



Taiwan

YU-YUAN KUAN, ANDY KAO AND MARIE-CLAUDE PELCHAT¹

Although philanthropy in Taiwan can be traced back to the 1830s, the concepts of the third sector and nonprofit organizations (NPO) as we know them and as they are understood in the West have a relatively short history. If we take the year 1987—when the lifting of Martial Law abolished restrictions on the establishment of civil organizations—as the turning point in the development of the third sector, the development period of NPOs only spans a very short 16 years. But during this short period of time, NPOs have managed to grow in number and in size, mobilize more and more resources, raise awareness about a host of social issues, serve as a channel for the public to voice its concerns, and help disadvantaged groups that were previously left out in Taiwan's strive for social and economical development.

As the role played by NPOs in Taiwan grows in importance, so does their responsibility to society. Because NPOs work for the “common good” and are guided by a sense of mission and vision, the public expects them to be particularly righteous. However, the development of NPOs has not necessarily been accompanied by improvement in their governance standards. This paper will try to provide a broad overview of the governance problems NPOs are facing, government regulations and how they affect NPO governance, and specific responses from the third sector to address issues of accountability and transparency. The paper includes information gathered through interviews with NPO representatives regarding their general view of governance in the third sector and their organizations' specific experience.

ROLE AND INFLUENCE OF THE SECTOR

Development of the Nonprofit Sector

In most of the literature written in Chinese about the Taiwan nonprofit sector, a recurrent image is used to describe the spectacular development of nonprofit organizations: growing bamboo shoots after the rain. This metaphor captures the

¹ Yu-Yuan Kuan is Professor at the Department of Social Welfare of National Chung Cheng University, Andy Kao and Marie-Claude Pelchat are respectively Assistant Executive Director and Associate Researcher at the Himalaya Foundation.

were not compelled to comply with such a broad definition of accountability and that this concept was, in practice, interpreted and applied with much flexibility.

Many people pointed out in the interviews that the source of a NPO's financial resources will determine to whom it is accountable. This definition of accountability is quite narrow and its validity can be argued, but it seems that it is shared by some NPOs in Taiwan. For example, the funding of one particular NPO located in Taipei primarily comes from projects contracted by the government, and only a very small proportion of this organization's funding comes from the public. When asked if the organization made financial information public, the manager of this organization explained that all donations from the public were acknowledged by posting on the organization's website the name of the donor and the amount donated. We then asked if a similar method was used to make public information about money obtained through government-funded projects. The manager said that this was not necessary, as the organization was only directly accountable to the government. Since funds originated from the government, the organization felt that dealing one on one with the funding agency by complying with its reporting regulations was enough and didn't see the need for the public disclosure. For this organization, and perhaps for many other NPOs, accountability to the general public mostly means letting the public know about the work and the results achieved by the organization, but it does not necessarily imply that the organization has to make its financial information available.

Another person we interviewed justly pointed to the fact that the degree to which an NPO will demonstrate high standards of accountability varies depending on the organization's degree of "openness" to involvement in its operations by outside social forces, whether it is in regard to the decision-making process or funding. For example, a social welfare foundation that has to answer to both its service beneficiaries and its donors, and that has a board representing society's different sectors, will have better chances of improving its internal governance because it has many stakeholders to answer to. On the other hand, a family-dominated foundation that relies on a close circle of people for its administration and on a single private source of funding for its operations will not feel that it has to answer to anyone and thus might not demonstrate the same level of transparency.

Despite the fact that NPOs in Taiwan have different interpretations about what accountability and transparency should be and how these two concepts should be applied, an increasing number of organizations, the government and the general public are recognizing the importance of strengthening accountability standards. Forces at work inside the third sector and academia have for a long time advocated for better governance standards on the part of NPOs, and they can be credited for this new awareness. Certain events and recent changes in the socioeconomic environment have also highlighted weaknesses of the third sector that need to be addressed.



with the general public, have seen their incomes dwindle due to low interest rates and are now facing difficulties in maintaining their operations. Other foundations, which could not entirely rely on their small endowment in the first place and always turned to other sources of funding, now vie for fewer resources, since government subsidies, corporate sponsorships and individual donations all have decreased. This far from ideal economic environment has put NPOs under tremendous pressure to diversify their sources of funding and become more creative in their fundraising efforts.

Many of the people we interviewed for this paper mentioned that in such a difficult economic environment, the basic concern of NPOs is their own survival. As such, whether or not to make public financial information, and other similar preoccupations might not be priorities for NPOs struggling simply to survive. However, the public, which is solicited by an ever-growing number of fundraising campaigns, will certainly become more selective in its giving and support organizations not only on the basis of the causes they work for but also on the basis of their performance and the concrete results they have achieved. As such, the more an organization provides complete information to the public about its work, its organization, its management and its finance, the more the public will have confidence in it and be willing to support it. Although prospects for an economic recovery to ease the pressure on the nonprofit sector look dim, these new challenges give NPOs the opportunity to adapt themselves and to increase their efficiency.

Problems of governance in the Third Sector

Interviews and informal talks were conducted for this paper with NPO representatives whose organizations vary in type and in size. Our interviews highlighted the fact that the range of governance and accountability issues faced by associations and foundations (or even by foundations of different type and purpose) is rather broad. However, there was a consensus on basic problems that NPOs, no matter their size or their type, must resolve.

The majority of our interviewees pointed to the fact that many NPOs have not yet reached a certain degree of maturity in their organizational structure and are entangled in a delicate balancing act to find sustainable ways to maintain their organization's development. This fact has a direct influence on the governance and accountability standards of NPOs. For these organizations, fundraising, service provision and staffing constitute daily struggles. If an organization does not have the means to attain stability and to develop sustainably, it is likely that its governance standards will be affected.

already made by the executives, and as such, their function of internal financial and administrative supervision is rather weak. Kuan goes on to highlight that boards should strengthen their fundraising function, be more involved in long-term planning and decision-making for the organization, as well as be more actively involved in linking the NPO with the community and the other sectors. In the Survey of Foundations in Taiwan conducted in 2002, respondents were asked to rank what they thought were the most important responsibilities of their organization's board members. Respondents believed that the most important task of a board is to verify an organization's annual projects and work plan (79.7%). This was followed in importance by the tasks of verifying and approving annual budgets and final financial accounts (74.4%), and defining an organization's tasks and operational procedures (58.5%)⁶.

Most of our interviewees mentioned board governance as an important issue when discussing accountability problems of nonprofit organizations. Although we must be wary of making any generalizations about NPO boards in Taiwan, many of our interviewees pointed to the fact that boards are often passive and lack openness. This passivity of boards can be explained by many factors, including the internal characteristics of an organization such as its size, its degree of professionalism and the modalities of interaction between the board and the management. But some interviewees pointed to the lack of board development in Taiwan, feeling that board members need to be educated about their duties and responsibilities, while managers need to learn how to better interact with board members and how to deploy the strength of the board. On one hand, some board members tend to view their appointment to the board of an NPO as an "honorary title" and feel that a more active participation through fundraising and decision-making is not necessary, as the contribution of their time, knowledge and social standing is ample enough. On the other hand, some managers tend to accept the board's passivity as natural and do not make extra efforts to get board members more involved. For example, one organization interviewed has high profile personalities from the business and academic worlds sitting on its board, but apart from attending the two yearly board meetings that are required by legal regulations, those members have practically no interaction with the organization and most unfortunate of all, do not provide any help in linking the NPO with potential sources of funding.

⁶ KUAN, Yu-Yuan, "Results of the 2002 Survey on Foundations: The Governance of Foundations", Papers of the conference *Presentation of the Results of the 2002 Survey on Foundations*, Taipei: Center for the Third Sector of National Cheng-Chi University, March 21, 2003.

Financial Transparency

The issue of financial transparency and whether or not NPOs should make their financial information available to the public is a somewhat delicate subject. Although everyone in principle agrees that such information should be made public, not everyone agrees on exactly which specific information should be public, and not every NPO readily and voluntarily provides such information. A few organizations interviewed complained that expectations for NPO transparency were higher than those for businesses or government agencies, and they felt that these two sectors should lead the way by being more accountable to the public.

At this time, nothing in the law regarding nonprofit organizations obliges an NPO to make public its financial information (amount of donations, government subsidies, expenditures, etc.). Such financial information is usually given to the NPO's government supervising agency and the National Taxation Bureau, and is not available to the public. Although some organizations readily provide such information to the general public through their website, annual report and newsletters, the majority of NPOs keep their financial figures to themselves. When asked what could be the reasons behind this lack of transparency, our interviewees indicated that there are some organizations that, despite their nonprofit status, run for-profit activities and fear losing their tax exemption privilege if too much is known about their finances. Understandably, these NPOs dread too much transparency.

There are many reasons why even the legitimate NPOs are reluctant to make public their financial figures that we might judge as somewhat irrelevant or unfounded. For instance, an NPO successful in fundraising might not want to advertise too much its success for fear that the public will think it has enough money and will stop giving. Another example might be of an NPO relying on government funding that is reluctant to advertise the amount of subsidies it received for its projects because it is fearful of competition from other NPOs. In any case, such reactions stem from insecurity about the survival of one's organization and a basic misunderstanding of what transparency means for NPOs, and in that sense, more education is needed to change these misconceptions.

However, transparency problems of NPOs are not just about misconceptions and an unwillingness to make information public. They are intrinsically linked to the capacity of NPOs to monitor their own development and organize information about their organizations coherently. In the case of financial transparency, many small NPOs lack the capacity to track their income and expenditures, as well as produce coherent financial reports themselves. While some organizations can hire a full-time professional accountant to do the job or work with one on a contract

basis, the costs related to such services might be too high for small NPOs struggling to make ends meet. Such NPOs end up doing their finances themselves, with poor results. In such a situation, many NPOs prefer not to make their financial accounts public.

The biggest task remains to raise NPOs' awareness of the importance of being accountable to their stakeholders, whether it is the government, corporate donors or the general public, as well as to set standards of accountability for these organizations. As such, a debate on how to strengthen governance, accountability and transparency standards in the nonprofit sector is crucial, as these issues have a direct influence not only on how the sector is perceived and judged, but most importantly, on its legitimacy, and ultimately, on its efficiency in answering social needs and creating social value.

The Influence of Government Regulations on NPO Governance

When we talk about governance issues in the nonprofit sector, it is inevitable to discuss the role and influence of government regulations. Although simply relying on laws cannot entirely guarantee high standards of accountability for NPOs, they nonetheless influence the third sector and set standards for it to follow. The goal of this paper is not to explain in detail the particular legal and regulatory framework that applies to the nonprofit sector⁷, but to provide readers with an overview, by examining government/NPO interaction, the current legal environment as well as new law projects and how they are trying to address long standing issues of accountability and transparency in the nonprofit field.

Interaction between the Government and the Third Sector in Taiwan

It seems that the relationship between the third sector and the government in Taiwan today is as much about cooperation as it is about laissez-faire, control and mistrust, depending on the NPO and the government agency. As we have seen at the beginning of this paper, many government agencies such as the National Youth Commission, the Ministry of the Interior, the Ministry of Education, and the Commission of Agricultural Affairs have come to view the third sector as an important and positive social player and potential partner. As such, there are efforts from these government agencies to build closer ties with the third sector and help it develop its capacities. Other agencies adopt a passive approach to their supervision of NPOs, and their laissez-faire attitude will be challenged only if problems within

⁷ An excellent presentation of the regulatory framework for nonprofit organizations in Taiwan has been written by Joyce Feng in *Philanthropy and Law in Asia*, San Francisco, Jossey-Bass Publishers, 1999.

Another reason for the failure of this system lies in the inadequate structure of the supervising agencies themselves. Supervision of NPOs is peripheral to the main work of these agencies and is extra work for staff that often has to handle the supervision work in bulk, instead of dividing it according to staff competence and specialty. The result is predictable: the extent to which rules are enforced differs from one agency to another and in the long run, the quality of supervision is uneven. By wanting to regulate too much to prevent abuse, the government in effect controls very little.

Regulations Regarding Internal Financial Transparency

Nonprofit organizations are required by law to submit to their respective supervising agency an annual report detailing their activities and financial situation, as well as to submit to the National Taxation Bureau an annual financial report. Although NPOs do produce financial statements, the significance of these reports can be questioned for two reasons. First, the documents are not made public. Only a few persons at the supervising agency and at the National Taxation Bureau have access to these reports. Outside requests to consult them are generally met with refusal. As this demonstrates, accountability is narrowly defined in terms of reporting to the government. One of the causes for this situation lies in the legal definition of NPOs. Second, there is no systematic and thorough examination of financial statements submitted by NPOs. The National Taxation Bureau usually limits its scrutiny to verifying whether NPOs have complied with the law that requires nonprofit organizations to spend at least 70% of their total annual income.

Rules Regarding Performance Assessment

The evaluation of nonprofit organizations, like monitoring, is conducted by supervising agencies in an intermittent manner and with mixed results. Recently, a few agencies, like the Ministry of Education, the Ministry of the Interior and the Commission of Agricultural Affairs, have engaged in a broad evaluation process of foundations under their jurisdiction. When they do engage in evaluation, government agencies often become overwhelmed by the complexity of the task and the intricacy of the different aspects of an organization that need to be evaluated. In short, many government departments, whether they are at the central, county or municipal level, do not have an elaborate evaluation scheme for nonprofit organizations, simply because they lack the experience, the ability and the organizational support to do so. Often, the government agencies that do engage in evaluation rely on academics or professionals like accountants or lawyers to conduct and oversee the work.

Prospects for Legal Change

New law proposals are now circulating and the amendments they propose address questions of governance and accountability. More specifically, they try to bridge gaps in the present law and solve long-standing problems. These new drafts include a law project for foundations, for which the Research, Development and Evaluation Commission of the Executive Yuan commissioned the Asia Foundation in Taiwan (AFIT) to conduct the research and drafting work; a law project for foundations proposed by the Ministry of Justice; and a nonprofit organizations development law project proposed by the National Youth Commission. For the purposes of this paper, we will limit our comments to the Foundation Law project proposed by the Asia Foundation in Taiwan. This law project uses a positive approach by simplifying the role of the government and by making the establishment of foundations easier, but at the same time by increasing the responsibility of foundations to increase their self-regulation and transparency standards.

First, this draft resolves the longstanding problem of multiple laws for multiple supervising agencies by making the Ministry of the Interior the sole agency in charge of overseeing the establishment and the operations of foundations. Not only is the government body the same for every foundation but the legal requirements are also unique. These requirements, when compared to the present law, have obviously been simplified and outline the basic duties and obligations of foundations, thus reducing the supervision work of the government but also giving foundations more latitude in their operations and administration. For example, conditions for setting up a foundation have been made easier, in part by lowering financial requirements. As such, under the proposed amendments, a foundation only needs an endowment of NT\$1,000,000¹⁰ for its establishment. By lowering financial requirements, the law takes into account the fact that, in a difficult economic period, big endowments do not guarantee foundations a steady flow of funds for their operations.

Most importantly, the new law project addresses the question of transparency and accountability by requiring foundations to make public their operational and financial information. As we previously mentioned, under present law, foundations produce reports that are sent to their supervising agency and the National Taxation Bureau but these reports are never made public. With the new law, foundations would have to comply with new reporting regulations by making reports on activities, financial statements, and by-laws available to the public. By including reporting requirements, the law sets basic standards that all foundations would have to follow.

¹⁰ This amount is equivalent to US\$28,570. \$1 = NT\$ 35

might know approximately how many NPOs have been established in Taiwan, we have little information on their structure, operations and sources of funding. The information that we do have is somewhat dispersed among the many government supervising agencies.

Perhaps one of the earliest efforts to correct this situation was the **Directory of Major Taiwan Foundations** published by the Himalaya Foundation. Started in 1992, the directory has played a major role in the collection of data regarding foundations in Taiwan and in the beginning, helped break the relative secrecy surrounding the operations and financial situation of foundations. When the project for the directory began in 1992, virtually no data on the number, types, activities or size of endowments of foundations was available. Even worse, foundations were highly reluctant to provide information regarding their organization's mission, structure and finance, and researchers had to consult documents from government supervising agencies and county or municipal courts to complete missing information. However, the directory established itself over the years as an important reference tool and was instrumental in encouraging foundations to be relatively more open and transparent. Not only is the directory distributed to government agencies, academics and NPOs, but it is also available in the form of an online database¹¹ that is regularly updated and that the general public can consult freely.

This effort to provide a comprehensive overview of Taiwan's third sector led to the 2002 Survey of Foundations in Taiwan. The goal of this survey was to establish a comprehensive database of foundations and from it, gain a better understanding of the internal governance and external activities of foundations. This survey, the first one of such a scale in Taiwan, has tried to accomplish a similar mapping out of the foundation world that the Council on Foundations, Independent Sector and the Foundation Center have done in their surveys in the United States. Similar efforts have been made in the past few years by scholars like H.H. Michael Hsiao and Yu-Yuan Kuan who respectively researched social organizations (foundations and associations) in northern and southern Taiwan¹². These kinds of resources are crucial in monitoring the growth of the third sector. Only by having a clearer picture of the third sector can we identify the basic problems it is facing, take appropriate action to solve them, and thus strengthen its development.

¹¹ www.foundations.org.tw

¹² Research includes H.H. Michael HSIAO's "Autonomy, Advocacy and Impact: The Civic Organizations in Taipei", Paper presented at *Between Family and State*, second workshop, Jan. 14-15, 2001, Hong Kong (in Chinese) and KUAN Yu-Yuan's "Research on the Function and Influence of Social Organizations in Seven Cities and Counties in Southern Taiwan", Research report of the National Science Commission of the Executive Yuan, NSC90-2414-H-005-SSS (in Chinese).

transparency standards of NPOs, infrastructures must be in place to help organizations strengthen their IT capacity.

Already, the NPO Development Center helps nonprofit organizations by designing websites and intranets, and by teaching the staff basic techniques to apply IT tools to their operations. The NPO Digital Village¹⁴ is another effort to bring IT to nonprofit organizations. By providing training, common application software and consultant services, as well as by using the Thin Client server approach, the Digital Village hopes to bridge the Digital Divide and bring IT to NPOs that lack the resources to afford it. Through the Thin Client server approach, NPOs will be able to access a central server and use a host of software for accounting, managing fundraising, etc. This will not only facilitate the work of NPOs but also increase their efficiency.

Because the internet is in essence the communication and exchange tool par excellence, such efforts will ultimately encourage NPOs to achieve more openness internally (through increased exchange of information and knowledge among the staff thanks to Intranet and other software) and externally (by opening up the organization to the public through well-designed websites).

**Assessment as a tool to increase accountability among NPOs:
The case of the United Way of Taiwan**

Because the United Way Taiwan supports over 400 NPOs, it actually has an appreciable influence when it comes to championing transparency and accountability and can be considered as a semi-watchdog organization. Since social needs are growing and there are more and more NPOs requesting funding from the United Way Taiwan, an evaluation system was established twelve years ago as a move towards preserving the standards of the United Way Taiwan and ensuring that, despite a growing amount of donations, the whole process of allocating funds remains fair, transparent and efficient.

Originally, the United Way Taiwan's system of project proposal evaluation and site visits were primarily aimed at selection of the best projects. However, as NPOs learned how to design projects and their proposal writing became more sophisticated, the United Way Taiwan shifted its evaluation focus from simply choosing good projects to evaluating the capacity of NPOs to execute these projects. A project might be excellent on paper, but whether or not an organization has the ability to execute it and achieve the stated goals is a critical issue. The importance of site visits to NPOs became greater, since it allows the evaluators to judge an organization's capacity, governance, financial situation, service management system, and degree of activity. Apart from proposal writing and site visits, NPOs also must submit to the United Way Taiwan information such as their registration status and certificate,

¹⁴ www.e-village.org.tw

their organizational chart, financial report, annual budget and final accounts statement, and mission and program statements.

An evaluation committee of about 150 members composed of academics, accountants, lawyers and practitioners in the nonprofit field has been set up to conduct a more thorough evaluation of projects. The committee’s role is to examine funding requests, conduct site visits, ensure that funds are distributed to NPOs according to the United Way Taiwan’s standards, and that due diligence work is conducted. They not only recommend which organizations should receive funding, but in the course of their evaluation of on-going projects, the committee members can recommend whether to make the final payment of the grant or to suspend funding, if irregularities are found with certain NPOs and the way they conduct their projects.

The United Way Taiwan is still in the process of making adjustments to perfect its operation. Actually, the system is changing along with NPOs, who are gaining maturity. One-third to one-half of the NPOs on the grant roll of the United Way Taiwan are “old customers.” Not only are they at ease with the system but many have integrated the idea that accountability is important and as such, have made part of the measures taken by the United Way Taiwan part of their regular work operations.

The impact of the United Way Taiwan’s evaluation system can be felt in the nonprofit sector as a whole. Because it asks NPOs to comply with certain requirements when requesting funding, the United Way Taiwan is teaching organizations how to become more efficient in drafting projects, writing proposals, planning budgets, and executing programs. By making requests for NPOs to be transparent and accountable, and by accompanying these requests with due diligence and monitoring, the United Way Taiwan hopes to instill in Taiwan NPOs a sense of self-discipline and self-regulation. Organizations that fail to meet accountability standards or produce expected results not only risk losing funding for their projects, but they also expose themselves to public criticism.

Ultimately, organizations can only benefit from adopting good practices: not only does an organization increase its efficiency but it also strengthens its credibility towards its donors and the social groups it benefits. A grant from the United Way Taiwan, because of the extensive evaluation and monitoring process, has become somewhat like a “certificate” or a diploma that NPOs can show to other funding agencies as proof that they maintain good standards. By making this evaluation a standard practice, the United Way Taiwan can progressively impact Taiwan’s nonprofit sector as a whole.

Another visible impact has been on the United Way Taiwan itself. By deploying such methods to ensure that grants are made to the most worthy organizations and by ensuring that there is due diligence, the United Way Taiwan has gained the trust and confidence of the general public.

These examples show that efforts are being made by NPOs themselves to improve governance, accountability and transparency standards. The key is that



organizations should learn how to put strict demands on themselves. This education process on the importance of accountability might take a while and is somewhat linked to a question of resources—those who have the resources can influence the sector. This is the case with intermediary organizations like the United Way Taiwan or grant-making foundations, but it is also true for the general public, which represents the biggest source of funding for NPOs. As a major source of funding, people can be influential. A public that is more aware of the importance of accountability will make demands on organizations, which will in turn improve their standards.

CHALLENGES FOR THE NPO SECTOR¹⁵

Nonprofit organizations in Taiwan need to set and achieve goals of good governance and transparency for themselves. A legal environment in which regulations are clearly defined and public reporting is emphasized can be conducive to increased transparency and accountability on the part of NPOs. However, the responsibility does not lie exclusively with the government or the judicial system. NPOs must learn how to police themselves and be better prepared to face increasing demands for good governance. On a short-term basis, the pressure to change is unlikely to come from the public itself. People are largely unphased by issues of accountability. Donors among the general public are still more concerned with giving to a charity whose cause moves them than doing the follow-up work to ensure that the organization it gives to is accountable and produces results.

This is especially true for religious or faith-based organizations that monopolize an important proportion of public donations in Taiwan.¹⁶ The scope of this paper does not allow us to examine in detail the situation of religious or faith-based nonprofit organizations, but it is necessary to point out the challenge that this uneven distribution of resources in the third sector represents for NPOs. Most of these religious organizations do accomplish great work and play an important role in society.¹⁷ While the work accomplished by most faith-based organizations has

¹⁵ The authors would like to thank Prof. Ku Chung-Hwa for his insightful comments for this section.

¹⁶ According to a survey conducted in 1999 by the Directorate General of Budget, Accounting and Statistics (www.dgbas.gov.tw) with some 31,000 people across Taiwan, 34.5% of people give to nonprofit organizations and of that percentage, 62.5% specifically give to religious or faith-based nonprofits. The amount of money raised by religious or faith-based nonprofits represents 49.2% of the total amount of donations for the nonprofit sector as a whole.

¹⁷ The Buddhist Compassion Relief Tzu-Chi Foundation probably is the best known. Tzu-Chi's importance is not only due to the number of its members and volunteers or the appreciable size of its assets, but is directly linked to the organization's contribution to Taiwan's society. Over and over again, Tzu-Chi has provided help and assistance in spirit with the Buddhist teachings to those in need, whether it is through its reconstruction efforts during the 921 Earthquake in central Taiwan or the humanitarian aid provided to foreign countries like Turkey and Afghanistan.

been recognized, the way they monopolize resources and rarely make their financial figures available to the public has generated much discussion and criticism. The criticism has been exacerbated by the fact that these organizations rarely share the money they receive with other NPOs, whether it is through grants or through cooperation on certain projects. If there was more interaction and cooperation between religious and non-religious nonprofit organizations, perhaps a certain balance could be reached in the allocation of resources to NPOs, and at the same time these organizations could leverage each other's strengths and experiences.

This would be also true for cooperation between any NPOs, regardless of their type or purpose. As the economy continues to stagnate, financial resources are becoming scarcer and social problems grow in diversity and complexity. Increased cooperation or strategic alliances between NPOs with the same purpose could not only solve the problem of organizations vying for the same limited resources, but it would also have the advantage of combining everyone's strengths and avoid overlapping as well as a wasting of resources. However, it seems that for now, cross-sector cooperation with the government or the business sector is more easily achieved than cooperation among NPOs of similar purposes themselves.

Another challenge facing NPOs lies in their relationship with politics. NPOs should be apolitical and remain neutral in their dealings with the government. However, political parties do not have a clear understanding of the third sector and lack respect for NPOs' position in society. The allocation of resources from the government to NPOs may sometimes be tainted by political considerations and this interference can have a negative influence not only on the relationship between the third sector and the government, but also on the mutual trust between NPOs themselves. For example, Taiwan NPOs lack opportunities for participation in international networks or organizations by themselves and as such, might rely on government resources to have access to these international channels. By doing so, NPOs might become entangled with political visions that can threaten their autonomy and credibility.

The notion of the autonomy of NPOs is especially important, as it highlights the fact that solving governance problems of NPOs goes far beyond creating an enabling legal environment or increasing the degree of financial transparency of organizations. The issue at hand is how to guarantee that the public nature and the autonomy of NPOs is maintained so as to ensure that civil society is indeed a strong support for democracy. The answer to this question lies with NPOs themselves. NPOs should integrate the notions of "democratization" into their internal governance in order to create conditions to empower and build the capacities of their members, in order to make them feel that they have a responsibility as citizens to pursue the healthy development of Taiwan's civil society.

Acknowledgements

The writers would like to express their most sincere thanks to the following persons who helped in the writing of this paper by contributing their time and sharing their view on the third sector:

Mr. Chen Wen-Liang,
Deputy Secretary General,
The United Way Taiwan

Mr. Hsieh Chih-Cheng,
Executive Director,
921 Earthquake Relief Foundation

Mr. Chen Jun-Liang,
Executive Director,
Eden Social Welfare Foundation

Mr. Matthew L.Y. Chiang,
Executive Director,
Beautiful Taiwan Foundation

Mr. Peng Chun-Heng,
Senior Research Specialist,
National Culture and Arts Foundation

Mr. Su Kuo-Jen,
Executive Director,
Children Are Us Foundation

Mr. Shieh Tung-Ru,
Director,
The League of Welfare Organizations
for the Disabled, R.O.C.

Ms. Ko Yu-Fang,
Deputy Secretary General,
Tsuei Mama Foundation for Housing
and Community Service

The writers would also like to thank the professors who contributed to reviewing this paper:

H.H. Michael Hsiao,
Professor,
Department of Sociology of National
Taiwan University;
Executive Director,
Center for Asia-Pacific Area Studies,
Academia Sinica

Henry C.Y. Hsu,
Chairman and Professor of Accounting,
Department of Accounting of National
Chengchi University

Joyce Yen Feng,
Professor and Chair,
Department of Social Work of National
Taiwan University

Ku Chung-Hwa,
Professor,
Department of Sociology of National
Chengchi University

References

In English:

- HSIAO, H.H. Michael, *The Non-Profit Sector in Taiwan: Current State, New Trend and Future Prospect*, online text at www.tpic.org.tw/NPOInfo/index1-2.asp.
- ETZIONI, Amitai, "Alternative Conceptions of Accountability: The Example of Health Administration," *Public Administration Review* (May/June, 1975): 279-286.
- FENG, Joyce, "Taiwan", *Philanthropy and Law in Asia*, San Francisco, Jossey-Bass Publishers, 1999.
- KUAN, Yu-Yuan and Andy KAO, Taiwan Country Paper for the APPC conference "Strengthening Philanthropy in the Asia Pacific: An Agenda for Action", Bali, Indonesia, July 2001
- LEAT, Diana , "Voluntary Organizations and Accountability: Theory and Practice," in H. K. Anheier and W. Seibel (eds.), *The Third Sector: Comparative Studies of Nonprofit Organizations*. Berlin: Walter de Gruyter., 1990.

