, and political force. It receives about 20% as direct spending on social welfare, 80% is spent through subvented NPOs. About HK$62 billion in resources is commanded by CSOs. It has influence over 24 out of 30 seats in the Legislative Council.

Presenting a conceptual framework, Dr. Ho illustrated the mandate of the three different sectors and their existing interaction. He noted that when CSOs achieve high social standing because of their work, they then attract government subsidy (subvention), and elevate their status to be comparable to advisory bodies to government, statutory bodies, and finally public authorities. Public authorities can operate both on market principles and/or CSO values.

In describing "contested space" in Hong Kong, three questions emerge: Is the nonprofit sector getting too large in HK? Are CSOs competing unfairly with the market? Should the government play a more active role in the provision of direct services? To elucidate, he gave an overview of the scope, size, structure and funding base of the nonprofit sector.

Dr. Ho shared his questions that pertain to the governance issues of the nonprofit sector in Hong Kong:

- ***Public Mandate (legitimacy).*** Are CSOs brought in because of market failure, or is the market failing because of CSO intervention? He remarked that some CSOs were killing the market by growing off of subventions to provide services. They are competing on an uneven playing field with private sector.
- ***Effectiveness.*** How well are CSOs using grants and donations? For some fields, funding system is deficit spending and the government fills in the gap for CSOs, removing their incentive to find other sources of funding. CSOs need other funding structures to grow.
- ***Transparency.*** How open are these CSOs? CSOs are not required to fully disclose because they are not public corporations and the public is very forgiving because of CSOs' altruistic values.
- ***Accountability.*** What is the responsibility and answerability of CSOs? According to money received? According to political or operational mandate?
- ***Governance.*** Looking at the role of management boards of CSOs and the role of the executive staff, the latter usually dominate because boards have high turnover.

The role of government in this contested space is to offer equal partnership. Interaction between first and second sectors will affect the room in which the third sector will develop. Dr. Ho hoped that these questions would be answered and debated in this conference.

"What contested space? CSOs are winning…"
Shahnaz Wazir Ali, *APPC Governing Council Member*
Executive Director, Pakistan Centre of Philanthropy

Ms. Wazir Ali explored the "fertile ground" that has led to the phenomenal rise of CSOs in terms of size, power and influence. The operating environment has been less than comfortable in countries where coalition and fragile governments exist. Governing coalitions view CSOs suspiciously—they attract funding, their visibility is high. Advocacy NGOs, specifically, raise issues that do not make government comfortable, and CSOs have to muster their resources for confrontation with government.

She described the features and attributes of CSOs occupying more and more space, pointing to the political context that affects how the contested space is viewed. For space previously occupied by other sectors of society (academia, state)—is CSO occupation of this space resulting in co-option, collaboration, substitution, or provision of alternative institutions? Who are the partners with CSOs in the space they occupy? Globalization means that the discourse is increasingly focused on external partners, which means questions about NGOs occupying space with the assistance of partners like assistance agencies, financial assistance, development partnerships, global media support, etc. For advocacy and rights NGOs, the space is increasingly supported by global media. Aid transfers, global financial institutions – liberal economics shows that resources are going increasingly to nongovernmental partners. NGOs accepting resources end up needing to confront the state, because of policies not acceptable globally, and because these sources are not indigenous, these NGOs may not be accepted locally.

The contest for space can be seen in policy arena, on representational areas, direct service delivery areas, and in advocacy. There is also a new phenomenon of CSOs moving more towards market entrepreneurship.

In CSOs' new forms of being, are CSOs getting too close to the powerful, too far from the powerless in moving into arenas of high visibility and as a result, losing their relationship to the poor and getting socialized into the aid community?

Where might CSOs be losing space—in its mediating role between local governments and communities? Devolution and decentralization means more power to local government, means more participation by local communities, and CSOs may feel less relevant as local political forces play a greater role.

Open Forum

Questions raised from the floor showed the probing of ideas and thoughts specifically on the limits of CSOs to fill the space; the representativeness of CSOs; the involvement of NGOs in supporting participatory systems of governance; the conflicting views in setting policy agenda; government's role in balancing differing agendas of CSOs to come up with the best policy to satisfy most interests; the need for space internationally to work together on common agendas.

Breakout Sessions: Government: Friend or Foe?

Before the conference participants divided into breakout sessions, Ms. Tolentino introduced the session chairs—**Mr. Ernesto Garilao**, Professor at the Asian Institute of Management, **Ms. Erna Witoelar**, APPC Governing Council member and Board Chair of Kehati Trust, and **Mr. Mahfuz Anam**, Editor of the Daily Star. The chairs focused discussion on three questions:

1. What general trends can be found in the region in terms of government views and treatment of the nonprofit sector?
2. What expectations do nonprofits have regarding the government's role vis a vis their sector?
3. What should be the strategy for working toward more practical partnerships between government and civil society in the region?

While there was no reporting back of this breakout session, consolidated reports from the three groups gave the following highlights of discussions:

1. General trends in the region in terms of government views and treatment of the nonprofit sector have been both positive and negative. Among the positive trends are: increased opportunities for NGOs to be represented in the different government bodies, leading to greater involvement in the decision making processes in government; a growing trend towards collaborative partnership particularly between government and "developmental" NGOs; a trend towards self-regulation among the NGOs and preference for less regulation; a growing collaboration and alliance among NGOs that strengthens its ability to deal with government in advocating their causes.

   Among the negative trends are: government tends to increase its control over NGOs because the sector (NGO) has not been able to establish its own mechanisms to check their own accountabilities and quality of performance; a mutual distrust between the government and NGOs; getting less support because of the policy "less Aid and more trade".

2. On expectations nonprofits have regarding the government's role vis a vis their sector, these included: making clear propositions or regulations/policies in dealing with NGOs; providing access to resources; showing more openness to dialogues and consultations with NGOs; providing an enabling environment that will:

   - Facilitate a more active participation of NGOs in development processes and public governance.
   - Foster effective implementation of NGO programs
   - Promote and encourage creativity among NGOs

3. Strategies for working toward more practical partnerships between government and civil society in the region include: NGOs need to define the types of relationship with Government. Some possible types of partnerships that can be explored are:

   - Collaborative partnership in service delivery
   - As a resource support
   - Policy engagement—either through research or providing advice/inputs through consultations
   - Advocacy work

To promote practical partnership between government and NGOs, some ideas of what can be done were identified:

- Conduct of similar effort done in international gatherings, e.g. back-to-back meeting with ASEAN leaders which could affect the policies and regulations of different countries (e.g. Rio Meeting)
- Identification of common issues (or common "enemy") in which NGOs and government can work together, e.g. terrorism issues or religious fundamentalism.
- Definition and parameters of partnership must also be clearly defined among NGOs. There is a need to define and assess their own capacities in engaging in any partnership—do NGOs have the skills and resources? What are the risks involved? There is also a need to identify the context in which this partnership or relationship takes place.
- Pursuit of mutual trust, participatory processes, consultations and varied strategic modes of collaboration by government agencies and civil society groups
- Civil society should set up standards of accountability; coalition-building by civil society groups; role of research to study how to deal with government; setting up democratic processes to elect leaders and board members.

The groups also recognized the necessity to discuss the relationship of NGOs with other sectors like business, media and within the sector itself. They pointed out the following trends with media in particular. Media is becoming an influential group in society. Global media also has an important role particularly in areas where there is a repressive environment/situation, e.g. experience in East Timor. NGOs should develop skills in dealing with media, e.g. developing media strategy, having press officers, etc.

Plenary II: On NGO Accountability

Session chair **Mr. Darwin Chen** (**APPC Vice Chair**, **Vice President for Asia, United Way International, Hong Kong**) turned to one of the main themes of the conference, the accountability of nonprofits. It means different things to different people and can generate intense debate. Among the questions asked of this topic are: Why should an NGO be accountable? To whom should NGOs be accountable? What should a good accountability system consist of? What are the success factors of an accountability system? What is the usefulness of an accountability system? On this note, he introduced the two presentors, Dr. David Brown and Mr. David Bonbright.

"A Framework for Strengthening NGO Accountability"
David Brown
Director for International Programs, Hauser Center for Nonprofit Organizations, Harvard University

Dr. Brown introduced the study, *Strategic Accountability for International NGOs* (Hauser Center for Nonprofit Organizations, Harvard University, and the Sasakawa Peace Foundation, June 2003) as the basis of his presentation.

Why talk about NGO accountability? This is a critical issue in light of the heightened visibility of NGOs, the crises of legitimacy among Asian NGOs, the advocacy character of NGOs that challenges government institutions, the criticism that NGOs are not behaving well, and the potential roles of NGOs in raising local, national and global issues.

He made the following distinctions about viewing NGO accountability as legitimacy (in the eyes of stakeholders), accountability mechanisms (on the way these groups behave and

perform), and organizational learning (as a means to expand awareness and capacities). NGO accountability can come from society's ideals (such as shared societal values, norms and laws) and from the NGO's strategies (as dictated by their mission, vision and goals).

Of the varied models of NGO accountability, the mutual accountability model suits best the governance issues around NGOs. Mutual accountability is more common within the civil society sector than others, though it is not exclusive to the civil society sector which is pressured to learn from the business and government sectors.

It will take several steps to construct accountability systems, beginning with an assessment of the NGOs' varied accountabilities, building the accountability systems, and using these systems (with indicators such as NGO performance, organizational learning and NGO legitimacy) within the NGO.

Again, there are varied reasons why NGOs should be accountable and should strengthen their accountability systems – from building performance measurement standards, learning, disposition of roles and expectations for NGO members, to building the legitimacy of the nonprofit organization.

"Project ACCESS"
David Bonbright
Director, NGO Enhancement, Aga Khan Foundation

Following through the presentation of Dr. Brown, Mr. David Bonbright introduced Project ACCESS as a specific manifestation of an accountability system.

Project ACCESS is a global reporting standard that is fit for social investors and for civil society organizations. It hopes to achieve the objective that by measuring and reporting the impact of the social investments received by the NGO, this can increase such investments and improve the work of the NGO. New innovations in the development community (e.g. venture philanthropy, social entrepreneurship) show promise that the work of NGOs can be furthered. Thus, Project ACCESS hopes to reframe social investing as accountability for learning, grounding donor-NGO relations in terms of shared inquiry to outputs, outcomes, overall performance and ultimately, impact.

There are technical challenges of developing and marketing the reporting standard. These include: formalizing performance measures; metrics reporting as a constraint to social innovation; output-based reporting good for some NGOs, but not for all civil society groups; questions on the technical reliability and validity of such accountability mechanism. The real challenge is getting people to use the reporting standard.

Since this remains an exploratory project, participants were invited to contribute to the fine-tuning of the project, especially in looking at its core concepts, and in developing the tool as well.

Open Forum

The main comments that participants expressed were focused on: (i) the integrity of the system and the concern over metrics; and (ii) the contribution of the mutual accountability model.

(i) On the integrity of the accountability system and the concern over metrics, participants asked who sits in judgment of CSO performances? Who controls the information; who certifies the information will control the work. Would there be a strategy to make sure that this

global standard will be democratic so that the one who controls the information will not dominate and certify how good some CSOs are or how bad?

Dr. Brown expressed his view that quite a lot of stakeholders sit in judgment. NGOs can easily get so caught up with different groups, and their mission disappears. NGOs must make explicit choices and decisions because of accountability issues. Mr. Bonbright reiterated that an accountability system is about smart measures built locally in a sensitive participatory way, not coming from outside. It is important to build this indigenously or locally towards a global standard because that is the way to draw higher levels of social investing. Efforts from each of the sectors to look at appropriate sectors means looking at the evolution of other standards by other sectors.

(ii) On the mutual accountability model, some participants expressed their appreciation for the model, and how this separates from the government-contract tier or paradigm. There is a big pressure to learn from business and government for civil society, and vice versa. It is not a good idea for CSOs to be like business to understand its special capacity. In the next decade, there will be a lot of exchange and mutual stimulation and that hopefully this will not lead to erosion of identities of the different sectors.

Summary and Wrap Up

Barnett Baron
APPC Governing Council and Executive Committee Member,
Executive Vice President of The Asia Foundation

Noting what transpired during the first day of the conference, Dr. Barnett Baron offered the following observations:

There were many questions that came up on the nature and purpose of NGOs, the need to define the bases of their legitimacy; and the reason or rationale for their legitimate participation in public governance. These questions and expectations that were raised reflect the broad range of political perspectives on the nature of the state, the nature of NGOs and their proper role between the state and its citizens. The nonprofit sector and discussion of governance is fundamentally a political issue.

The question on why the focus of this conference on civil society was answered by the speakers, referring to the growing space taken by NGOs and in what outcomes these have resulted—as co-optation, collaboration, partnership. And why the focus on government, when NGO relations with other key actors in governance are just as important? The reason for this focus is the reality of government's primacy in this region that historically has been state-dominated and remains to this day to be heavily state-regulated, state-centric and even state-funded. Ultimately the state determines the legal and regulatory system, determines the roles that NGOs can play and its different engagements, and decides on who participates in decision-making.

Time was spent discussing the challenges faced by civil society—internal challenges that include governance mechanisms, funding issues, relations with other sectors of society. External challenges were discussed as well by some speakers, referring to relationships of NGOs with external actors, in particular the continued dependence on external donors and whether donors set the agenda, or whether this relationship imports inappropriate 'northern or western' models. There was also discussion on the challenges of globalization, and the recognition of how grassroots work is affected by decisions made at global levels.

The discussions on accountability touched briefly on the presumed relationship between governance and organizational effectiveness. Does good governance mean there is greater impact on the service delivery to constituents? There was also mention of the relationship between governance and resource mobilization. One of the key challenges to NGOs is whether they can raise money on a sustainable basis from their own publics. He referred participants to the study, *Investing in Ourselves: Giving and Fundraising in Asia*, which was distributed in its CD-Rom version to each participant. The study gives 118 examples of successful fundraising at local levels.

There was a high degree of discomfort with metrics, articulated by some participants as who measures, by what standards, and for what purposes? These are challenges to measuring given that many NGOs in the region operate on values-based approaches.

Dr. Baron encouraged participants to continue to move on to the second day of the conference with more probing questions and sharper insights as the discussions focus on nonprofit sector responses to governance issues.

Day 2

Plenary III: Corporates and Non-Profits: How Can We Work Together – The Issues and Dilemmas

Mr. Paiboon Wattanasiritham, **APPC Vice Chair, Chairperson of Development Support Consortium/Thai Fund Foundation,** served as this session's moderator. By way of introducing the session theme, he presented his ideas about trilateral interrelationships between the different sectors. He then identified the four questions to guide the speakers: Do corporates and NPOs have compatible or competing objectives? What are the partnerships possible between the two sectors? What issues and dilemmas have challenged the partnerships, and how have they been addressed? What lessons and constructive thoughts can be derived?

Mr. Wattanasiritham introduced the speakers from the corporate sectors of different countries: Mr. Bernard Chan (Hong Kong), Ms. Rokia Rahman (Bangladesh), Mr. Pedro Roxas (Philippines) and Mr. Viraf Mehta (India).

"Corporate-NGO Collaboration: the Hong Kong Experience"
Bernard Chan
Chair, Hong Kong Council for Social Services

As Chair of the HKCSS, an umbrella group of more than 200 NGOs in Hong Kong, Mr. Bernard Chan takes the lead in the effort to bridge the gap between the corporate and nonprofit sectors in HK. The key is for both sides to benefit, and not just one side.

NGOs are almost totally dependent on government for revenue. Today, over 90 percent of social welfare services are funded by the government, through 180 NGOs. This also means that NGOs have little contact with the corporate sector despite some charity activities. Since the HK government started cutting back on social welfare spending, however, NGOs have begun looking for other funding sources. At the same time, many NGOs view corporates negatively as profit-seekers, without concern for the negative social impact of their business actions. Corporates, on their side, question the worthiness of NGOs as recipients of the government welfare budget.

The HKCSS Caring Company scheme was introduced to help clear the misunderstanding between the two sectors while bridging the gap between corporations and NGOs. The scheme entails corporations meeting certain requirements of working with NGOs in order to merit a Caring Company logo. Companies must demonstrate engagement in at least two out of six activities. Family Friendly and Employment of Vulnerable Groups are activities more internal to the companies. Volunteering, Partnering and Mentoring are partnership building activities with NGOs. Giving of donations is also considered an activity but not a requirement to be designated as a Caring Company. In brief, these activities are about:

- Volunteering, allowing employees to use time to help local NGOs. (e.g. Citigroup, The Body Shop)
- Family Friendly, giving staff time to look at family affairs
- Employment of vulnerable groups (disabled, the long-term unemployed, the re-trained, and other people discriminated against)
- Partnering with social welfare agencies to help on projects or general operations
- Mentoring (advice and training on technology, management support, etc.)
- Giving (cash donations, but not necessary for designation as caring company)

Mr. Chan noted that NGOs need to learn more about how businesses operate. NGOs need to adopt a more private-sector approach in some areas. They need to build organizational structures and adopt more effective management processes and systems. They will need to become more efficient, more accountable and more transparent.

The success of the Caring Company scheme will be to demonstrate how companies & NGOs can engage with each other, to provide case studies for models, targeting especially SMEs, which have been less active in this area than the large multinationals thus far.

"In Support of Women Entrepreneurs in Bangladesh"
Rokia Rahman
President, Arlinks Limited and Micro-Industries Development Assistance Services

Ms. Rokia Rahman related how she built up her own businesses and wanted to involve more women in business in Bangladesh. She found that the biggest obstacle was collateral security, so she started a program to support women entrepreneurs (through loans) without collateral security requirement. This also led to support of shopping outlets for their products. The result was that women understood business better, they had credibility within their families to do business, and now there are more women entrepreneurs in Bangladesh. Ms. Rahman feels she has not only encouraged businesses by women but also given voice to women in the corporate world.

Ms. Rahman also sits on the board of BRAC, one of the biggest NGOs in the world. In Bangladesh, the private sector feels that NGOs are competing on unfair ground with their businesses, even though their business activities are essential for NGOs' sustainability in the long run. NGOs for their part criticize the business sector as "plundering" the communities. She personally can defend both sides, but efforts are needed to bridge these conflicts between the two sectors.

What is corporate social responsibility? Concept is not that clear, despite discussion of labor guidelines, Global Compact, etc. These guidelines come from the West where government takes a lot of responsibility for workers' welfare, but here in Asia, companies need to take responsibility for their workers and communities. Business people have to come forward with greater contributions to society, so that society will benefit more from the existence of

business. Ms. Rahman said she did not support the idea of CSR as motivated by desire for more profit, but businesses should adopt the idea of giving for the sake of giving.

"Corporates and Nonprofits: How We Can Work Together"
Pedro Roxas , *Co-Chair, Center for Corporate Citizenship of The Philippine Business for Social Progress*

Partnerships produce a positive impact on the governance environment, began Mr. Roxas. By partnership, he referred to engagements that create synergy and produce greater results than if partnership did not take place. In the Philippine experience, corporate-NGO partnership has shifted away from "we partner" to "how do we synergize". The Philippine Business for Social Progress can share several experiences of fruitful corporate-NGO collaboration.

There are several characteristics of successful partnerships—joint exercise of authorities; independent organizations working interdependently; critical collaboration of equals; transparency of information; and finally, the ability and willingness to learn.
There are continuing dilemmas and tensions, however. Addressing them will lead to stronger partnerships where expectations between partners are less uneven, and partnership shows more appropriateness.

How to improve partnerships? Guidelines include: beginning with entering into the partnership as co-equals and finding an appropriate partner; working through the challenges of being transparent with your partner and accepting the basis of the engagement. A constant review by the partners of the state of the relationship will be a key success factor.

"NGO Engagement with Business in the Context of "Governance, Accountability and Organizational Effectiveness"
Viraf Mehta, *Chief Executive Officer, Partners in Change*

Mr. Mehta noted the direct link between conference theme and government and for-profit sector, as well as NPO sector. What now is the interface between all these efforts? We should talk in terms socially-responsible business, not just CSR (which refers often to multinationals and big corporations), to include domestic businesses, and small and medium enterprises (which are often closer to the poverty in communities). Building capacity among small NGOs to tackle issue of engaging local business will be key.

Business is already increasingly accepting of the idea of having multiple stakeholders. But global standards of CSR being enforceable by law is probably unlikely. Nevertheless, there are common elements of CSR among countries – triple bottom line accounting, for example. The appropriate role of NGOs and NPOs is a question of how to persuade companies to assume their social responsibilities.

Mr. Mehta discussed NGO strategies and tactics for promoting CSR. He stressed that philanthropy by corporates is not sufficient.

For the "way forward", Mr. Mehta listed some issues that corporates and NGOs could address. These issues relate to attitude and to the thinking about CSR. Corporates should get past "why should we?" to "how can we?" CSR compliance must now be considered as a normal part of the cost of doing business. NGOs, for their part, need to change the mindset that they need not engage with business. They need to review ideological anti-for-profit/business bias and to experiment with tri-sector partnerships. The government will need

to promote the right mix of regulatory and enabling environment if it is to provide a conducive setting for CSR.

Open Forum

Discussions essentially explored what are "strains" or difficulties in partnership building. Among these strains are: (i) how companies perceive CSR as cost; (ii) the need by NGOs to understand motivations of business to engage in CSR; the need to see the meeting ground with business, and to be able to work together.

(i) Businesses especially SMEs can find CSR costly to do. SMEs in Indonesia for example are resisting CSR activities because of this. Mr. Mehta confirmed that other companies perceive the same, unfortunately, when CSR should also be viewed in terms of investment. This is a question of where the push is coming from (overseas market, or domestic market). SME good practices in employee welfare ultimately are designed to help the SMEs' competitiveness. Consumers too are willing to pay higher prices if these issues are looked after. Philanthropy is not enough – there need to be other standards in place to really make a difference.

(ii) Working with businesses often entails knowing their motivation to work with NGOs and finding the meeting ground to begin to work together. Several speakers shared experiences of how to work within the context and nature of the business. Mr. Chan suggested to initiate activities that had some added-value, and to build on these once these are accepted. For example, getting more SMEs involved rather than having each one do a lot may be more helpful.

Businesses also find volunteering programs of interest to them, as volunteering can boost staff morale. Volunteering is increasing despite pay cuts, and longer hours, shared one speaker.

Panel Discussion on Development Issues of the Philippine Nonprofit Sector

Mr. Eugene Caccam, Jr., APPC Governing Council member and Associate Director of the Philippine Business for Social Progress, set the context for the discussion of developmental issues of the Philippine nonprofit sector. He referred briefly to the history of the Philippine nonprofit sector and its accomplishments in the past 30 years—experiments made in networking, federation building, international solidarity, cooperation with government, and now cooperation with the corporate sector. Issues of representation, constituency and constituency building, cooperation, transparency, accountability and legitimacy are issues the Philippine nonprofit sector continues to struggle with.

He invited three speakers to lead the discussion on what the sector is doing to address accountability issues—Ms. Fely Soledad (on NGO certification), Mr. Rico Garde (on promoting transparency on operations using information technology), and Dr. Steven Rood (on Muslim Mindanao).

"The Philippine Council for NGO Certification"
Fely Soledad
Executive Director, PCNC

Ms. Soledad started with a brief introduction about the Philippine Council for NGO Certification—its formation in the late 1990s and the articulation of its mission, "to be recognized as the preeminent certifying body of Philippine NGOs aspiring for donee

institution status, and as such, to continuously create the environment where NGOs enjoy credibility and the confidence of its various stakeholders." She described the certification process that applicants undergo to be awarded the seal of good housekeeping. The 6-point criteria relates to (i) vision, mission, goals (ii) governance, (iii) administration, (iv) program operations including a monitoring and evaluation system, (v) financial management, and (vi) networking.

She focused on the issues related to the evaluation criteria as gleaned from reports of the PCNC evaluation teams. Some of the issues she discussed were:

- On vision, mission, goals: There is no clear definition of "public good." How to assess schools and religious organizations? Some organizations are more donor-driven than need-driven.
- On governance: The lines between governing and implementing are muddled, as in the cases of corporate foundations and family foundations.
- On administration: There are no clear policies on personnel; small organizations cannot afford to pay the minimum wage and law-mandated benefits.
- On program operations: There is no clear planning process, no monitoring and evaluation system, no system for sourcing/allocation of funds.
- On financial management: administrative expenses exceed the 30% cap required by the Bureau of Internal Revenue; no financial plan to ensure sustainability.

PCNC faces challenges that it must confront, Ms. Soledad said, among these: to ensure consistency of compliance with existing policy, and formulating "minimum standards and ensuring consistency of policy interpretation.

"Peace & Equity Foundation"
Enrico Garde
Executive Director, PEF

Mr. Garde narrated how the Foundation tried to improve its own transparency and accountability due to difficulties surrounding its creation. The Foundation manages an endowment fund generated from the formal capital market. The formation process of PEF had proved difficult, given that the transaction which generated the endowment fund became the subject of public scrutiny particularly through a congressional inquiry. As such, the need for public accountability and transparency became more pronounced. Ways of showing public accountability and transparency were tried using information technology. PEF's website became its transparency & accountability tool.

What are key considerations in using information communications technology (ICT) as an instrument for good governance: the website has to respond to the challenges and needs of the different stakeholders; the site has to have interactive and dynamic elements. He demonstrated how the website could be used to provide institutional information for the Board of Trustees, provide audited financial statements, produce program highlights, etc.

Issues and concerns raised by Mr. Garde delve into what is "public" vs. "private" information? And how can poor sectors access the information on the website? The website is costly, is it worth the investment? As the Foundation evolves from being a very young organization, it hopes to further explore the potentials of ICT applications in development work.

"Peace and Development Efforts in Mindanao"
Steven Rood
Representative, The Asia Foundation, Philippines

Dr. Rood described Mindanao island in southern Philippines—its conditions of poverty and its being a conflict zone for many years now. He described the division of the population into three distinct groups (Christian, Muslim, and indigenous peoples) and characterized how civil society is developed or undeveloped for each group.

Dr. Rood discussed three important characteristics of civil society in Mindanao:

1. There is a lot of tri-sectoral cooperation, probably because of recognition of the conflict in Mindanao.
2. There is a lot of interest *for* Mindanao – organizations' whose mission is to help Mindanao. This is not really driven from bottom-up, however. Most are originating from organizations outside of Mindanao.
3. On the role of civil society in peace movements. Civil society presents ideas to government – has more access in current government, and yet could not prevent government from taking action in security sense. Civil society is important in the peace movement, but makes almost no difference in the government's policy in the conflict.

Breakout Sessions: Improving Nonprofit Governance: Inside Organizations/ The Sector's Response

The participants divided up for the second and third set of breakout sessions, both sessions focusing on ways and strategies to improve nonprofit governance—looking first internally (inside organizations) and second at working together with other NPOs (the sector's response). Ms. Rory Tolentino introduced the session chairs. For the discussion on internal NGO systems, the chairs were: **Dr. Charles Lane**, APPC Governing Council member and Chief Executive Officer of the Myer Foundation; **Mr. Noshir Dadrawala**, APPC Governing Council member and Executive Secretary, Center for Advancement of Philanthropy; and **Ms. Gina Velasco**, Director of the Synergos Institute. For the discussion on the sector's response, the session chairs were: **Ms. Carn Abella**, President of the Ramon Magsaysay Awards Foundation; **Mr. David Bonbright** of the Aga Khan Foundation and **Mr. Joel Pagsanghan**, National Coordinator, Caucus of Development NGO Networks (CODE-NGO).

Reporting Back and Way Forward

Rapporteurs from the three groups reported back on their discussions of the ways to improve nonprofit governance. On the first theme, looking at internal systems and issues, preliminary discussions looked at the reasons for the growing concern over governance of nonprofits. One group shared their perspective of externally driven reasons (e.g.,demands from government, grant makers and donors, media, and communities served) and internally driven reasons (e.g, need to make public know about NGO activities and to encourage public to support them). The groups had common perceptions and ideas on what strategies could improve transparency and accountability. One group organized their ideas as referring to people-related strategies and systems-related strategies:

- People-related strategies focused on developing boards from nominal to effective boards, e.g., orienting them on their roles and responsibilities; changing mindsets of Executive Directors in working with “hands-on” board; hiring of professional accountants to conduct proper financial audit; and sustained training in NGO management for the staff.

- Systems-related strategies addressed the need for disclosure of information about the NGO through the Internet, or through annual reports with audited statements, and by establishing benchmarks (minimum standards) for accountability and transparency. Codes of conduct and ethics were deemed useful as guides for proper behavior. Documentation and promotion of best practices could be used as models by other NGOs.

Another group suggested strategies on training of staff to be more professional, including volunteers who should likewise be provided with managerial training and inputs, internship programs. “Development management” training programs in the NPO sector, however, were thought to be underdeveloped, disconnected, workshop-oriented and adhoc. New skills, values and techniques need to be developed in “Development Management.”

On the second theme, looking at the sector’s response, the groups presented several ideas on who ensures the overall level of governance. There was consensus that formal regulations were needed but minimally, and that self-regulatory systems had a role. Umbrella organizations were seen to have an important function in engaging government to safeguard against regulatory overreaching.

Self-certification and accreditation systems could be means of ensuring better governance in the nonprofit sector, and NPOs who undergo accreditation have attested to the benefits received in having the accreditation. However, few governments in the region are prepared to delegate certification to NPOs in the near future (Philippines and Pakistan experiences were thought to be exceptions). Accreditation mechanisms could be made more empowering.

Looking once again at identifying strategies that might be effective for the nonprofit sector to use in improving public acceptance of the sector, the groups reported the following:

- Formal structured dialogues between government and civil society have been beneficial in countries like Bangladesh, Canada and the UK.

- Positive dimensions of regulation should also be looked at, e.g. empowerment ordinance in local areas which enables participation on local councils by NPOs.

- Transfer of management skills and systems should be facilitated from corporate to nonprofit sector.

- Stakeholders should play an active role in evaluating the performance of NPOs.

- Internet posting of accredited NGOs facilitates donor confidence in selection of beneficiaries as in Credibility Alliance and GIVE in India.

- Sharing of good practices of umbrella organizations should be done. (The group recommended an inventory by APPC of good practices in this area.)

- Work with media to help to enhance CSOs institutional communication skills and mechanisms. There have been attempts at CSO-media collaboration that could be further looked into.

- Academic researches on organizational effectiveness and governance would be useful for nonprofits and their stakeholders.

Wrap Up

Ms. Rory Tolentino, Executive Director of APPC, provided the wrap up and closing note to the sessions. APPC's mission is to promote philanthropy within and to the region, and to promote the quality and effectiveness of the philanthropy. There is a question, if APPC started out by working on the supply side (donors), of why we are doing this conference, which is talking primarily about the demand side of philanthropy, the civil society organizations that are traditionally the beneficiaries. Our theory is that, if civil society organizations are well-managed, then they would attract more philanthropy – that is how it relates to our mission.

Conference participants were picked based on their personal and organizational capacity to catalyze improvements in their own countries or region. Advocacy has to take place in the local areas, and this seems to be accepted in the breakout sessions.

Our expectation is that participants will take the breakout session recommendations, conference discussions and background papers back to their countries and regions. The participants will be asked to reconvene and also involve other key leaders of the nonprofit sector, and as a group, look at what they can do to follow through the conference recommendations to improve governance in the nonprofit sector. These suggested listing of country activities should be given to APPC and its Governing Council will take them up and determine which country activities will be supported as broad activities.

In the meantime, participants were assured that all presentations and conference proceedings will be uploaded on the website within a few weeks to help with information sharing.

Closing Remarks

On behalf of the Governing Council of APPC, **Dr. Iftekhar Zaman** thanked everyone for their participation in the conference, for which expectations were far exceeded. He once again acknowledged the paper writers for their excellent work. He thanked also the presenters, panelists, session chairs, and break-out facilitators. Finally, Dr. Zaman extended appreciation for Ms. Rory Tolentino, Executive Director of APPC and the Conference Secretariat.