

# *US Foundation Funding in Malaysia*

Dr Mike Nahan

## Introduction and Summary

Non-government organisations (NGOs) play an increasingly pivotal role in the public life of many countries. They not only provide essential health, welfare and education services and are a vital source of research, but are increasingly major players in the political process.

The NGO sector is also increasingly a large, global industry with many NGOs operating as part of global networks, pursuing common issues and campaigns with funding globally derived.

Despite the growing influence of the NGO sector, little is known about its structure, funding and performance. The standards of transparency and accountability in the sector are poor, with many prominent organisations providing little if any information about their governance structure, funding or performance. Only limited data is available on the sector or individual organisations from official or other sources. Regulations governing disclosure and the behaviour of NGOs are lax in most countries.

The lack of transparency and scrutiny seriously undermines the credibility of the NGO sector. The lack of accountability is of particular concern with respect to NGOs that focus on political or advocacy activity and that are foreign funded. While there is nothing intrinsically wrong with NGOs receiving foreign funding, there is a valid concern that the scale, nature and lack of disclosure of the funding may induce NGOs to pursue the values and priorities of foreign interests while claiming to act in local interests.

In an effort to improve the understanding of the NGO sector and its transparency, the Institute of Public Affairs (IPA)—a think-tank based in Melbourne, Australia—has begun the NGO Project which, amongst other things, explores the global funding arrangements of NGOs in the Asia-Pacific region.

This study examines the funding links between US philanthropic foundations and Malaysian NGOs.

## WHY US FOUNDATIONS?

The US foundations were chosen as a focus for this study for a number of reasons. First, they are one of the largest sources of global funding of NGOs.<sup>1</sup> Second, US foundations tend to set the trend in funding priorities. Third, US foundations provide a unique database. Under US tax law, US-based foundations are required to report in their tax returns details of all grants provided, including information on recipients, purpose, condition, duration, and level of funding. This data set has been compiled and is available from the US Internal Revenue Service (IRS),<sup>2</sup> the Foundation Center,<sup>3</sup> Guidestar<sup>4</sup> as well as some individual foundations. No other set of global donors disclose such details of grants. Indeed most global donors publicly disclose little about their grant-making activity.

The data used in this study cover grants provided over the three-year period 1998–2001. They include grants provided directly to Malaysian organisations. Grants provided indirectly to Malaysian organisations (for example, through non-Malaysian registered NGOs, foundations or bank accounts) are not included. They also do not include US foundation funding to large global organisations such as Greenpeace and World Wildlife Fund which operate in Malaysia.

Of course, the data do not include information on grants received from funding sources other than US foundations. In particular they do not include funding from European Governments which are reportedly the largest funders of international non-government organisations and non-government organisations in Asia.<sup>5</sup>

Although the NGO Project will ultimately trace the US foundation funding for all countries in the Asia–Pacific region, Malaysia was chosen as the initial focus because it is increasingly becoming the home base for regional and multinational NGOs operating throughout the Asia–Pacific region, including Australia.

## BACKGROUND ON US FOUNDATIONS

The United States has a long history of private philanthropy through individuals and charitable foundations. In 2000, there were over 10,000 philanthropic foundations registered with the IRS, which collectively controlled assets of around US\$385

billion. In order to retain their charity status, US foundations must pay out a minimum of 5 per cent of their assets base each year in grants. At least until the recent decline in world stock markets, many foundations exceeded the minimum pay-out requirement. In 2000, US foundations gave grants totalling US\$28 billion.<sup>6</sup> While most grants were given to North American organisations, around US\$2 billion in grants were disbursed to organisations outside the US.<sup>7</sup> International giving by US foundations has been growing rapidly, with grants to international or non-North American organisations increasing by 57 per cent over the 1990s and by 86 per cent in 2000 alone.<sup>8</sup>

The US foundation sector comprises three types of foundations: independent, company affiliated and community based.<sup>9</sup>

Independent foundations are the most numerous type of foundation and include many of the wealthiest and most generous foundations. As the name suggests, these foundations are governed and operated independently of the company or businesses that gave rise to them. While the founder or his/her progeny frequently have a major say in the operation of the foundations via a board, many—particularly the larger foundations—have very limited contact with their originating family. For example, the Ford Foundation is totally independent of the Ford Motor Company in terms of objectives, function and governance; it no longer even owns stock in the company and does not have a member of the Ford family on its board.<sup>10</sup>

While these foundations vary greatly in terms of size, priorities and approach, they tend to have a wider and more flexible mandate than the other types of foundations.

The independent sector contains the largest foundations in terms of asset bases, including the Ford Foundation (US\$12 billion), Packard Foundation (US\$9.8 billion), MacArthur Foundation (US\$4.6 billion), Charles Stewart Mott Foundation (US\$2.8 billion), Rockefeller Foundation (US\$1.4 billion) and Rockefeller Brothers (US\$753 million), all of which gave grants to Malaysian organisations during the 1998–2001 period.

These independent foundations have generally been created or endowed with the wealth of a long-dead industrialist. Also, many of the foundations are major forces in the US stock market and this has greatly enhanced their original endowments. As such, they are very much scions of the US capitalist system.

Despite their origins, many independent foundations have strayed far from their roots, with some becoming the largest supporters of the anti-globalisation movement.<sup>11</sup> Indeed Henry Clay Ford—grandson of Henry Ford—resigned from the board of the Ford Foundation in the 1977, stating that although ‘the Foundation is a creature of capitalism; it is hard to discern recognition of this fact in anything the foundation does’.<sup>12</sup>

New-money foundations are an emerging force in US and global philanthropy. Although they are generally smaller in terms of assets than the old-money foundations, they are larger in number and growing rapidly. These foundations are generally founded by people or families that have made fortunes during the last two decades, with much of the wealth originating from the dotcom boom of the 1990s. While these foundations vary greatly in terms of focus, approach and priorities, they tend to be more closely aligned to the values and priorities of their founders (who often are still alive and in control of the foundation), are more activist in approach and tend to seek operational input to use of the grants. The Foundation for Deep Ecology, which is a major donor to select Malaysian organisations, fits this mould.

Corporate foundations are, as the name implies, foundations which are funded and controlled by corporations. While these foundations are not allowed by law to fund activities which provide a direct commercial gain to the controlling corporation, most corporate foundations do align their donations with the general interest of the firm. For example, firms which rely heavily on the use of university-based engineering research tend to fund university research. Although corporate foundations tend to be smaller in terms of asset base than the independent foundations, they tend to give a much higher proportion of their assets in grants each year.<sup>13</sup> As such, their influence is disproportionate to their asset base. Most large US corporations operate a foundation and these foundations are, in tandem with the activities of their controlling corporation, increasingly active outside the US. A total of seven corporate foundations gave grants to Malaysian organisations during the three years to 2001.

The third type of US foundation is community foundations. These foundations are characteristically funded by a variety of sources, including individuals, businesses and governments and tend to focus exclusively on their community. While this class of foundation is growing in number, they are currently

not significant donors to non-US organisations and no Malaysian organisation received funding from them during 1998–2001.

## GIVING IN MALAYSIA

### *Number and Size of Grants*

As shown in Table 1, between 1998 and 2001, 30 organisations received grants from US-based foundations worth, in aggregate, US\$4.9 million or ringgit 17.2 million.

**Table 1: Malaysia—US Foundation Grants**

Number of grants	59
Number of recipients	30
Donors	15
Funding (US\$)	\$4,939,143

While this is a small proportion of the total foreign grant giving by US foundations, it is a sizeable sum, particularly in the context of the budgets of many of the recipient organisations.

### *US Foundation Donors*

Table 2 lists US foundation donors to Malaysian organisations. It includes many large philanthropic foundations, some of the newer, more radical foundations as well as foundations run on behalf of corporations. No community foundation gave to a Malaysian organisation during this period.

The largest donor to Malaysian NGOs is the well known and very wealthy Ford Foundation. The Ford Foundation provided grants totalling US\$993,630, with all of its grants going to the promotion of women’s rights.

The second largest donor was the Packard Foundation, which is another off-shoot of a rich industrialist (in its case the co-founder of the Hewlett-Packard company). The Packard Foundation provided US\$972,731 to Malaysian organisations—all grants going to promoting population control in the Asia-Pacific region.

The third largest donor was the Charles Stewart Mott Foundation. This foundation, which was established by one of the original investors in the General Motors Company, gave a single Malaysian-based organisation—The Third World Network—\$600,000 for maintenance

**Table 2: Malaysia—US Foundation Funding**

<i>Granting foundation</i>	<i>No. of grants</i>	<i>Funding US\$</i>	<i>Share of total funding (%)</i>
Ford Foundation	5	993,630	20.1
Packard Foundation	3	972,731	19.7
Charles Stewart Mott Foundation	1	600,000	12.1
Foundation for Deep Ecology	8	555,000	11.2
Rockefeller Foundation	4	536,640	10.9
Rockefeller Brothers Fund	6	365,000	7.4
MacArthur Foundation	1	310,000	6.3
AT&T Foundation	2	200,000	4.0
Motorola Foundation	4	147,000	3.0
Levi Strauss Foundation	1	100,000	2.0
Global Green Grants	17	56,645	1.1
J.P. Morgan Chase Foundation	3	34,000	0.7
Lucent Technologies Foundation	1	28,500	0.6
BP Amoco Foundation	2	20,000	0.4
The UPS Foundation	1	19,997	0.4
<b>Total</b>	<b>59</b>	<b>4,939,143</b>	<b>100.0</b>

of its international activist network. This was the largest single grant provided to any organisation.

The Foundation for Deep Ecology is the fourth largest US foundation donor. This Foundation was established in the 1990s by the founder of the *Espirit* and *Patagonia* clothing chains. The Foundation is a self-proclaimed radical organisation whose mission ‘is to support education, advocacy, and legal action on behalf of wild Nature and in opposition to the technologies and developments that are destroying the natural world’. This foundation has a particular interest in opposing agricultural biotechnology and funds most of the leading anti-biotechnology campaigners around the world, including in Malaysia. The Foundation for Deep Ecology concentrates its resources on a limited number of activist networks around the world. One such network with which it maintains close relations is the Third World Network whose headquarters are in Malaysia. Mr Martin Khor, the Executive Director of the Third World Network is on the ‘shadow management board’ of the Foundation for Deep Ecology. All grants from the Foundation, totalling US\$555,000, were given to the Consumer’s Association of Penang/Third World Network.

Global Green Grants, which gave the largest number of grants (17), is a programme of the Tides Foundation. The grants are provided for grass-roots, anti-development organisations.

Tides Foundation is not typical in that it does not donate its own monies. Instead, funds for the Tides Foundation come from others foundations, firms and individuals which it, in turn, on-passes for a fee to organisations or causes specified by the donor. Its main function is to obscure the source of grants from public scrutiny. Tides Foundation also acts as an ‘incubator’ for activist groups. That is, if a foundation or firm wants to put money into a specific cause but no group exists to carry out the action, Tides Foundation will start an organisation from scratch to undertake the task. At least 30 of the Tides Foundation’s current ‘projects’ were created in response to the needs of one foundation or another.<sup>14</sup>

The Tides Foundation’s Global Green Grants in Malaysia went to small local organisations (with the exception of Sahabat Alam Malaysia which is the local branch of

the large multinational network Friends of the Earth). The grants were provided primarily for campaigning against dams, including the Bakun dam in Sarawak. As with most funding from the Tides Foundation, the original source of the Green Grant funding is not disclosed, nor is it clear whether the funding was initiated locally or by off-shore interests.

The Rockefeller Foundation, which is a scion of the Rockefeller wealth, provided four grants totalling US\$536,640 to promote population control in the Asian region and to undertake university research.

The Rockefeller Brother Fund, another offshoot of the Rockefeller wealth, provided six grants totalling US\$365,000. The bulk (US\$275,000) of its funding went to the Consumers Association of Penang/Third World Network for their anti-development campaigns and organisational development. The remainder went to Wetlands International Asia-Pacific for research into wetlands management in the region.

The Macarthur Foundation, another larger foundation derived from a banking tycoon, gave a single large grant to ICLARM (now called The World Fish Center) to fund fisheries development in the region.

The remainder of the grants (11.1 per cent by value) given to Malaysian organisations came from corporate foundations, including foundations associated with AT&T, Motorola, Levi Strauss, J.P. Morgan Chase (the investment bank), Lucent Technologies, BP Amoco and United Parcel Post. These grants were all given for traditional functions, including university research, scholarships and training, and to provide health, welfare and medical services to the poor and the disadvantaged.

## GRANT RECIPIENTS

As itemised in Table 3, 30 organisations received grants from US foundations during 1998–2001.

The International Council on Management of Population Programmes received the most grants by value. It received five grants over the period from two foundations—the Rockefeller Foundation and the Packard Foundation—totalling \$1,209,030. All funds were used to assist activists and academics in the Asian region to promote birth control and other aspects of limiting population growth.

The Third World Network (TWN) was the second most highly funded organisation, receiving five grants totalling US\$1,155,000. The TWN, however, should not be viewed in isolation. It has close funding and organisational links with the Consumers Association of Penang (CAP). For example, two grants valued at US\$255,000 from the Foundation for Deep Ecology were paid to CAP on the condition that they were passed on to the TWN. In addition, the two organisations share board members, staff, office facilities and campaigns.

The TWN/CAP network together was the largest recipient of US foundation funding, having received 11 grants totalling US\$1.41 million. The Foundation for Deep Ecology was the largest donor to these organisations, followed by the Charles Mott Foundation and the Rockefeller Brothers Foundation. The grants to TWN/CAP were provided primarily to assist their existing campaigns and network.

The irony is that CAP and TWN are two of the most high-profile and strident critics of the US political and economic system, yet they receive more funding from US capitalism than any other Malaysian organisation.

ICLARM, which is a world-class international fisheries research and development organisation based in Penang, received US\$630,341 from US foundations. All grants were provided to fund the organisation's work on small-scale fisheries and aquaculture development.

Interestingly, ICLARM was the only organisation which received grants from US foundations for agricultural and fisheries development activities. In the past, these areas were a major focus of US foundation funding to Malaysia.

SIS Forum received a grant of US\$233,000 from the Ford Foundation to promote women's rights. Asian-Pacific Resource and Research Center and the International Women's Rights Action Watch also received large grants (US\$200,000 each) from the Ford Foundation to promote women's rights.

The Malaysian AIDS Council received a grant (US\$380,630) from the Ford Foundation and its sister organisation, the Malaysian AIDS Foundation, received grants of US\$100,000 from the Levi Straus Foundation. Both these grants were earmarked for a regional conference on HIV/AIDS.

Three universities received US foundation funding. The Multimedia University received a couple of grants for research purposes from the Motorola Foundation. The University of Malaysia also received a grant of US\$50,000 from the Motorola Foundation. The Universiti Sains Malaysia received two grants of US\$10,000; one from the Motorola Foundation and the other from the Rockefeller Foundation.

Wetlands International received two grants totalling US\$60,000 to assist with its research into wetlands management in and around the Gulf of Thailand.

A number of welfare groups received funding, including National Autistic Society of Malaysia (US\$19,997), Persatuan Guru Dharma (US\$12,000), Pahang Buddhist Association Hemodialysis Center (US\$10,000), Saint John Ambulance Pahang (US\$10,000) and the Society for the Severely Mentally Handicapped (US\$10,000). All the grants to the welfare groups came from corporate foundations including J.P. Morgan Chase Foundation, BP Amoco Foundation, and The UPS Foundation.

A number of environmental organisations received relatively small grants, primarily in the form of Global Green Grants from the Tides Foundation. These included Suaram (US\$15,000), Sahabat Alam Malaysia (US\$14,000), Indigenous Peoples Development Center (US\$12,000), Uma Residents' Association (US\$7,400), KERUAN (US\$6,500), Save Our Sungai Selangor (US\$6,500), Coalition of Concerned NGOs on Bakun (US\$3,000), Penang Inshore Fisherman Welfare Association (US\$3,000), Sustainable Development Network Malaysia (US\$2,745) and The Borneo Project (US\$1,500).

**Table 3: Malaysia—US Foundation Funding—Grant Recipients**

<i>Grant recipient</i>	<i>No. of grants</i>	<i>Funding US\$</i>	<i>Share of total funding (%)</i>
International Council on Management of Population Programmes	5	1,209,030	24.5
Third World Network	5	1,155,000	23.4
International Center for Living Aquatic Resources Management	3	630,341	12.8
Malaysian AIDS Council	1	380,630	7.7
Consumers Association of Penang	6	260,000	5.3
SIS Forum Berhad	1	233,000	4.7
Malaysian-American Commission on Educational Exchange	2	200,000	4.0
Asian-Pacific Resource and Research Center for Women	1	200,000	4.0
International Women's Rights Action Watch (IWRAP)	2	180,000	3.6
Malaysian AIDS Foundation	1	100,000	2.0
Multimedia University	2	87,000	1.8
Wetlands International Asia-Pacific	2	60,000	1.2
University of Malaysia	1	50,000	1.0
Desa Amal Jireh	2	40,500	0.8
Universiti Sains Malaysia	2	20,000	0.4
National Autistic Society of Malaysia	1	19,997	0.4
Suaram	1	15,000	0.3
Sahabat Alam Malaysia (Friends of the Earth Malaysia)	3	14,000	0.3
Indigenous Peoples Development Center	3	12,000	0.2
Persatuan Guru Dharma	1	12,000	0.2
Pahang Buddhist Association Hemodialysis Center	1	10,000	0.2
Saint John Ambulance, Pahang	1	10,000	0.2
Society for the Severely Mentally Handicapped	1	10,000	0.2
Uma Residents' Association	3	7,400	0.1
KERUAN	2	6,500	0.1
Save Our Sungai Selangor	2	6,500	0.1
Coalition of Concerned NGOs on Bakun	1	3,000	0.1
Penang Inshore Fisherman Welfare Association	1	3,000	0.1
Sustainable Development Network Malaysia	1	2,745	0.1
The Borneo Project	1	1,500	0.0
<b>Total</b>	<b>59</b>	<b>4,939,143</b>	<b>100.0</b>

## CAUSES

As identified in Table 4, US foundations were primarily interested in environmentalism and population control; these two causes together receiving 50 per cent of total funding.

As mentioned above, the only funding for development purposes was provided to ICLARM for fisheries development. Although few in number, ICLARM's grants represented 12.8 per cent of the all

funding and was the third highest level of funding by cause.

Other causes to receive funding include: women's rights (US\$613,000 or 12.4 per cent), HIV/AIDS (US\$480,630 or 9.7 per cent), education (US\$429,497 or 8.7 per cent), consumer activism (US\$280,000 or 5.7 per cent) and health and welfare services (US\$30,000 or 0.6 per cent).

In reality, the funding for environmentalism was higher than indicated. All the funding for consumer

activism went to the Consumers Association of Penang which, in tandem with its Third World Network partner, pursued many environmental causes or based its lobbying on an environmental agenda.

The priorities identified in Table 4 correspond generally with the overall funding priorities of US foundations<sup>15</sup> and to a great extent represent the values and priorities of Americans. The extent to which the funding priorities represent the priorities of Malaysians is not clear.

## ENVIRONMENTAL CAUSES

While most (92 per cent by value) of the environmental grants were provided for general or unspecified purposes, there were a number of specific targets. Wetland management received the most funding, with US\$63,000 going to Wetlands International for research into wetland management. Anti-dam protests received substantial funding, all from the Global Green Grants of the Tides Foundation. Anti-logging and anti-pesticide campaigns also received funding, again mostly from the Tides Foundation. Although not specified, a substantial reason for the Foundation for Deep Ecology's support of US\$555,000 to the TWN/CAP network was its hard anti-biotechnology line.

While the causes funded under the general category are unspecified, The Foundation for Deep Ecology focuses its funding on a limited number of causes, including undermining the use and development of biotechnology in agriculture. All the organisations receiving funding from this foundation campaign against agricultural biotechnology, including TWN/CAP.

## FUNCTIONS

In the past, philanthropic foundations in the US concentrated their efforts on subsidising education, scientific research and the provision of health and welfare services. That is, they focused on directly helping people get access to basic services and to advance

**Table 4: Malaysia—US Foundation Funding by Cause**

<i>Cause</i>	<i>No. of grants</i>	<i>Funding US\$</i>	<i>Share of total funding (%)</i>
Environmentalism	25	1,266,645	25.6
Population Control	5	1,209,030	24.5
Fisheries Development	3	630,341	12.8
Women's Rights	4	613,000	12.4
HIV/AIDS	2	480,630	9.7
Education	11	429,497	8.7
Consumer Activism	6	280,000	5.7
Health & Welfare Services	3	30,000	0.6
<b>All</b>	<b>59</b>	<b>4,939,143</b>	<b>100.0</b>

**Table 5: Malaysia—US Foundation Environment Funding by Cause**

<i>Target</i>	<i>No. of grants</i>	<i>Funding US\$</i>	<i>Share of total funding (%)</i>
General	9	1,153,400	92
Wetlands	3	63,000	5
Dams	7	36,500	2
Forestry	5	11,000	1
Pesticide	1	2,745	0
<b>Total</b>	<b>25</b>	<b>1,266,645</b>	<b>100</b>

**Table 6: Malaysia—US Foundation Funding by Function**

<i>Function</i>	<i>No. of grants</i>	<i>Funding US\$</i>	<i>Share of total funding (%)</i>
Capacity-building	14	2,543,805	51.5
Campaigning	25	1,045,500	21.2
Research	8	977,341	19.8
Training	9	342,497	6.9
Services Provision	3	30,000	0.6
<b>Total</b>	<b>59</b>	<b>4,939,143</b>	<b>100.0</b>

knowledge. As illustrated by Table 6, their priorities have changed. In Malaysia, US foundation funding is now focused on supporting lobbying or political activities rather than providing services. The most highly funded function is capacity-building. This entails funding organisations to develop networks, organise conferences and to plan strategies. The second

**Table 7: Malaysia—US Foundation Grants for Anti-Development Purposes**

	<i>No. of grants</i>	<i>US Funding</i>
Anti-development	28	\$1,848,245
Share of Total (%)	51%	38 %

**Table 8: Malaysia—US Foundation Funding by Geographical Focus**

<i>Focus</i>	<i>No. of grants</i>	<i>Funding US\$</i>	<i>Share of total funding (%)</i>
Regional	21	3,438,001	69.6
National	21	828,497	16.8
International	2	602,745	12.2
Local	15	69,900	1.4
<b>Total</b>	<b>59</b>	<b>4,939,143</b>	<b>100.0</b>

highest funding priority was campaigning. Both capacity-building and campaigning are fundamentally about lobbying either the general public or governments. The usual aim of these activities is to get governments to do something, for example, to fund a birth control programme, or not to build a dam or to ban the use of a pesticide.

Research received only 19.8 per cent of the grant funding, while training and services provisioning received just 6.9 per cent and 0.6 per cent respectively.

In short, US foundations now concentrate not on providing services but rather in lobbying the Malaysian Government through third parties to provide the type of services which they (the foundations) desire.

## DEVELOPMENT VERSUS ANTI-DEVELOPMENT

In the past, US foundations, most notably the Rockefeller Foundations and Ford Foundation, placed a high priority on economic development. That is, they funded—as a priority—research, training, and extension activities which aimed to promote economic growth. This has now changed; indeed most US foundations have a distinct anti-development focus.

A total of 28 grants valued at more than US\$1.8 were provided expressly to stop or slow economic development. Most of these grants were provided for various environmental causes and for lobbying purposes.

This trend highlights a major source of potential tension. Many US foundations whose wealth is derived from the pursuit of economic growth in the West—developments which, in turn, had a significant impact on the environment—are lobbying to stop similar wealth-creating activities in Malaysia.

## GEOGRAPHY

One of the reasons prompting this IPA study of NGO funding in Malaysia was evidence that Malaysia was becoming a centre for regional NGOs. This is borne out in Table 8. Approximately 70 per cent of US foundation grants to Malaysian organisations were given for work in the Asia-Pacific Region. Another 12.2 per cent of grants (by value) went to international/worldwide activities. As such, 82 per cent, or just over US\$4 million, of grants were provided for regional and international activities. Conversely, only 16.8 per cent of grant funding was for national activities and 1.4 per cent for local (sub-national) activities.

## TRANSPARENCY

Of course there is nothing wrong in principle with foreign funding. Indeed, it is essential for many agencies and causes. While Malaysia is a rapidly developing country, it still does not have the wealth, the philanthropic institutions or the philanthropic ethic that exists in the US. (Strangely, no funding was provided to develop local philanthropy.) Moreover, many of the causes and organisations considered in this study are regional and international in nature, requiring input and funding from around the world.

The issue is rather one of governance, disclosure and purpose. The questions are:

- Does the organisation have in place a system of governance that ensures independence from funders; accountability to members and the communities served; and consistency with the organisation's objectives?
- Does the organisation disclose to the public, in an accessible format, the level and source of its funding?

The Malaysian Government does require all registered societies to submit their annual accounts to the Registrar of Societies. While this is an appropriate

requirement and provides the basis for improving disclosure, as it is currently structured, the process falls short of what is required.

First, the information is not accessible. There are nearly 100,000 registered societies in Malaysia. The information collected by the Registrar of Societies is available only at the Registrar's offices. The information is not computerised and the data on any one organisation are very difficult to find.

Second, the information is incomplete, with only one-third of registered societies submitting the required data in 2001.

Third, there is no oversight function. The Registrar's hands are full simply collecting the information. It does not scrutinise the data with the intention of monitoring funding and behaviour, or informing the Malaysian public about the activities of registered societies.<sup>16</sup>

Currently, therefore, the disclosure is effectively left up to individual organisations—as it really should be.

The questions are: how transparent are the organisations which received US foundation funding? Do they have appropriate systems of governance and disclosure in place?

We are only in a position to survey the material provided on the Internet by the organisations themselves. Given the growing reliance on Internet communication, the low-cost nature of providing and disseminating information via the Internet and the fact that most NGOs have Websites and use the Internet extensively, the World Wide Web is the appropriate place for disclosure for most of these organisations. Indeed, if they have a Website, then there is really no good excuse for their not disclosing information of relevance to members, supporters and people affected by the activities of the organisation.

Table 9 assesses the level of disclosure on the Websites of organisations in receipt of US foundation funding.

First, the majority of these organisations (21 out of 30) have dedicated Websites. Most of these Websites are extensive, up-to-date and are used to communicate with members, the public and funders.

The organisations without Websites were generally small activist groups or charities.

Two organisations—Desa Anal Jereh and the Consumers Associations of Penang—had registered Websites, but during the period of this study the site were inoperative. While Desa Anal Jereh's—a children's home—failure to maintain an operative Website is not surprising and is consistent with the actions of other small organisations, CAP's failure to maintain an active

site was a real surprise. Consumer groups generally have been at the forefront of Internet use. Moreover, CAP claims to communicate with thousands of people, address a wide range of issues and to publish research—a task which makes a Website mandatory.<sup>17</sup>

Its failure to maintain an operational Website means that CAP provides no information about itself, including its funding, on-line. Given its size, the level of overseas funding and its claim to represent all Malaysian consumers, this is not acceptable.

Of the 19 organisations which maintain active Websites, 11 get full marks on disclosure. That is, they provide ready access to information on their Website about their purpose or constitution, governing board, annual report, and funding sources with specific information about funding from the US foundations.

These organisations include:

- Malaysian AIDS Council;
- Malaysian AIDS Foundation;
- Wetlands International Asia-Pacific;
- International Center for Living Aquatic Resources Management;
- International Council on Management of Population Programmes;
- Malaysian-American Commission on Educational Exchange;
- Multimedia University;
- University of Malaysia;
- Universiti Sains Malaysia;
- Asian-Pacific Resource and Research Center for Women; and
- International Women's Rights Action Watch (IWRAP) Asia Pacific.

These organisations cover the full range of causes, functions and geographic coverage, with the exception of small, locally focused organisations and anti-development organisations.

None of the remaining eight organisations which maintain active Websites provides access to their annual reports or information about funding on their Website. While most of these provide a statement of purpose, only one (Suaram) provides information about its governing board.

Importantly, the TWN/CAP network—the network that received the largest amount of US foundation funding—provided limited information about their operations and failed to disclose their overseas and other funding.

While it is perhaps understandable for small organisations not to publicise their funding on-line,

**Table 9: Survey—Websites of Governance and Disclosure Provisions**

	Does it have a Website?	Website URL	Disclosure Constitution/ statement of purpose?	Disclose Governing Board?	Provide Annual Report?	Disclose Key Funders?	Disclose US Foundation Grants?
International Council on Management of Population Programmes	yes	www.icomp.org.my	yes	yes	yes	yes	yes
International Center for Living Aquatic Resources Management	yes	www.worldfishcenter.org	yes	yes	yes	yes	yes
Asian-Pacific Resource and Research Center for Women	yes	www.arrow.org.my	yes	yes	yes	yes	yes
Universiti Sains Malaysia	yes	www.usm.my	yes	yes	yes	yes	yes
Wetlands International Asia-Pacific	yes	www.wetlands.agro.nl/wetlands_icu/ap/ www.wetlands.org	yes	yes	yes	yes	yes
Multimedia University	yes	www.mmu.edu.my	yes	yes	yes	yes	yes
University of Malaysia	yes	www.cc.um.edu.my	yes	yes	yes	yes	yes
Malaysian AIDS Council	yes	www.mac.org.my	yes	yes	yes	yes	yes
Malaysian AIDS Foundation	yes	www.mac.org.my	yes	yes	yes	yes	yes
Malaysian-American Commission on Educational Exchange	yes	www.macee.org.my	yes	yes	no	yes	
International Women's Rights Action Watch (IWRAP) Asia Pacific	yes	www.iwrap-ap.org	yes	yes	no	yes	yes
Suaram	yes	www.suaram.org	yes	yes	no	no	no
Third World Network	yes	www.twinside.org.sg	yes	no	no	no	no
SIS Forum Berhad	yes	www.sistersinislam.org.my	yes	no	no	no	no
Sahabat Alam Malaysia (Friends of the Earth Malaysia)	yes	surforever.com/sam	yes	no	no	no	no
Save Our Sungai Selangor	yes	www.sos-selangor.org	yes	no	no	no	no
Coalition of Concerned NGOs on Bakun	yes - part of suaram	www.suaram.org/bakun	yes	no	no	no	no
The Borneo Project	yes	www.earthisland.org/borneo	yes	no: purposely omitted for security reasons	no	no: purposely omitted for security reasons	no
National Autistic Society of Malaysia	yes	www.ron.net/nasom	no	no	no	no	no
Desa Amal Jireh	not working	www.lion-cybercare.org/homes/faith/default.htm					
Consumers Association of Penang	not working	www.capside.org.sg					
Indigenous Peoples Development Center	no						
Persatuan Guru Dharma	no						
Pahang Buddhist Association Hemodialysis Center	no						
Saint John Ambulance, Pahang	no						
Society for the Severely Mentally Handicapped	no						
Uma Resident's Association	no						
KERUAN	no						
Penang Inshore Fisherman Welfare Association	no						
Sustainable Development Network Malaysia	no						

there is no reason for a multi-million dollar organisation, which claims to be membership-based and involved in local politics, not to disclose its offshore links.

Indeed TWN/CAP and other organisations have shown a tendency to hide their off-shore funding links.

In March 2001, the Institute of Public Affairs released data (which was picked up extensively in the Malaysian press) showing that TWN/CAP received US\$350,000 from the Foundation for Deep Ecology between 1997 and 1999. Under pressure from journalists, TWN/CAP officials did admit to receipt of this funding, but they failed to come clean about the much higher—indeed fourfold higher—level of funding that they were then receiving from US foundations.<sup>18</sup> This was despite requests from the Government and the media for NGOs to disclose their off-shore funding.<sup>19</sup>

In May 2002, the IPA released information about US foundation funding to Sahabat Alam Malaysia (SAM) and other organisations for anti-dam campaigns.<sup>20</sup> SAM denied that they, or any other groups, received such funding.<sup>21</sup> Indeed, they only came clean about the funding when journalists confronted them with evidence from the donors.<sup>22</sup>

In summary, a sizeable proportion of the Malaysian organisations considered in this study maintain very high standards of disclosure and fully disclose off-shore and other funding. They do so on-line and with easy and free access to all interested parties.

Some organisations, however, fall well short of providing adequate standards of disclosure. These include a number of wealthy advocacy organisations which claim to represent Malaysian values and interests, among them the Third World Network, Consumer's Association of Penang and Sahabat Alam Malaysia.

## SUMMARY AND RECOMMENDATIONS

US foundations give generously to many Malaysian organisations. While this is in general to be welcomed, there are a number of disconcerting aspects to the pattern and nature of this funding.

First, while many of the largest recipients of grants from US foundations maintain high levels of accountability, others do not. Indeed some grantees maintain very low standards of transparency and some try to obscure the existence and purpose of these donations. Moreover, the organisations with poor standards of disclosure are invariably involved in

domestic political activity and this gives rise to concerns about undisclosed foreign influence on domestic politics.

Second, donations from US foundations represent the priorities of the US liberal establishment and not necessarily those of Malaysians.

Third, the US foundations are moving away from funding services and research to funding advocacy activity.

Fourth, US foundations largely fund regional and international organisations based in Malaysia. And Malaysia is increasingly becoming the centre in Asia for regional offices of international NGOs.

Fifth, a number of the more radical US foundations, including the Foundation for Deep Ecology and the Tides Foundation, are major donors to a number of Malaysian organisations. These foundations only fund strident, anti-development, political activity. The actions of the Tides Foundation, in particular, both as distributors of grants and in controlling the activities of grantees, seek to undermine transparency.

There are a number of policies which Malaysian NGOs should consider.

- First, Malaysian NGOs, particularly the larger, more accountable organisations, should establish an association of non-profit organisations with the task of setting adequate standards of disclosure.
- Second, a NGO (or association of NGOs) should take on the function of the US-based Foundation Center and provide an on-line, searchable database of Malaysian organisation which includes the sources of foreign funding and the uses to which they are put.

There are a number of policy reforms which the Malaysian Government should consider:

- Review the lodgement requirement and processes for non-profit NGOs with the Registrar of Societies. While it is appropriate that all such organisations provide the government with information about their governance structure and funding, the current lodgement process is not effective.
- Consider coordinating the disclosure regime and requirements for non-profit NGOs with its fellow ASEAN countries.
- Require all organisations with revenue above a select amount (say, RM\$ 1 million) to maintain a Website which discloses their governance and funding details.
- Begin dialogue with overseas donors about priorities and needs.

## ENDNOTES

- 1 Pinter, Francis, 'Funding Global Civil Society Organisations' in H. Anheier, M. Glasius, M. Kaldor (eds) *Global Civil Society 2001*, Oxford: Oxford University Press, 2001. For the chapter by Francis Pinter, go to [390K PDF file]: <http://www.lse.ac.uk/Depts/global/Yearbook/PDF/ch8.pdf> For details of the complete publication, go to: <http://www.lse.ac.uk/Depts/global/Yearbook/GCS2001.htm>
- 2 [www.irs.gov](http://www.irs.gov)
- 3 [www.fdncenter.org](http://www.fdncenter.org)
- 4 [www.guidestar.org](http://www.guidestar.org)
- 5 Pinter, *op cit.*
- 6 Lawrence, Steven, Carlos Camposesce and John Kendzior, (eds) *Foundation Yearbook: Fact and Figures on Private and Community Foundations*, New York: The Foundation Center, 2000.
- 7 *Ibid.*
- 8 Pinter, *op cit.*
- 9 This is the division made by the Foundation Center.
- 10 <http://www.activistcash.com>
- 11 <http://www.truthabouttrade.org/1071/wrapper.jsp?PID=1071-8>
- 12 'Nation's Leading Foundations Violate Donor Intent: Foundations Funding America's Left Have Conservative Origins', Foundation Watch, Capital Research, October 2002.
- 13 [http://fdncenter.org/research/trends\\_analysis/top100assets.html](http://fdncenter.org/research/trends_analysis/top100assets.html).
- 14 See <http://www.activistcash.com/>.
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- 17 'NGOs defend foreign funding', *New Straits Times*, 2 June 2002.
- 18 'CAP confirms receiving funds from foundation', *The Star*, 14 March 2001.
- 19 'Local funding woes forcing NGOs to source abroad', *Malaysiakini*, 25 July 2001.
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- 21 'Governments decline comment on NGO report', *New Straits Times*, 21 May 2002.
- 22 'Sahabat Alam Malaysia accused of lying about US funding', *Bernama*, 23 May 2002.

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## ABOUT THE AUTHOR, INSTITUTE AND PROJECT

Dr Mike Nahan is the Executive Director of the Institute of Public Affairs and a specialist on governance of non-profit organisations.

The Institute of Public Affairs is a non-profit, research organisation based in Melbourne, Australia. Please see [www.ipa.org.au](http://www.ipa.org.au) for details of the Institute's purpose, governance, funding and activities. (The IPA last received support from a US Foundation in 1994.)

The aim of the NGO Project is to improve the accountability and governance of non-profit organisations operating in the Asia-Pacific region.