Chapter 10
Experiences of Third Sector Governance in Asia: A Political Economy Analysis

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Before the industrial revolution, all our participating countries, especially India and China, were in the forefront of economic development ahead of the European states. By the Middle Ages, China and India reached a technological level more advanced than that achieved by Europe before industrial revolution.[1] The advancement in these (and other countries in Asia) did not lead to something similar to European economic development. The advancement in productive forces alone does not (and did not) guarantee economic development, it has to be coupled with the existence of a bourgeois, a social class becoming powerful by dint of employment, education or wealth — and not by heredity — capable of coordinating the means of production and of bringing about fundamental structural transformations for innovations and investments.[2] Historically, Asia did not have a bourgeois class; the Asian Mode of Production (cf. Karl Marx) had a comprador class capable of exploiting the surplus production and the people but without necessarily owning land or labour. There was only the right to raise taxes, created mainly during the colonial control, without any right to the land (town merchants owned some, but not large enough). Because of the lack of land ownership, the dependent relationship was not feudal, and due to the close-knit village communities (having the control over the land), the slave system could not and did not exist in the area either (Lacoste, 1984).

The existence of close-knit neighbourhoods and also mutually supportive work forces (with freedom of association, unlike a slave system, not thwarted by the employer) is evident in associations like 'the workmen's cooperative groups' in

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[1] Andre Gunder Frank http://www.hartford-hwp.com/archives/50/089.html, a major proponent of 'development of underdevelopment' thesis points out that the core regions, especially of industrial production, before the European industrial revolution, were in China and India; and West Asia and Southeast Asia also remained economically more important than Europe. Frank finds out that Adam Smith was the last major [Western] social scientist to appreciate this fact writing in 1776 that 'China is a much richer country than any part of Europe', but then, quoting Fernand Braudel, Frank adds, following the colonization of Asia, 'Europe invented historians and then made good use of them.'

[2] The European bourgeoisie was based on: private control of the means of production (as opposed to collective Asian and African system) a relatively rapid modes of production—the slave system, the feudal system and the capitalist system (slave system was not as prominent in Asia and Africa) (Lacoste, 1984).

India that used to influence the members' economic and social lives. There were rules in the law books for the punishment of breach of contract by these cooperatives or their individual members (Basham, 1967, p. 218). There were also the guilds[3] (*sreni*) of very important crafts (Basham, 1967, p. 219; Majumdar et al., 1967, pp. 75–76). The guilds had power over economic as well as social lives of the members.[4]

In the Tang (618–907) and Shong (960–1279) dynasties in China—due to the maturing of agriculture and handicraft industry—artisans formed guilds to protect self-interests. Later (since fourteenth century), fellow villagers and townsmen involved in economic activities outside of their geographic areas often organised some types of cliques or guilds for mutual help and self-defence.[5] During the Nationalist regime (1911–1949), due to economic growth, the most active non-profit organisations (NPOs)[6] were the chambers of commerce.[7] In Vietnam, there have been social organisations supporting the country's traditional economic system (water-rice cultivation) which require strong community sense and cohesion (to fight against flood and natural disasters, to alternate field labour, etc.). There also have been *phuong* and *hoi* in the urban centres.[8] Members of these urban groups, essentially interest groups, committed to help each other with technical assistance or loans, in protecting trade's secret, in keeping common price for similar products, etc. (Duong and Hong, 2006).

Traditional cooperatives and saving groups, like *arisan*, in Indonesia have a long history and have been helping resource-poor people in achieving a decent living that they would not have without similar collective efforts. The governments, including the Dutch colonial power, over the years have encouraged these micro-level third sector organisations (TSOs) to function. During the New Order Era, the government formulated regulations that made cooperatives important sources of

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[3] The guilds united both the craftsmen's cooperatives and the individual workmen of a given trade into a single corporate body, and had judicial rights over the members, recognised by the state (Basham, 1967, p. 219; Majumdar et al., 1967, pp. 75–76).

[4] The guilds used to work as the insurance against members' sickness and acted as guardians of the members' widows and orphans, and work as banks accepting deposits, and lending money (Basham, 1967; Majumdar et al., 1967).

[5] Since during that period, freedom of association was not granted by the emperors and the governments, these private organisations did develop but could not function formally or publicly. Secret societies and illegitimate political factions were powerful during that period. For more, see www.asianphilanthropy.org (China segment).

[6] The Nationalist regime (1911–1949) also created and governed many TSOs engaged in commercial, academic, professional, public-welfare, philanthropic, religious and other activities to assist the government agencies. For more, see www.asianphilanthropy.org (China segment).

[7] The National United Chamber of Commerce, established in 1914, joined the International Chamber of Commerce in 1931. For more, see www.asianphilanthropy.org (China segment).

[8] In fact, the old Ha Noi, the capital of Vietnam since 1010, was formed by 36 *phuongs*. These *phuongs* produced and traded goods of high quality, for example silk, jewellery, leather, metal goods including bronze, iron, and other different type of handicrafts. The names of all *phuongs* remain the names of the streets even until the present days (Duong and Hong, 2006).

economic revenue[9] and due to the government's continuous support and the members' initiatives, only the cooperatives in Indonesia did not face the brunt of the economic crisis of 1997 (Radyati, 2006).

Although there is scanty documentary evidence, the third sector in the Philippines has long roots in the religious, as well as secular mutual aid organisations that flourished during the Spanish colonial period. The changing political economy and the growth of a professional and managerial class made possible the setting up of various trade or profession-based organisations (doctors, lawyers, craftsmen) during the American colonial period. The Filipino revolutionary tradition continued throughout the colonial and post-colonial periods and gave rise to social organisations of the marginalised sectors involving ideological organisations (by various socialist and communist parties having formed at the turn of the twentieth century) as well as the apolitical and church-based (often anti-communist) welfare organisations offering economic services to the target groups.[10]

In Thailand, the *devaraja* (divine king) used to be seen as a divine person with god-like characteristics deserving reverence and highly respected treatment. The people were involved in charity to show their respect to the monarch and earn the monarchy divine 'merits'. The Buddhists monks were also to be respected because they were representatives of divine beings. Although the King had been benevolent, he used to be under the guidance of the Buddhist edicts in the form of ten principles known as '*thotsaphitrajadharma*' (Vichit-Vadakan, 2006). The subjects loved and worshiped the King, due to their adherence to these principles, and never felt any gap that can be filled by the philanthropic organisations.[11] The modern era of TSO growth in Thailand did not take-off until the King accepted the first non-government development organisation under its Royal patronage in 1967. There is, however, evidence of early guilds or ethnic language groups.[12]

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[9] One of these regulations allowed only the KUD (Koperasi Unit Desa/Village Cooperatives) to operate on the village level to which all rice and tobacco farmers were compelled to sell their crops which in turn used to be sold to the government through the Logistics Agency. The regulation allowed the government to dictate and determine fair prices of rice, tobacco and other commodities. (This note and the information in this paragraph is based on Radyati, 2006).

[10] Based on our work on Philanthropy and third sector in Asia, for more, see www.asianphilanthropy.org; the Philippines segment was undertaken under the leadership of Professor Ledivina Cariño.

[11] In those days, Buddhism established the foundations of charity and propelled a socialisation process conducive to 'merit-making', and the monasteries functioned as centres for intellectual, cultural, recreational and community life. For more, see our work on 'philanthropy and third sector in Thailand' in www.asianphilanthropy.org undertaken under the leadership of Professor Juree Vichit-Vadakan.

[12] For example, the economic migrants from China were not a part of this tradition and being eager to protect their language and culture, formed underground societies which eventually became well sought after non-profit schools in Bangkok. For more, see our work on 'philanthropy and third sector in Thailand' in www.asianphilanthropy.org undertaken under the leadership of Professor Juree Vichit-Vadakan.

Since the mid-1980s, a combination of factors ensued economic reforms (*doi moi*) in Vietnam. These factors included the frustration and pressure from the countryside, the collapse of the Soviet Union and its Eastern European bloc (the major source of foreign assistance for Vietnam), and the impressive prosperity achieved by the Asian newly industrialised countries (NICs) following the strategic integration into the world economy (Duong and Hong, 2006). Thus, the integration of economic system to the world economy was seen as an imperative. The economic reform programmes also created congenial space for the TSOs.

While many of these pre-colonial forms of organising continued through the colonial and into the modern, post-colonial period, there were also radical changes and development with each form of public governance. The government in many post-colonial states became involved in goods and service delivery only to ensure state primacy in economic and social affairs of the country. To keep the radicals under check and to ensure low-cost delivery, governments in many post-colonial countries encouraged TSOs for service delivery offering them financial supports (e.g. Gandhian organisations in India to undertake rural development activities with government money; Sen, 1996). It is evident from our Study in general (as reported in all country chapters) that the above-mentioned economic and political traditions have influenced the third sector and its governance. Against the above backdrop, this chapter at the outset endeavours to analyse the influence of politics of the regulatory regime and stakeholder relationships influencing TSOs and its governance in the participating countries. We then examine the effect of the colonial influence on the features of the TSOs and related governance. A discussion on colonial and post-colonial influence in the next section is followed by a discussion of politics and the administration of laws and regulations, and stakeholder relationships influencing TSO governance. The last major section underscores some intervening socio-political phenomena that seem to have tremendous impact on the TSO and governance in our six participating countries.

Colonial and Post-Colonial Influence

Among the six of our participating countries, Thailand had never been colonised. All other participating countries have experienced different forms and lengths of colonial control. India was under British rule, Indonesia under the Dutch and Vietnam under French colonial domination. Philippines was under Spanish rule first (for 333 years), and then the USA for about 45 years. China had experienced a brief Japanese invasion. These colonial powers had different approaches and objectives of colonisation. The Dutch, French and Americans were interested in accumulating wealth as well as influencing culture and ensuring hegemony. While the Spanish and Portuguese colonial powers were interested also in spiritual conversion. The Filipinos in Asia, for example, embraced the Americans to forget Spanish excess. The British imperial power, by contrast, was interested exclusively in the wealth of

the colonies. Their approach was thus flexible and non-interventionist/minimalist and thus outlasted all other colonial powers (this paragraph follows Isbister, 2001; Easterly, 2006).

The far-reaching influence of the characters of the European colonial powers on the economy and society in Asian countries are demonstrated by the facts that the East Asian tigers (China, Japan, Korea, Taiwan and Thailand) were never under European colony. By contrast, the Asian tragedies like Cambodia and Laos were under French, and Timore Leste was a Portuguese colony.[13] Among the six of our participating countries, Thailand (purchasing power parity, PPP$9,000/capita) and China (PPP$7,600/capita) have achieved much better economic progress than the other four countries. This economic progress combined with the influence and the perception about the Monarchy's sincerity in solving the people's problems in Thailand, and the Party's dominance on the peoples' lives in China delayed the TSO growth in these two countries.

Among the six participating countries, India and Thailand have, in the past 50 years, experienced a sustained system of government—the former a democracy and the latter a constitutional monarchy. The stable governments in these two countries have allowed reasonable growth in the economy. The colonial establishment and economic system under the British were reinforced by democratic governance in post-colonial India. As a result, TSOs have functioned relatively freely and operated with a reasonably good system where the decision-making or the fund management are open and answerable to the stakeholders. In the face of multiple military interventions in politics, the integrity of and loyalty to the Monarchy ensured economic growth in Thailand. The situation was compatible to TSO growth, but the reverence for the Monarchy and the monasteries' ardent involvement in charity delayed further TSO growth, beyond the monasteries. Again the above two aspects (in the form of a hierarchic structure) are manifested in the TSO governance in Thailand.

The Spanish destruction of the social fabrics and traditional organisations was reversed in the Philippines during the American colonial period, though the capitalist individualistic protective attitude was instilled in the mass. The Philippines has been a democratic country since its independence in 1945 (except for a short period between 1972 and 1986). Indonesia started well, following independence, but faced military intervention in politics that lasted almost 30 years; this took its toll on the economy and curtailed TSO growth during that period. These two democratising (Indonesia) and re-democratising (Philippines) countries have allowed ample space for the functioning of the third sector, and influenced the accountability systems in the TSOs.

China and Vietnam have been in transition from a Party dominated bureaucratic system to more a people-based system. The Chinese State for the first 30 years (since 1949), did not allow any scope for third sector development, instead the

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[13] Based on Easterly, 2006, especially Chap. 8.

centralised system endeavoured to take a great role in social life.[14] This situation started to change in 1978. The economic expansion in the Pearl River Delta[15] and the subsequent exposure to the outside world contributed to the creation of favourable conditions not only for market-oriented reforms but also for the development of third sector organisations there.[16] During the political and economic reform programmes in both the countries the TSOs started to grow but with a strict governance system under the close supervision of the state agencies.

Thus, the history of the emergence of TSOs is quite different in each of the six participating countries; so is the approach to TSO governance. It is thus imperative that we try to analyse other factors that may have been the result of the historical development and which in turn influenced TSOs and their governance.

Politics and Administration of Laws and Regulations

A major challenge of the governments in our participating countries is to ensure that the TSOs do not violate the constitutional frame and regulatory regimes of the country. This challenge was first confronted by the colonial powers. For example, though voluntary and charitable organisations had been existent in India in the eighteenth century, many societies and associations were formed during the era of political and cultural awakening following the *sepoy* (soldier) mutiny staged in 1857 against colonial abuse and oppression. The Societies Registration Act 1860 was promulgated to register these organisations. The primary purpose of this colonial Act was to keep vigilance and control over the various societies and associations (Hasan, 2001a). Nonetheless, because of the existence of a large number of philanthropic people and tradition on the one hand and a large gap in service delivery on the other, the third sector continued to grow. The government legal system kept on reacting to the new challenges. Since the regulatory system has been essentially reactive, various legal tools were brought in place to deal with the new 'problems'. There are different laws regulating different aspects and types of TSOs, so are there different government departments administering these laws and regulations at the union (national) and state levels.[17] Thus, variety of legal tools and

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[14] Before the Great Culture Revolution (1966), there were less 100 national social organisations in China including the mass organisations set-up by the Party and government, such as China National Youth Federation, All China Women's Federation (Ding, 2005).

[15] Although the Beijing and Xian economic belts have long been regarded as a major economic engine in northern and western China, the Pearl River Delta Area has well developed civil society including various business associations possibly because of the latter's greater integration to international economy. Although it is true that Guangdong and Hong Kong adjoin each other, and due to a well developed transportation and communication system, a lot of Hong Kong volunteers and voluntary organisations provide services there (Ding, 2005).

[16] Based on our work on Philanthropy and third sector in China under the leadership of Professor Zhao Li Qing, for more, please see www.asianphilanthropy.org.

[17] Please see Chap. 3 in this Volume for details.

levels of implementation make the Indian government's third sector regulatory regime very complex to comprehend and difficult to monitor.

The Chinese government enacted the 'Regulations for Registration and Administration of Social Organisations' in 1989 (revised in 1998) with the main purpose of encouraging and keeping track of 'non-state' activities. Nonetheless, many TSOs do not have any legal status at all, because they organise volunteers, mobilise their own resources and do not deal with public funds. Further, many TSOs get registration (e.g. schools) as commercial enterprises in order to avoid the stringent administrative requirements attached to the running of a 'non-profit' entity. In India (a common law country), non-profit entities are formed also under the Companies Act. Thus, the variability of legal frames and related requirements is a challenge to governance, as found by this study.

The Chinese government has a very stringent supervisory control over the social organisations. No social organisation in China can register with the Ministry of Civil Affairs without the approval of the respective governmental line agency (mother-in-law) (Ding, 2005). These mothers-in-law help the government control social organisations politically and legally. In Vietnam, TSOs are under the management and supervision of the government, and should register with the respective umbrella organisation (a state body) created under the auspices of the Vietnam Fatherland Front. The umbrella organisations are required by the government to be in charge of management and supervision of the TSOs under their jurisdiction (Duong and Hong, 2006). Thus, TSOs in Vietnam are more closely monitored than their Chinese counterpart by the respective agencies. As a result, TSOs in China have grown much faster having been able to function beyond the government's registration regime.

The situation in the Philippines is very different and encouraging. No law forces TSOs in the Philippines to register, and the TSOs continue to have this freedom of choice. Further, the registration and accreditation procedures are simple (Domingo, 2006). Associations in Indonesia are loosely regulated entities and are under the jurisdiction of civil law, while the Foundation Law has introduced stringent regulatory requirements (Radyati, 2006). The changes, however, have not achieved the purpose of introducing a strict regulatory regime for the foundations because the associations in Indonesia still do not attract much government monitoring, and seem to be a good refuge for foundations under strict government scrutiny.[18]

Across the region, there seems to be a big gap between the legal requirements and actual practice of government supervision over the TSOs influencing the TSO governance. If governments become strict with one particular type of TSO, organisations deregister from that category and move around association law, foundation law or company law. Thus, vagueness of the legal system and its arbitrary basis (created by the bureaucrats without much or any stakeholder consultation) create

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[18] Since the enactment of the Foundation Law 2000, many foundations have registered as *Lembaga Swadaya Masyarakat*/self-reliant organisations (LSMs), deregistering from the Foundation Law which has a strict control mechanism, when the LSMs have none, see Radyati (2006).

problems of implementation hindering the creation of trust and congenial relationship between the government and the TSOs. Uniformity in the legal requirements in governance practices along different entities need not be identical but consistency in government guidelines for different types of TSO is highly likely to make the supervision regime effective.

Stakeholder Relationships Influencing TSO Governance

Because of their respective backgrounds, the third sector in each country relates to the governments in different ways. This relationship is further dominated by the constitutional framework, political activity, economic orientation and the level of economic growth. For example, in India, the third sector, due to the rolling back of the state, and the challenges posed to the state by different social movements (Dongre and Gopalan, 2006) has gradually gained leverage to influence national governance which in turn influences third sector governance.

The state political conditions in other instances, in the colonial as well as post-colonial period, did play a significant role in influencing the TSO governance. For example, during the Dutch colonial era, incompatible colonial laws were arbitrarily forced on the prevailing Indonesian situation. Further, in the post-colonial period in 1955 Communism promoted activities in the country influenced the cooperative and labour union laws. The concept of the cooperative was modified to accommodate Communist ideals and the labour unions were used as instruments for spreading communism (Radyati, 2006). The drastic state reaction not only destroyed the Communist invasion but also thwarted TSO growth and functioning. The TSOs re-emerged in the 1970s, began to grow fast in the 1980s (due to overseas support) and became very active after the fall of the authoritarian regime in 1997.

The end of authoritarian rules in many countries in the recent past has seen the creation of political space for TSOs like the Philippines in the 1980s, Indonesia (due to the above reasons) in the 1990s, China and Vietnam (due to respective economic and social reform programmes) since the 1980s.

This change may have been a result of economic growth and the advent of globalisation and the end of the cold-war, but also shaped by the advocacy and consciousness raising programmes undertaken by the TSOs with the availability of overseas funds and organisational support. Some governments viewed these third sector activities as political encroachment. For example, the Foundation Law in Indonesia, the Modified Registration Law in China and Foreign exchange regulation in India were all designed to contain the political influence of the TSOs. The regulatory regime in some cases contained the growth but has levelled the 'space', like in the Philippines or India. In Indonesia, however, the stringent nature of Foundation Law compared to, for example, the associations makes it ineffective. Nevertheless for the cooperatives, the self-imposed rigid monitoring mechanism and accountability practices are much stricter but appreciably more effective like the case in the Philippines. In the Philippines, the new self-regulatory system

initiated by the Philippine Council for NGO Certification (PCNC)[19] is the toughest of all regulatory regimes, but still is being appreciated by the concerned parties because it brings tax incentives, prestige and immediate growth potential. In China and Vietnam, governments still have kept very strict and direct control over the TSOs. In China, the potential TSOs, which cannot get the government agencies' support, can register as a company to function—there is no such scope in Vietnam as yet. Thus, strict control mechanisms of the TSOs make them offer quality goods and services with integrity. The aim, however, should not be to restrict the TSO functioning or making the TSOs' supervisory or monitoring boards ineffective. A better governmental regulatory regime to promote, and not to obstruct, the TSOs is well appreciated.

The TSOs in many instances are expanding due to the availability of overseas funds. As we found in our organisational survey (Chaps. 6 and 7), those TSOs receiving foreign funding were much more likely to conform outwardly to those practices related to the donors' notion of the corporate governance model, with a functioning Board and strong accountability measures. However, this move to a corporate governance model may have been more driven by the initial organisational aim of appearing to be acceptable to the prospective donor. Once the TSO had established a reputation for effective performance, this form of governance became largely irrelevant. Indeed the grant-making bodies, in general, may not even check if there is a board, rather they consider the track record of the TSO (Domingo, 2006).[20] In the positive side, it may imply that the overseas funding agencies accept the fact that TSOs may perform well with a better accountability system without subscribing to the corporate model of governance. On the demand side, the problem is that that is not the case for all TSOs, on the supply side if there is no uniformity or coordination among the donor organisations the result of this approach cannot be desirable. 'Donor-density' increases 'exit-ability', and thus also creates problems for governance in the TSOs in countries like India (Dongre and Gopalan, 2006). If one donor takes a tougher approach on accountability and governance issues, the TSOs tend to move to some other donors with a lenient accountability requirement.

Some programmes, for example the empowerment programmes, often force the TSOs to deal with the local administration. The local administration and local bodies' relationship with the TSOs influence TSO governance in at least two counts.

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[19] The PCNC, organized by six national NGO networks in partnership with the Department of Finance (DOF) and the Bureau of Internal Revenue (BIR), certifies NGOs and non-stock, non-profit corporations for 'donee' status after a stringent review of their qualifications. The certification allows the TSO to receive donee status from the BIR to receive tax incentives. For more, see www.asianphilanthropy.org, the Philippines segment was undertaken under the leadership of Professor Ledivina Cariño.

[20] In most cases across the countries, the overseas donor agencies even at the negotiating stage never investigate about the board or the accountability process. Only on certain cases, the final agreement requires filling in forms with the name of the board members. Some donor agencies just stay away from the donee after the fund is disbursed—to avoid any allegations of interference or imposing agenda.

Many TSOs are developing their own code of ethics and the service quality control regime which is seen by these government authorities as a challenge to state authority. Second, there has been a lack of accountability in government organisations in many countries. It is highly unlikely that the local governments would like to see the TSOs excel in having a good accountability mechanism that would by default highlight the fallibility of the local government organisations' accountability system.

Not only the government agency officials but also many social and economic elites in our participating countries tend to discourage TSO programmes like the micro-credit, consciousness raising and advocacy in order to protect their own privileged status. This is a big challenge for the TSOs—do they survive and function within the socio-cultural realities irrespective of the achievement of the 'goals' (primarily of social emancipation) or take the risk of elimination by the local or national social and economic forces? In almost all countries, including India or Thailand, the TSO regulations mention that if any TSO is found to be planning or undertaking programmes that, according to the regulatory bodies, are deemed socially unacceptable that TSO can be ordered to rectify or cease to operate. The continuation of these 'norms' tremendously influences TSO governance by reinforcing a hierarchic system in the TSOs.

Some TSOs' programmes in many instances are creating conflicts with traditional ideas, attitudes and relationships.[21] 'For example, 'empowerment' through 'financial solvency' resulting from TSO initiated activities brings a sense of security to the weakest—the women, but it 'destabilises' gender relationships by creating a voice for the women (especially the wives) in family decision-making (e.g. reproductive or even purchasing). This 'unwelcome' empowerment is antagonising traditionalists and undermining the programmes' potential. Thus, offering a consciousness raising programme for the programme beneficiaries' families (e.g. husbands of the micro-credit borrowers) or the local elites (e.g. traditional chief of the community) can improve sustainability of the TSO and related programmes, and allow the organisation social legitimacy.

As seen in some countries, for example in Thailand, TSOs strive for social legitimacy more than having a system of ensuring answerability (Vichit-Vadakan, 2006). The legitimacy suffers if the existing socio-economic norms are challenged or even questioned. A good answerability mechanism in such a situation cannot offer organisational sustainability. This is true for a democratic country like India (the caste system hardly can be questioned not to mention challenged), or even in a totalitarian system like China (e.g. TSOs that are explicitly seen not to be following the existing social norms lack a mother-in-law and thus legitimacy). The good thing is in both situations TSOs that do not subscribe to the existing social norms are allowed to function—in India, without any governmental funds, and in

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[21] For example, where women's venturing outside home alone is not even socially allowed (e.g. Bangladesh, India, Pakistan) the TSOs are encouraging women in employment outside home by providing them training and micro-credit, as appropriate.

China being registered under the Company law. The practice (or even perception) of a stricter regulatory regime for the TSOs may harm the TSO causes and influence its governance pattern.

Many TSOs in all these countries have grown over the years to react to the supply of funds and/or increase in goods/service demands. At the initial stage these organisations, having been small, started with boards of 'vetting friends and relatives' (Smillie and Hailey, 2001). Although they grew large, they did not change this character. Instead, many TSO leaders got involved in allegiance and support exchange by being in each others 'board'. As a result, the 'boards', in many instances, became ineffective. This phenomenon is evident in India, Indonesia and the Philippines. In China, boards/committees are associated largely with the establishment and have to follow the Party 'line'. Thus, stakeholder relationships in all the participating countries have been influencing TSO governance in different ways and at varied extent.

The Intervening Socio-Political Phenomena

In this Chapter, so far we have discussed some socio-economic and political phenomena that explain the nature of TSOs and TSO governance in our participating countries. In our comparative analyses and country chapters, we have highlighted some major findings of this study like the intertwining of management and policymaking functions as governance, accountability to public is more important than accountability to the government, the outcome and actors are more important than the process, etc. Now the question is what factors in these participating countries are responsible for these TSO governance related values? In our previous discussions, we have looked beyond the 'frame'; in this section, our endeavour is to identify some socio-political phenomena of the six participating countries that may explain the responses on the one hand, and provide hints on the other as to what factors help shape TSO governance in our participating countries (China, India, Indonesia, Philippines, Thailand and Vietnam). The socio-cultural features that seem to be common in all these countries are: hierarchic community structure and patron-client relationships, kinship primacy, and personal integrity and self-discipline.

Hegemony Bolstering Hierarchic Community Structure

The south Asian society in general is characterised as a 'domestic society' or a 'society of households' *(garhasthyapradhan samaj)*, a society in which the strongest social bonds are centred on the authority of parents and other elders within the family (Chatterjee, 2002, p. 167). The other parts of Asia are no different. For example, according to Confucianism unequal relationships among people is normal

and required for a stable society. In practice, the suggestion that the superiors have 'to act righteously' also implies that those in positions of power should use their authority to further the welfare of their subordinates. Thus, the superiors have traditionally been expected to provide material benefits in return for an inferior's support.

According to the Hindu doctrine, the main religion of people in India, there are three ends of life and individuals are to attain those: *dharma*[22] (gaining religious merit following the Sacred law), *artah* (gaining wealth by honest means) and *kama* (pleasure of all kinds). The first one involves many religious duties and regular carrying out of Five Great Sacrifices (*pancha-mahayajana*) daily. These include the worship of the World-Spirit, ancestors and gods. But then the worshipping to God can be better (or only be) performed by the higher caste individuals. This strictly rigid hierarchic nature of religio-social practices enforce a patron-client relationship that is mutually supportive, and even influences TSO governance.

In some countries, for example Thailand, 'governance' has been 'a state which is operated with virtue' (Uwanno, 1998). Two Thai scholars (Uwanno, 2000; Panyarachun, 2000) opine that even when the governing system was absolute monarchy, there was 'royal governance' because the monarch possessed absolute ruling power, but was required to adhere to the ten Buddhist principles known as '*thotsaphitrajadharma*'.[23] Thus, this relationship is hierarchic based on certain principles. At the micro-level, social order in Thailand has been, in most cases, achieved by means of patron-client system—a quasi-symbiotic relationship—that is the clients serve and respect the patrons, while the patrons protect their clients. In such a system, the mechanism, which ensures that the more-powerful do not take advantage of the less-powerful, depends for the most part on the conscience of the patrons. As such, the system cannot be "governance" in a true sense (Vichit-Vadakan, 2006).

A combination of Malay culture and Catholic Church allows the Filipinos to establish and nourish a hierarchic system in TSO governance frame. As highlighted by the participants in many workshops organised by the Philippines team undertaking this research that the TSOs prefer to include a *ninong* or godfather in the board 'who can provide assistance in whatever way to a godchild' (Domingo, 2006) depicts the feeling in the Philippines. Islam, the main religion in Indonesia, does not allow hierarchy among human beings (all having equal access to God without any intermediary). Nonetheless, the prominent traditional Javanese culture in Indonesia emphasises hierarchic divisions in society which is manifested in TSO governance. Further, Communist political tradition and Buddhist belief system in China and Vietnam emphasise discipline and subjugation to authority on a very strict vertical line.

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[22] The first one involves many religious duties and regular carrying out of Five Great Sacrifices (*pancha-mahayajna*) to be performed daily. These include the worship of the World-Spirit, ancestors and gods (Hasan, 2001a).

[23] The principles, based largely on Buddhism, are, for example, generosity, high moral character, non-violence and non-oppression (Vichit–Vadakan, 2006).

When the members of an informal social group subscribe and submit to the leaders—a patron-client relationship is born and sustained over time. The pattern is imitated in every aspect of the concerned individual's life. In a community, the leaders ensure their 'patron' status through positive and negative (humiliation and/ or isolation) rewards. In our participating countries, the sources of production are meagre and economic institutions are not well developed. In such a situation, people have to strive to develop a patron-client relationship with individuals having (or even having access to) economic and social power. In fact, in most cases, out of gratitude (or frustration) the receivers tend to remain bound to the givers, often being submissive to the givers' exploitative desires. The phenomenon is abundantly reflected in TSO governance. Even in the TSOs, the patron-client relationship is ingrained in many different ways. For example, the TSOs dependent on overseas or government funds are divided hierarchically. Smaller TSOs need to establish and sustain relationships with large TSOs for reciprocal (unequal) exchange. Smaller local TSOs may receive funds through, or on the recommendation of, larger TSOs or the intermediaries.[24] In essence the hierarchic relationship where the people in the lower stratum accept their inferior and the others superior status reinforces what Gramsci termed 'hegemony'—where the interests of the elite is portrayed as 'common good' in that if nurtured it will serve the people with less economic and/ or political power.[25] Hegemony in a society, in order to be self-supporting, creates kinship primacy.

Kinship Primacy

Pye (1999) suggests that the Chinese society showed little social integration beyond family, clan and personal relationships. In a similar vein, Fukuyama (1995) argues that those Confucian cultures which emphasise kinship over other ties have lesser capacity to develop trust among unrelated individuals. Confucianism in fact emphasises family and suggests that the family is the model for all organisations. The thought is the source of kinship primacy in China which finds resonance in other parts of the participating countries.

The Chinese term *guanxi* signifies the power of individual influence. In China, people with high social status (e.g. retired high ranking public officials, movie stars, famous entrepreneurs) give TSOs reputation and recognition by being in the TSO boards. Thus, the largest percentage of respondents in China thought that a managing committee/board brings tangible resources for the TSOs (Ding, 2005). The matter relates essentially to the Chinese system of *guanxi* or personal connections that extend to those who share a certain identity (village, town, province or alma mater).

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[24] A good discussion on this phenomenon is available in White (1999).

[25] For a good discussion on hegemony and its impact on human relationships, please see Gjerde (2004).

In the context of TSO governance in China, the tradition of *guanxi* denotes a network of informal personal relationship that forms an invisible bond between the board/committee and the Chief Executive Officer (CEO; Ding, 2005).

In Thailand (a predominantly Buddhist society), there is the concept of *bun khun* (moral obligation or gratitude that one owes to others for money, advice, favour, assistance or even to the parents for giving birth). *Bun khun* must be returned regardless of time, space and frequency. The concept of *bun khun* reflects an internalised norm of reciprocity among family, kinsmen, friends and others who provide goods and services to a person. Whenever there is a chance to reciprocate *bun khun*, one has to do so, especially when those who do good need assistance (Tosakul-Boonmathya, 2001). Similar norms like the *utang na loob* (debt of gratitude) are evident and dominant also in the Philippines (Domingo, 2006). The TSOs cannot be formed without following these fundamental principles of community relationships, nor can TSO governance escape respective norms.

Then there is the concept of *Mengabdi* (subservient to family and friends) in Javanese (Indonesia) culture that is similar to Confucianism in the sense of human obligation to the family and community. The people with authority (economic or political) are supposed to provide unquestionable support for the people in need.[26] These strong local/traditional values/systems are manifested in the key informant surveys in all the participating countries[27] and are fundamental in the understanding of TSO governance in the participating countries.

In rural societies in Asia, people live in close proximity to each other emotionally as well as physically, forming units of social groups that Hasan (1988) calls 'shadow units' and 'shining units', respectively. The 'shadow units' comprise of nuclear groups (of meal sharing), extended family (name sharing), kith (ancestry sharing) and society (affinity groups—pride sharing). These units are able to create strong bond among the members because the members join these units for blood and marital relationships and not for just geographic proximity to each other. The members in these shadow units join together to form strong group solidarity through mutual dependence and a sense of security, and thus create bonding social capital (Gittell and Vidal, 1998; Putnam, 1993).

There are also some visible or 'shining' units of social living and solidarity formation, for example homestead, neighbourhoods or a village. People living in 'shining' units are not related to each other through blood or matrimony. Outsiders can see these units and their physical boundaries and relations. These 'shining' units of social relationships in Asian rural areas have weak bonds; nevertheless they form social capital through trust, belongingness and mutual hierarchy. These major internally generated groups reinforce kinship primacy in social and organisational life of the related individuals.

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[26] I attended meetings organised by our Indonesian partners to explore TSO governance in Indonesia with some TSO leaders. A TSO leader told me that many people now blame President Suharto for nepotism, but if he had not looked at the interests of his Javanese community, his kin group would have blamed him for betraying the 'norm' liable of being ostracised.

[27] Please see the country chapters in this volume for details.

These 'shining' units of social relationships often played significant roles in the lives of new settlers in the area, who arrived for hundreds of years in search of prosperity.[28] The indigenous communities though tolerate 'outside' invasion for a broader future potential remain committed to kin loyalty. Being faced with this strong 'wall', the new comers in any society, while in the process of creating bridging social capital, can never ignore the need for kin dependence and supporting. Worth remembering, however, that a restricted access to resources (due to natural, physical, economic, cultural, political or technical constraints) poses a big threat to the individual's existence in resource-poor countries like our participating countries, and related fear of deprivation create egocentricity and aggression among many individuals. This apprehensive state of mind precludes development of mutually respectful and cooperative relationships across kin and/or regional groups and thus among the TSOs.

However, these socio-political phenomena like the hierarchic structure and kinship primacy are likely to make any and every TSO dysfunctional (being self-promoting) and/or degenerate into self-gratifying cliques. Why has not that happened? The answer (as indicated differently in each of the Country chapters) seems to lie in the social norms that emphasise the importance of maintaining smooth interpersonal relations and social harmony on the one hand (see Chap. 4), and personal integrity and self-discipline on the other.

Personal Integrity and Self-Discipline

Asian values grounded on religion and tradition heavily influence the TSO governance processes, both positively and negatively. Emphasising duty to one's occupation, *Vruitti Dharma* (the precursor of the caste system in India) binds Indian TSO leaders and staff to dedicate their work in a TSO as a personal commitment to God. *Vruitti Dharma*, found in Indian religious scriptures, was cited by 80% of the organisational respondents as a meaning of governance. This is an expression of a worker's adherence to religious values. It is self-binding and therefore considered as the most effective and integral part of governance. Key informants in India associated 'governance' for the third sector with a set of values—integrity, moral commitment, equity, a bonding with society and socio-economic justice. Third sector governance, to many of the respondents in India emerges from the human values of justice, and self-check and thus to them being accountable to one's conscience is also is a strong feature of governance (Dongre and Gopalan, 2006).

As Thai society evolved from a highly individualistic society with the domination of the public sector as prime employer into a business/professionalised and yet less individualistic society, certain changes did occur. Where compliance is required and enforced, where personal negotiations, exceptions or exemptions are not expected to

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[28] Please see Chap. 2 for more discussions.

rule the day. The essential criteria of rule of law, commitment to excellence, fairness, integrity and honesty are there to dominate professional behaviour even in the third sector. These standards are imposed externally on individual actors in a system where exceptions tend not to be allowed. People working in the TSOs in Thailand must have integrity in their professions since they work with the disadvantaged and may be tempted to indulge in corrupt practices to serve self-interests even with the public funds. The TSOs themselves are vigilant of each others behaviours and have developed mechanism for dealing with deviation of integrity.[29]

Self-discipline has been important for many TSOs in China. For example, a large and very reputable TSO, the China Youth Development Foundation, considers self-discipline in the form of strict management and increased oversight are the two major reasons for TSO reputation in society (Ding, 2005). In the Philippines, respondents referred to governance as adhering to the values of integrity, social responsibility and social consciousness in personal and organisational behaviour (Domingo, 2006). The organisational respondents in Indonesia refer to values, and believe that governance must involve high ethical and personal moral values, including organisational ethics, fairness in decision-making, free from any discrimination, honesty, gender equality, efficiency and effectiveness (Radyati, 2006). Thus, personal integrity, moral uprightness and self-discipline have resonated in the understanding of TSO governance in all countries, and are the defining factors in TSO governance.

Conclusion

None of the three (public, business and the non-profit distributing) sectors can meet the complex needs of the modern society. Further, none of the sectors can achieve its best potential impact without the help of the other two sectors in a concerted way. The state, business and the third sector have to work hand in hand to maximise the impacts of all the sectors on society. It seems from this study that the government organisations have realised the fact as much as the TSOs have in different countries since the 1960s.

Nonetheless, the TSOs in our six participating countries have to deal with a more robust or interfering legal and administrative system than the Northern countries. But then again due to operational laxity and ambiguity of the arbitrarily created legal framework, the TSOs lose motivation for ensuring good governance and developing a better accountability system. A lack of uniformity in the legal framework also provides opportunities to the TSOs for entity shifting to avoid responsibility.

A major aspect required for the success of TSO governance is a friendly and congenial legal and political environment created by the government. A positive environment can ensure a better functioning of a stricter legal regime and TSO governance. In a congenial environment TSOs themselves tend to create a tougher and effective code of self-regulation. Nevertheless the absence of a transparent and

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[29] This paragraph is based on Vichit-Vadakan (2006).

accountable local administration and local government systems creates challenges for TSO governance. In many countries, it seems, that because of the presence of overseas donor agencies many TSOs use the corporate governance tools of accountability; nonetheless 'donor-density' creates problems for governance in many donor-supported TSOs because the TSOs tend to move to the donors with less monitoring mechanism and regulatory requirements. Enhanced 'exit-ability' thus creates an unwarranted accountability gap in TSO governance.

Because of the above two major factors (lack of accountability in government organisations) and (lack of donor's interest in governance), many TSOs may ignore the importance of having a well-performing 'board' or any real transparency in their own governance. The challenge for governance is balancing act to survive and function within the socio-cultural realities (not taking the risk of being destroyed by the social forces or the establishment). But then the TSOs aspire for acceptable faces or a 'sale-value board'. Mutual support and allegiance between TSOs may be used to guarantee organisational continuity. This results in the formation of an 'allegiance and support exchange' board by the TSO officials who take positions in each other's 'board'. These 'sale-value' boards can hardly achieve the intending outcomes of good governance. These allegiance and support exchanging TSO leadership have been a hindrance to a good system of third sector governance. There also has been a popular belief that founder-controlled TSOs fail to institute professionalism and function with a slack governance and accountability system. But the organisational data in our study show that only a small percentage of TSOs has a founder-controlled governance system; so that is a good news.

A strong board can work to enhance the TSO programme of sustainability by attempting to influence the stakeholders. For example, many high impact empowerment programmes create 'financial solvency' of the 'vulnerable' that brings a sense of security and decision-making power. This can only be sustained through the organisation's initiatives in consciousness raising programme for the 'elite'who are keen to see that the TSO programmes do not jeopardise power relations founded on social and/or economic hierarchy. In most cases, in all our participating countries, however, boards fail to undertake such measures so as not to jeopardise their own relationships with external stakeholders. Many rigid cultural features impede governance efficiency because the intent of maintaining a relational status quo makes the boards ineffective and protect the social, class, gender and caste (in India) structure and relationships.

As seen in some other contexts, the TSOs in our participating countries have grown independently from political society, and it seems that these two so-called instruments of democratic governance have continued to follow a pattern of silo-growth.[30] This 'silo-growth' of democratic governance is a result of and reinforces

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[30] For example, Hasan, Lyons, and Dalton (2004) argue that in many Asian countries political parties and civil society emerged almost independently of each other and, despite successive free elections, these two so-called arenas of democracy have continued to follow a pattern of silo-growth, and many civil society organisations and political parties have also failed to develop a form of 'in-house' democracy. This 'parallel' and uncommitted path to democratic governance seems to be the major hindrance of TSO governance in our participating countries as well.

distrust and conflicts between the two. The third sector and the government institutions are claiming and protecting their 'turf', thus the government organisations (especially at the local level) do not encourage open or transparent TSO governance so that their own system does not look too bad.

State institutions in all our participating countries (due to low resource availability and different priorities) have proven not to be capable of fulfilling the citizens' every needs (in particular of the disadvantaged group), though the people have a very high achievement orientation (cf. Merton, 1949). This (perception of the) failure has reinforced people's particularistic obligations (Lipset and Lenz, 2000) guided by the commitments to the family, friends and network. This attitude or a sense of obligation (often beyond the institutional constraints designed by the rules) will continue to influence TSO governance like all aspects of social and political lives in our participating countries.

Asian third sector organisation governance is seen to be concerned with formulating, reviewing and realising the TSO's vision, mission and goals. This relates to decision-making processes and structures involving the board, leader and staff. Decision-making in the TSOs need to be democratic and participatory but need not necessarily be following the one man one vote norm—consulting the stakeholders and protecting everybody's interests may suffice, so far as some informants in the participating countries are concerned. Democratic governance in the TSOs is thus about good intention of equitable outcome by the CEO, leader or the members, and not about participatory policymaking predominantly by a democratically elected board. The ends-means schema is reflected in the peoples' (goods and services providers as well as receivers) perceptions of and attitudes towards third sector organisation governance in the participating countries; democratic or good governance in the TSOs appears not to be about means (i.e. by the people), rather it is about the ends (i.e. for the people— *summum bonum* or the greatest happiness of the greatest number).