ASIA PACIFIC PHILANTHROPY CONSORTIUM

STRENGTHENING PHILANTHROPY IN THE ASIA PACIFIC:
AN AGENDA FOR ACTION

Background Paper: Hong Kong

July 2001
INTRODUCTION
The objective of this paper is to present a wide range of ideas in an orderly manner for assimilation by our audiences, who consist of two major groups:

- Members of the Asia Pacific Philanthropy Consortium (APPC) and conference participants who would like to share our experiences in promoting philanthropic giving and sectoral cooperation; and
- APPC members who would like to analyze the constraints of our present system that may hinder program improvement, in order to come up with an agenda for action on planning APPC’s future work.

To accomplish this objective, we needed a framework that would accommodate perspectives that are, in most cases, complementary, but sometimes contain conflicting viewpoints. Fortunately, we were able to identify such a framework within the discussions themselves. It would be useful to explain this theoretical framework at the beginning of the paper.

THEORETICAL FRAMEWORK
The key to success for program expansion is a common concern for everyone in the nonprofit and philanthropic field. Consequently, we sought to identify Hong Kong’s successful experiences, but soon realized that our current practices, as good as they can be, are bound by existing ways of thinking, which could constrain further program improvement. This led us to the investigation of another important topic: What are the present undesirable situations that hinder program improvement and hamper the effectiveness of philanthropic giving?

Our theoretical framework is thus built around two related themes: the first is how large-scale social impact could be attained through leading philanthropic institutions and successful practices; the second deals with how existing constraints can be altered or removed through a paradigm shift process. By moving from the first to the second theme, we extended our inquiry from “How do programs expand?” to “How do organizations perform?” (Letts, Ryan and Grossman 1999). In searching for a future profile that unites program expansion with organizational capacity building, we must deal with yet another important question: “What enables organizations to perform well?” (ibid.). It is noted that organizations and programs are inseparable twins that drive performance and determine outcome. Instead of focusing only on funding program expansion, factors affecting organizational capacity building are examined. We would like to know how philanthropy can address both program development and organizational capacity building, leading us to the realm of sustainable large-scale social advancement. The role of philanthropy in addressing these questions will be examined and an agenda for action formulated.

STRUCTURE OF THIS PAPER
With the adoption of a framework that covers both successful experiences and undesirable situations in Hong Kong’s present philanthropic scene, the structure of this paper will run parallel as follows:¹

- First, we will examine the status quo and ask ourselves the question: “Where are we?” We will begin our inquiry by introducing successful experiences to APPC members for their reference.
- Second, we will take one step forward and consider: “Where are we going?” What are the undesirable situations at present and what is the desired future profile under which our philanthropic and other third sector entities should be operating?
- Lastly, we will examine the follow-up question: “How to get from here to there?” as we try to formulate an agenda for action in bridging the status quo with the desired future
profile through a paradigm shift process. Concluding remarks and future steps will be presented at the end.

CONTEXT OF PHILANTHROPY IN HONG KONG

A BRIEF REVIEW OF THIRD SECTOR DEVELOPMENT

Hong Kong has a long history of NGO development, dating back to the early post-World War II era. Civil society, in the form of voluntary agencies or NGOs, has been heavily involved in the delivery of community services for a long time. Even before the British colonial government started to provide basic welfare services to the public, various activities had already been provided by NGOs, including local charities and community groups, international relief agencies and branches of overseas religious bodies.

When the government began to take more responsibilities in funding welfare services, it soon realized the importance of involving NGOs in service delivery as an effective interface between citizens and the government. With community leaders involved in the operation of NGOs, valuable “volunteer resources” from the civil society were also garnered to oversee the operation of subvented welfare services. In short, the early period of social welfare development in Hong Kong owed a great deal to the synergy attained through the interaction of government and the third sector.

After decades of development, government support in education, health and social welfare has become extensive and substantial, despite Hong Kong’s status as a low tax territory. For the year 2001/02, the government’s budgeted funding to these three areas are, respectively, HK$47,550 million (US$6,143 million), HK$31,810 million (US$4,110 million), and HK$30,230 million (US$3,906 million), with a substantial amount of funding being channeled to NGOs that operate in those service fields. They are the three big spending areas of the Hong Kong Special Administrative Region (HKSAR) Government and represent approximately 50 percent of the total government budget of HK$219,415 million (US$28,348 million) for 2001/02.

Generally speaking, the development of the third sector has been accompanied by an overall favorable legal, political and socio-economic environment. However, the high level of government funding has resulted in both favorable and adverse impacts on third sector and philanthropic development. These will be examined in later parts of this paper.

THE PRESENT PHILANTHROPIC SCENE – MAJOR INSTITUTIONS

The present scenery of Hong Kong’s philanthropic landscape can be revealed by examining the case of social welfare. In 2000/01, government subventions to NGOs in social welfare services alone (excluding social security spending) amounted to HK$6,410.5 million (US$828 million). Whilst government subvention is the single most essential funding source for many social welfare services, other philanthropic entities are undertaking supplementary roles, most notably the Hong Kong Jockey Club Charities Trust (a foundation that disburses all the surpluses of the Hong Kong Jockey Club, which runs the only legalized gambling in Hong Kong) and the Community Chest of Hong Kong (a United Way-type organization undertaking fundraising on a centralized basis for 85 percent of Hong Kong’s social welfare agencies). Allocations by the two entities to support charities and community projects in 2000/01 amounted to HK$1,100 million (US$143 million) and HK$180 million (US$23 million), respectively.

The Hong Kong Jockey Club is a totally non-profit-making organization that runs racing and betting under government license, and devotes a substantial part of its effort and all of its surplus funds to supporting charitable projects. In addition to directly funding social welfare services, it also provides a substantial source of revenue to the government through taxes on betting, which accounts for more than ten percent of all government revenues. Its
recurrent funding to meet the Community Chest’s administrative costs also allows the latter to fulfill its pledge of allocating 100 percent of the donations it raises to its 140 social welfare member agencies.

Despite working closely with the government in supporting various causes, the Jockey Club is an independent body, making it more flexible in responding to community needs. Similarly, the Community Chest works independently of the government and relies on hundreds of volunteer board and committee members to undertake various fundraising and allocation tasks. Both the Jockey Club and the Community Chest have thus fulfilled an important role in encouraging public participation in philanthropic activities as well as meeting those immediate needs of the community and of NGOs that government funding cannot fully cover.

As for fundraisers apart from the Community Chest, there are numerous international relief agencies, as well as local charities (including many of the Community Chest’s member agencies), undertaking numerous fundraising programs all year round. Such fundraising events as flag-days, raffle tickets and walkathons are very frequent, but their approaches are so similar that the public may find it difficult to clearly distinguish the causes they represent when making donations.

These events approach the same donors, whether corporations and their own foundations, private foundations, individual philanthropists, or members of the general public. By far the largest contribution to charitable causes comes from the corporate sector, which not only make donations from its own coffers or foundations, but also helps charities by organizing and motivating its employees and its customers and clients to support fundraising events. A good example is “Walks for Millions,” organized by the Community Chest. It raises some HK$16 million (US$2 million) from as many as 200 teams of corporate employees each year. Several major banks in Hong Kong also support charities by issuing appeal leaflets on behalf of charities to millions of customers, together with their monthly statements. Almost all of the retail banks provide a donation channel through JETCO and HSBC ATM, their joint networks of thousands of Automatic Teller Machines. Several corporations have come up with creative ideas for getting their customers to donate to charity in a painless and convenient manner. For example, public utility companies that provide telephone services and electricity to households invite their subscribers to round up the odd cents/dollars of their utility bills to the nearest round sum as a donation to the Community Chest. Of the HK$180 million (US$23 million) raised by the Community Chest each year, some 70 percent comes directly or indirectly from the corporate sector.

Hong Kong businesses give to charity for reasons not dissimilar to those of United States corporations, and indeed, the philanthropic strategy of many multi-national corporations has set the standard for local corporations to follow. They give to causes that would improve their corporate image, generate a competitive advantage, enhance employee morale and team-spirit, consolidate customer loyalty, forge stronger ties with the local community and obtain goodwill from decision makers, whether in business or in public policy. Participating in philanthropy has become part of an overall business strategy for many large corporations, with the specific objective of increasing business returns. Tax benefits are usually not the major consideration to participate because of Hong Kong’s low tax rates of 15-16 percent for both business profits and salary income (there is no tax on investment income and capital returns, etc.).

Because the Chinese community is deeply rooted in Confucian and Buddhist teachings, giving for altruistic reasons remains a major motivating force among local philanthropists. Many have established private and family foundations, such as the Kadoorie Foundation, the Shaw Foundation and the Tung Foundation. While these philanthropists do not expect business returns, many nonetheless follow a laid-down strategy in choosing the causes and the NGOs that deliver the required services.
Data on charitable giving in Hong Kong are not readily available, although some studies have been made, notably a 1996 paper by Suzy Moser of the Hong-Kong America Center at the Chinese University of Hong Kong. The study surveyed philanthropic giving by Hong Kong foundations. The Inland Revenue Department produces a global figure on tax deduction claims, but many donors do not apply for tax deductions, since they are only allowed for donations to Hong Kong charities that have been granted tax exemption status by the Department. Central Policy United of the Hong Kong SAR Government is currently undertaking comparative research on the third sector that covers philanthropic giving by Hong Kong people, not only to local charities but also in Mainland China. When completed later this year, this project should add substantially to the data available on philanthropy in Hong Kong, as well as giving by Hong Kong people to charities on Mainland China.

**Sectoral Cooperation, Program Expansion and the Transfer of Successful Practices**

The experience of St. James Settlement, an NGO that participated in our discussion, has shown that, in planning many innovative service programs, sectoral cooperation has always been a critical factor, alongside funding, in ensuring the successful achievement of program objectives. A brief examination of several programs undertaken by the agency indicates that successful programs share a common feature – bringing together extensive volunteer community resources from different societal and professional sectors to tackle problems that have not received the attention of all sectors of the community. Successful program expansion would therefore require not only funding support, but also the agency’s skills in enabling sectoral cooperation to develop and materialize.

In recent years, it has become more common to find NGOs adopting the entrepreneurial spirit of running quasi-business ventures. There are NGOs that offer childcare, counseling, and other services to the employees of business enterprises on a fee-charging basis. Besides generating fee income, volunteerism by employees of business enterprises is also very valuable to the NGOs undertaking the business venture. An example of a successful NGO business venture is the establishment of a specialized service to install safety alarms for elderly persons living alone. A few years ago, when there were concerns for the safety of elderly people, both for-profit and nonprofit enterprises were set up in the market to provide safety alarm-cum-emergency center services. Eventually, the nonprofit operator proved to be more successful in gaining the support of elderly people, due to its more personalized approach to service.

Another noteworthy case on program expansion and knowledge transfer is the establishment of the China Charity Federation in Mainland China, which was assisted by the Community Chest of Hong Kong. The China Charity Federation has developed as the most influential philanthropic institution in China within a relatively short period of time. This has been achieved partly through the transfer of successful practices from Hong Kong. Among other things, the emphasis on accountability to donors through proper reporting and annual audits was implemented in its early stages, following Hong Kong’s long-established practices.

**Challenges and Constraints to Sustainable Funding**

**Crisis of the Third Sector**

The development of the third sector is at a crossroads in many parts of the world, and Hong Kong is no exception. With the government’s long adopted policy of involving NGOs in service delivery, most welfare services in Hong Kong are now provided by NGOs through government subvention. However, due to the rigid subvention rules and over-reliance on public funding, many NGOs have lost their pioneering instincts. The “voluntary sector”
has gradually been transformed into a “subvented sector,” with many NGOs operating as if they were an extension of the government. Volunteer involvement at the NGO board level has also been weakened due to highly standardized subvention rules that leave very little room for boards to exercise independent thinking and innovation.

Consequently, the failure of many subvented service programs to address emerging service needs and eliminate persistent social problems has opened up questions about the effectiveness of NGOs that have been heavily involved in the delivery of the ineffective programs. With the absence of effective outcome measurements, NGOs are generally unable to demonstrate the value of their services to the public. The aggregate outcome has been the emergence of an undesirable situation in which the government is often blamed for reacting inadequately to community needs while the effectiveness and legitimacy of the nonprofit sector are questioned because of their inability to resolve many societal problems. The NGOs often appear to be advocating for their self-interest instead of the interest of their clients. Cooperation between government and the NGO sector is unsatisfactory, and it is unfortunate that the two sides blame each other. The nonprofit sector considers government bureaucracy and insufficient funding as the fundamental problems, while the government believes that the self-interested and uninventive nature of some social welfare agencies and their inefficient resource allocation mechanism are the root causes. Following the trend of many western welfare states to privatize community services, market principles have been applied to govern the new government-NGO relationships. This may have a positive impact on efficiency, but at the same time, it may further hamper the development of the intrinsic qualities of NGOs.

In short, the third sector in Hong Kong is not only facing financial and economic crisis due to stringent control of rising public expenditure and market competition, but more importantly, the sector must address the need for effectiveness and legitimacy as essential in re-establishing community trust in NGOs and the services that they deliver.  

PROBLEMS OF THE PRESENT PHILANTHROPIC SCENE

The undesirable situations of Hong Kong’s present philanthropic scene require urgent attention. After having been extensively funded by government for a long period of time, many subvented NGOs become completely reliant on increased government funding for program expansion and meeting new service needs. Government funding to many NGOs has been as high as 90 percent of their total income. Without a doubt, secured recurrent funding is preferred by most NGOs. While fundraising is still frequent among NGOs, donations raised are mostly used to top-up government funded services. Donors are not keen on funding the deficits of subvented services. As a result, most NGOs are unable to develop fundraising programs that can cultivate long-term donor support. Many subvented NGOs are not interested in building up their fundraising capacity, which is viewed as an undesirable chore and a distraction from service provision. Consequently, many NGOs give up the important task of promoting their services in the community-at-large through philanthropic activities.

Moreover, philanthropy is perceived by many NGOs as merely a means to raise funds, and its other important social functions are very often ignored. Over-emphasis on event-based fundraising strategies and the single-minded focus on achieving fundraising targets have weakened the role of philanthropy in enhancing civic engagement and community building. Many fundraisers are indeed event organizers with little knowledge about service activities or how fundraising can be undertaken to cultivate donor loyalty and encourage them to actively participate in the agencies’ activities. Corporations and their staff are encouraged to donate and to participate in fundraising events, but not to become involved in NGO operations. Community building is not considered a function of fundraising and is often left entirely to the service providers. As a result, more advanced practices in fundraising, including the promotion of volunteerism and corporate citizenship, are yet to be developed.
in Hong Kong. Besides, the dominance of only a few philanthropic institutions, such as the Community Chest, hinders the development of a more pluralistic philanthropic scene.

**THE FUTURE PARADIGM: NEW RELATIONSHIPS BETWEEN GOVERNMENT, BUSINESS AND CIVIL SOCIETY**

To remedy these undesirable situations, new roles and responsibilities need to be undertaken by all three sectors and new relationships built among them. Efforts have been made by all sectors to initiate changes. Hopefully continued efforts will fuse synergistically and lead us to a new paradigm for better development of philanthropy and the third sector.

The HKSAR Government now recognizes the important role of a robust third sector in ensuring the delivery of quality services and effective public governance. Comprehensive reforms have been undertaken to revamp the social welfare subvention system as well as the service planning and evaluation system. In addition to enhancing the cost-effectiveness of services, the objective of the reforms is to uplift the adaptive capacity of NGOs so that they can become more flexible in utilizing available resources and be more responsive to community needs. Thus NGOs are now expected to serve as the government’s close partners in generating new ideas and devising new approaches to tackling emerging as well as long-standing social problems. In turn, government is expected to maintain an overall enabling environment for NGOs to nurture their intrinsic qualities. Its policies should facilitate NGOs in building their organizational capacities so as to respond better to community needs in a more comprehensive manner, instead of treating them as mere service providers under market discipline.

Involvement of the business sector is also essential for the advancement of philanthropy and the third sector, and its influence can be made through various means. In addition to making donations, top leaders and philanthropists from large corporations have become very enthusiastic about developing and undertaking joint programs with NGOs. They are encouraging their employees to offer volunteer services to the causes they are funding. This has given rise to an unprecedented opportunity for promoting corporate citizenship and volunteerism in Hong Kong. Volunteering from the corporate sector is not just limited to the provision of services or mere manual labor. Instead, professional expertise and best practices of the business sector can be transferred to the nonprofit sector through different levels of business employees volunteering in the operation of NGOs and serving as board members, advisers, or consultants in accounting, marketing, information technology, etc.

In view of the urgent need of the third sector to advance their management skills in the midst of various reforms, numerous attempts have been undertaken to transfer knowledge and expertise from the business sector to NGOs. There have been suggestions to institute such advanced management techniques as benchmarking, total quality management (TQM) and the Balanced Scorecard. Ideas to develop tailor-made Enterprise Resource Planning (ERP) systems for social welfare NGOs are also being explored. Such systems can assist NGOs in integrating their financial information systems with a service planning and evaluation system, i.e., linking input resources to outcome measurements. Another example can be found with Creative Initiative Foundation, established in Hong Kong by Po Chung, co-founder of the multi-national corporation DHL International. It proactively assists NGOs in undertaking fundamental strategic reviews and change management workshops that have proven to be applicable to both business and not-for-profit enterprises. Recognizing the management training needs of NGOs, the Creative Initiative Foundation is also considering establishing a “Center for Nonprofit Management” in Hong Kong. One of its mandates would be to help transfer management principles in the business sector to the third sector. Thus, the contributions of the business sector to the third sector can be multi-dimensional and can play a key role in empowering third sector organizations and sectoral cooperation.
In response to government’s various reform initiatives and changes in funding arrangements, the third sector has commenced its own transition. While many NGOs have separately undertaken various kinds of change programs, e.g., service quality accreditation programs, organization structure reviews, business process reengineering, etc., the role of intermediary support agencies is also undergoing significant changes. The Hong Kong Council of Social Service, an umbrella organization representing hundreds of social welfare NGOs, is currently undertaking a comprehensive strategic review. One of the possible moves under consideration is its transformation into a “Productivity Council” that helps local NGOs build their capacities for improving social impact. The Community Chest, which conducts collective fundraising for NGOs, has also commissioned its own reengineering study and has concluded that it should widen its focus from fundraising to promoting civic education and community building. The Jockey Club is becoming more proactive in identifying welfare needs and program activities, and would no longer limit itself to just examining funding proposals submitted to its office. The Marketing Consultancy Service, funded by the government to help market agencies’ services, has also adopted a new strategy to publicize NGO services in the community. Responding to the training needs of NGOs’ management staff, the School of Professional and Continuing Education of the University of Hong Kong is considering introducing overseas postgraduate programs on community management to nonprofit managers in Hong Kong. All these efforts and initiatives show that the third sector is actively preparing to adapt to the new operating environment and to build new and closer relationships with the government and the business sector for better tri-sectoral collaboration.

RESPONSES AND NEW DEVELOPMENTS

AN AGENDA FOR ACTION: CAPACITY-BUILDING FOR NGOs AND SECTORAL COOPERATION

With the government’s revived emphasis on the role of a robust third sector, there is a real opportunity for government, the business sector and the third sector to revamp the basis of their cooperation and achieve synergistic collaboration. In the previous section, it was shown that the three sectors have responded to the upcoming challenges by effecting different change initiatives. These efforts, which are, as yet, works-in-progress, may not deliver the desired outcomes if they are not pursued expeditiously and cautiously. In fact, we appear to be in a process of “muddling-through,” as no one can tell whether or not the reforms will really achieve the desired end results. It would be extremely useful to identify the critical success factors in undertaking these reforms and their related change initiatives. Below are some important areas where capacity building needs are urgent and should be taken into consideration in setting our action agenda for promoting better philanthropy and third sector development.

(a) Outcome Evaluation and Social Impact Assessment

Evaluating service outcomes and assessing a program’s social impact are important to ensuring that the needy and disadvantaged are well served and financial resources are well utilized. Focusing on outcome and social impact can provide a common ground for different actors to contribute their efforts, and it helps set the bearings for NGOs to plan and design the use of input resources. It also helps determine how activities are to be organized and performed, and identifies what level of output is to be delivered. Ultimately, inputs, activities and outputs should all be subordinate to outcome evaluation and impact assessment. No one would claim that outcome measurement and impact assessment are easy to perform, but neither would anyone deny their significance. Efforts are urgently needed trying out measurements that may not be very sophisticated initially, but over time, can be refined. In the course of so doing, services and programs can benefit and be improved continuously.
(b) Enhancing NGOs’ Board (Corporate) Governance

The governing board is an important constituency of NGOs. As identified earlier, board member participation in NGO activities has been weakened in Hong Kong compared to earlier times. This missing piece of effective governance should be re-assembled and appropriate training provided to board members as soon as possible.

(c) Promoting Corporate Citizenship and Volunteerism

The future of corporate philanthropy hinges on the development of corporate citizenship, which, in view of Hong Kong’s low tax regime and the regional nature of most of its major enterprises, is likely to become an even greater source of giving in the years to come. Individual philanthropy should, however, remain one of the dominating forces. Individual NGOs and intermediary support agencies need to invest more time and effort to capacity building in this area, but the multiple returns on increased donations, volunteer support, and community building would amply justify the extra work.\(^7\)

(d) Facilitating Knowledge Transfer Among Sectors

NGOs should make use of the emerging trend of sectoral cooperation to import applicable knowledge and expertise from other professions and the business sector, while upholding the unique missions of voluntary organizations. There may already be incentives for knowledge transfer to take effect, but there are other circumstances in which some sort of facilitation would be required. Nonprofit managers should undertake a proactive role in searching for the right transferable techniques and practices, while remaining cautious to moves that may appear to be advantageous initially, but could jeopardize the eventual development of the third sector.

(e) Management Training for Nonprofit Managers

All of the above efforts require nonprofit managers to play a key role, either with hands-on efforts in taking the lead, or as facilitators to make things happened. While our social workers are all professionally trained, under the new paradigm of sectoral cooperation, nonprofit managers will be required to take care of the multi-faceted capacity building needs of NGOs. Continued training and post-graduate education is therefore much desired for our NGO personnel. If we were to select one key area that could most acutely enable NGO organizational capacity building, it would probably be senior management training.

By emphasizing the above issues, it is hoped that an all-inclusive framework of NGO capacity building can be implemented, covering the needs of all major constituencies: the client perspective, the financial perspective, the internal perspective, and the innovation and learning perspective.\(^8\) Given that social problems would ultimately affect all three sectors of society, it is important that we empower actors of all sectors in order to achieve the notion of tri-sectoral collaboration and to ensure better service provision. Without a doubt, the clients’ needs are the top priority and we need to address it by instituting effective outcome evaluation models to assess the social impact of NGO services. We should look closely at the financial aspects of NGOs and assess their financial viability and efficiency, so that the funders, whether the government, businesses or individual citizens, can be assured that every dollar is well spent. We should ensure that the internal operations of NGOs are well structured, encompassing high quality operating procedures, well-trained and highly motivated employees and contributive and committed board members. Last but not least, welfare services should respond to changing community needs and innovations. Learning can be achieved by bringing together the minds and talents of all three sectors. By holding to the five areas for capacity building and guarding the four major constituencies, the transition and transformation of Hong Kong’s philanthropy and third sector can be a real success.

If a high degree of tri-sectoral cooperation can be attained, our capacity to deal with
community problems and the elevation of NGOs’ organizational effectiveness would be guaranteed. A major threat to third sector development is that some NGOs and support agencies, no matter how effective they may have been at one time, may become self-serving and lose sight of their original purposes. Involving more participants from all sectors in the management of NGOs can counteract such threats, since the common interest of the community can be more easily identified and continuously pursued. While change and reform are painstaking, we should bear in mind that by involving members of the community from all three sectors, the change process itself presents a very good opportunity for community building and will eventually give Hong Kong a more harmonious society.

**EXCHANGE BETWEEN HONG KONG AND MAINLAND CHINA AND INTERNATIONAL COOPERATION**

The organizational capacity building needs of NGOs appear to be equally applicable to the case of Mainland China, according to our discussions with local delegates in Beijing. Additional thoughts on international cooperation and how Hong Kong can undertake a more proactive role in supporting third sector development in China are presented below.

**(a) Knowledge Transfer and Staff Exchange Programs**

It is proposed that knowledge transfer on various topics concerning philanthropy and third sector development should continue to be carried out between Hong Kong and Mainland China. Our previous example about the establishment of the China Charity Federation, with the assistance of the Community Chest of Hong Kong, is one good example of such exchanges. Since service developments are relatively more advanced in Hong Kong, efforts should be devoted to enhancing knowledge transfers, so that the service standards of both sides can progress. One effective way of achieving these would be to organize staff exchange programs, in which the professionals of both agencies spend time in each other’s offices, preferably for a time period that is not too short. A further step would be the development of a “sister” relationship between two agencies with similar objectives, one from the Mainland and the other from Hong Kong. Such a formal tie would create a closer bond, not only between professional staff, but also among board members of the two agencies. It would also enhance knowledge and experience transfers that would be highly beneficial to both parties.

**(b) Internet Support Services and National Support Centers**

It is proposed that increased sharing among members of APPC could be facilitated, with each member developing its own area support center and hosting its own Internet website to provide support services to NGOs in its area. The significance of umbrella support agencies providing for NGO capacity building needs has been confirmed in our Beijing discussions. Sharing successful practices can be undertaken through these area support centers. Easy access to support services would stimulate cooperation among individual NGOs in the respective area.

**CONCLUSION**

Our theoretical framework implies that a “paradigm shift” process is necessary in leading us to the realm of tri-sectoral collaboration. By adopting the “action agenda” identified above, we have provided the logistical details for implementing the necessary changes. But with these logistical measures, the entire Hong Kong society – the SAR Government, the business sector, NGOs and our citizens – would need to change their mindsets and fundamentally address the “system problem” of our welfare services. Arguably, the conventional approach of subventing welfare services seems to have overlooked sectoral cooperation as a legitimate and perhaps more effective option, and relies largely on
government support and professional intervention, the current main stream. By now we should have realized that social problems can be best tackled with a participatory approach. The notion of “community governance,” with a high level of civic engagement, should be adopted to resolve joined-up problems in a joined-up manner.

If community governance is to be implemented, government should no longer be viewed as the sole source of authority and funding for dealing with community problems. Instead, the roles of other societal actors, including the markets, nonprofit organizations and informal spheres of families and civil society, should be emphasized so as to take advantage of their respective distinctive capacity in ensuring the all-round well being of our community. Ultimately, the success of the various reform initiatives discussed above will hinge largely on the level of civic engagement in our society.

PARTICIPANTS OF THIS PAPER

This paper is based on the views gathered during a number of discussion sessions organized in Hong Kong (January 19, February 1, 23 and 24, 2001), as well as in meetings held in Beijing (March 24-26, 2001). During these discussions, a wide range of issues on philanthropy and third sector development were addressed, including how Hong Kong can play a more proactive role in assisting Mainland China on enhancing the effectiveness of its third sector organizations. The views presented in this paper represent the consensus of the participants from Hong Kong, listed below:

Participants at the Hong Kong Meetings: (attendance at one or more of the meetings)
Ms Virginia Chan, Assistant Director, Hong Kong Council of Social Service
Mrs. Doris Ho, Charities Manager, Hong Kong Jockey Club Charities Trust
Mr. Michael Lai, Chief Executive Officer, St James’ Settlement
Mr. Terry Farris, Managing Director, Farris Associates Ltd. (Nonprofit Consultant)
Mr. Robin Gill, Deputy Secretary for Health and Welfare, Hong Kong SAR Government
Mrs. Justina Leung, Director, The Boys’ and Girls’ Clubs Association of Hong Kong
Mr. Roger Moss, Senior Adviser, Goldman Sachs (Asia) L.L.C.
Ms Christine Loh, Chief Executive Officer, Civic Exchange
Mr. Tom Osgood, Creative Initiative Foundation
Mr. Leo Kung, Director, Chekiang First Bank Ltd.

Guest Participants:
Mr. Charles Aanenson, Senior Management Group, U.S. Agency for International Development, Washington DC
Ms Frontane Wong, Public Affairs Director, The Asia Foundation

Facilitators:
Mr. Darwin Chen, Executive Member, APPC; Vice President for Asia, United Way International
Mr. Terence Yuen, Rapporteur; Managing Director, Support Service for Nonprofits Limited
Notes

1 The structure of the paper and the paradigm shift model have both been identified from our discussion meetings. A detailed description of the paradigm shift model is provided at the homepage of Creative Initiative Foundation at www.creativeinitiative.org whose representatives also participated in our discussions.

2 According to information released by the Social Welfare Department of the HKSAR Government, discounting social security, subvented social welfare agencies currently receive, by way of grant, about 78 percent of total government expenditure on social welfare services and employ more than 27,000 subvented staff, which represented about 80 percent of all social welfare personnel. In 2000/01, subventions to NGOs for financing 3,136 existing service units and about 63 new units amounted to HK$6,410.5 million (US$828 million). This represents an increase of 5.7 percent over the actual subventions payment of HK$6,065.3 million (US$784 million) in 1999/2000 for 3,002 units.

3 For a similar discussion on the case of the United States, refer to Lester Salamon (1999).

4 In his latest Policy Address, the Chief Executive of the HKSAR Government, Tung Chee Hwa, discussed at length the importance of the third sector in public policy discourse:

“The progress of our community hinges largely on the long-term commitment of our citizens. I believe that in the years ahead, our citizens will play an increasingly active role in serving the community and in voluntary services. … Non-profit-making and voluntary services, which are outside the ambit of the market and the Government, are often known as the “third sector”. … In Hong Kong, voluntary organisations already provide a vast array of services, but still have great potential to improve in terms of both quality and quantity. I hope that apart from having a highly efficient and modernised market economy and a small and effective government, Hong Kong can also boast a dynamic and growing sector of voluntary services. We will continue to enhance our working partnership with these organisations. Together we will build a better future for Hong Kong.” (Tung 2000: paragraph 98).

5 For example, the Hong Kong Society for the Aged (SAGE) has employed the business process reengineering model to review its internal operations. The S K H Diocesan Welfare Council and St James Settlement have both implemented service quality accreditation programs. Other NGOs have hired consultants to review their organizational structures and formulate new human resource management strategies in view of government’s introduction of lump-sum grant funding arrangement.

6 A typical postgraduate nonprofit management program would include such modules as third sector theory and practice, resources management, developing financial resources, human resources in the third sector, strategic issues in community management, law for community organizations, social and community research, etc. (Wish and Mirabella 1998).

7 For a detailed examination of the states of development of corporate citizenship in Hong Kong, Korea and Indonesia, refer to a recent study done by Charles Aanenson of U.S. Agency for International Development (2001).

8 Here we borrow the framework of the Balanced Scorecard, a performance measurement and management model developed by Kaplan and North (1992), which suggests that performance measurements should take into account four different perspectives: customer perspective, financial perspective, internal perspective, and innovation and learning perspective. The application of the Balanced Scorecard to nonprofit organizations is further examined by Kaplan in a recent publication (Kaplan 2001).

REFERENCES AND RESOURCES


