

KENAN INSTITUTE ASIA

ANNUAL REPORT

2005



A DECADE OF SUSTAINABLE DEVELOPMENT

KIASIA

Vision

To be a Thai - U.S. institute of excellence that promotes partnerships for sustainable competitiveness in Asia

Objectives

- To promote better business practices for good governance and sustainable competitiveness
- To assist in the preservation of the environment through public-private education
- To facilitate the use of information communication technology for education and bridging the digital divide
- To support capacity building and human resource development
- To support public-private-academic and Asian-American partnerships towards sustainable development

Timeline

- 1993 The University of North Carolina's Kenan Institute of Private Enterprise with Chulalongkorn University and the Brooker Group, wins USAID competitive bid to establish the U.S. - Thailand Development Partnership.
- 1994 Kenan Institute sets up office at the Queen Sirikit National Convention Center and awards first grants.
- 1996 Kenan Foundation Asia is registered as a Thai non-profit development foundation. A \$10.5 million endowment is established for KIASIA with donations from USAID, DTEC, and the Kenan Trust and Fund.
- 1997 USAID approves KIASIA systems and policies. USAID and the Kenan Trust contribute to the KIASIA endowment.
- 1998 American Corporations for Thailand is established under the co-chairmanship of Dr. Henry Kissinger and Mr. Anand Panyarachun with donation of \$1.1 million to support Thai training institutions and programs for the unemployed.
- 1999 KIASIA is selected as manager of the Thailand portion of the U.S. government program "Accelerating Economic Recovery in Asia" and Mr. Anand Panyarachun is named chairman of the AERA Steering Committee.
- 2001 KIASIA is included in the MOU on Economic Cooperation Framework between Thailand and the United States. American Corporations for Thailand, Phase II, is launched.
- 2002 USAID extends AERA project to 2005. Cornerstone project starts. New projects start in Vietnam and Cambodia.
- 2003 The Kenan Institute Asia receives high marks for its AERA programs in a USAID evaluation.
- 2004 USAID extends AERA project through 2006.
- 2005 KIASIA launches the Tsunami Recovery Action Initiative in response to the devastation left by the tsunami in southern Thailand and is awarded a three-year grant from the William R. Kenan Jr. Charitable Trust and the Kenan Institute of Private Enterprise.

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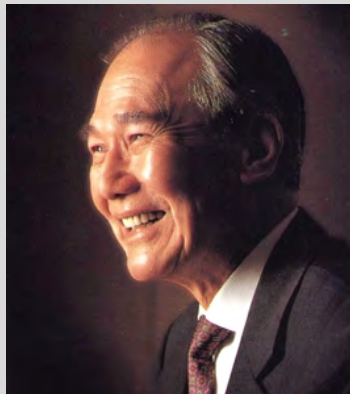
Message from the Chairman

In recognition of our 10th year of service, this report reviews the challenges and accomplishments of the Kenan Institute Asia since its founding in 1996. The most recent of these challenges was the tsunami that struck the Indian Ocean countries at the end of 2004. This tragedy left not only an immediate crisis of death, destruction and injury, but also a longer term need for economic and social recovery. As a development organization, the Kenan Institute Asia responded to that longer term challenge. Our experience in a variety of development disciplines – business, education, environment and community organization – has proven valuable in the south. So, too, has our network of partners and supporters. With permission from the American Corporations for Thailand and USAID, we reprogrammed existing funding for work in the tsunami-hit areas, providing scholarships for students, financial recovery support for small businesses, microfinance management training and grants, and business training for small entrepreneurs. These efforts have enabled students to stay in school and for people to restore some of the livelihoods washed away by the waves.

Our founding donors, the Kenan Charitable Trust and the Kenan Institute of Private Enterprise, have stepped up to provide core funding for a three-year program of integrated activities in Phang-nga Province that are intended not only to help recovery but also to assist local people move towards environmentally sustainable and economically successful long-term development. Corporate donors made substantial contributions to the tsunami recovery effort as well as increasing their contributions to a variety of our other educational and environmental projects.

We have also enjoyed increased cooperation with the Thai government in areas where Kenan has developed special capabilities – business incubator management, cluster competitiveness programs and environmental sustainability indicators.

In the year ahead we look forward to the successful completion of a seven-year program of economic recovery and reform funded by USAID. This program has helped strengthen Thailand in areas such as banking management, educational reform, better business standards and support for small companies. In the final year we will not only be completing projects, but also assessing lessons learned. In the course of this project the Institute itself has been strengthened with skills and experience that will be invaluable as we move forward into our second decade.



A handwritten signature in black ink, appearing to read 'Anand Panyarachun'.

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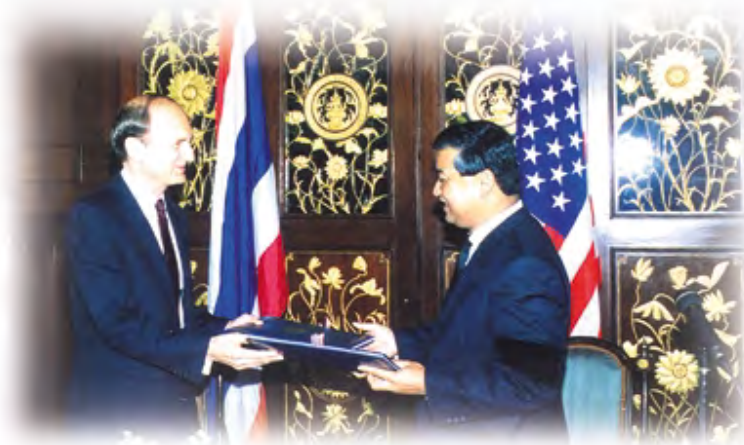
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Mr. William H. Itoh
Director, Washington International
Program, University of North Carolina at
Chapel Hill

A Decade of Partnering for Sustainable Development



Thai Deputy Foreign Minister M.R. Sukhumbhand Baribatra and U.S. Ambassador Richard Hecklinger exchange agreements at the 1999 signing ceremony for the AERA program.

“Partnership and development based on free enterprise are key reasons our family supports Kenan Institute Asia - those, plus the shared ideals and long-standing friendships between Thais and Americans that the Institute will nurture for a long time to come.”
Owen G. Kenan, founding trustee

A Shared Vision

The Kenan Institute Asia grew out of the recognition that the challenges facing middle-level developing countries could be best addressed through free enterprise mechanisms and boundary-spanning partnerships. That vision, refined, expanded and implemented, has guided the Institute's programs over the past decade.

In 1993 the director of the U.S. Agency for International Development (USAID) mission in Thailand, Mr. Tom Reese, called for proposals to address the challenges of Thailand's developing economy. The program was called the U.S.-Thailand Development Partnership (USTDP) to reflect the basic mechanism of creating market-based Thai-U.S. partnerships supporting sustainable development.

The Kenan Institute of Private Enterprise at the University of North Carolina, Chapel Hill joined with Chulalongkorn University and the Brooker Group, a Thai business consultancy, to win this bid with an innovative plan for addressing key development issues in public health, education, environment and business. Developed by Dr. John Kasarda and Dr. Jennifer Bremer of the Kenan Institute, with Dr. Chattri Sripaipan of Chulalongkorn University and Dr. Peter Brimble of the Brooker Group, the proposal included establishing an institute to provide a mechanism for continuing development collaboration after the end of the USAID bilateral program.



1996-2005

The Founding

To set up what became the Kenan Institute Asia, Dr. Kasarda, with support from Dr. Asavin Chintakananda, Dr. Maruey Phadoongsidhi and Dr. Phisit Pakkasem, turned to Thailand's leading statesman, former Prime Minister Anand Panyarachun. Khun Anand felt that it was time for Thailand to move away from the donor-client relationship that had typified development assistance in the past and to play a more active and equal role. He agreed to serve as chairman of the new institute and brought with him to the board of trustees well-respected business people, government leaders and academics. Some joked the Institute board was worthy of being called the third Anand cabinet. The new institute was formally registered as a Thai charitable foundation on February 13, 1996.

The Funding

The Thai government, through the Department of Technical and Economic Cooperation (DTEC), and the U.S. government, through USAID, agreed to invest in an endowment for the new Institute. Under the leadership of Frank and Owen Kenan, the William R. Kenan Jr. Charitable Trust and the Frank Hawkins Kenan Fund matched the funds put up by each of the governments. Mr. Paul Wedel, who had managed the USTDP, became the Executive Director.

The Activities

The new Institute continued USTDP activities, fostering partnerships between U.S. and Thai organizations in key areas of development. Among them were successful efforts to recycle steel slag, produce a low-cost HIV diagnostic kit, design a waste water treatment plant for the city of Haadyai and generate electricity from landfill gas. Numerous training projects built capacity in public health, environmental management, municipal management and information technology.

Under the Partnership program, USAID and KIA Asia provided more than \$2 million for 151 environmental, health, infrastructure planning and human resource training activities. These activities were co-funded by more than \$9.5 million in private and Thai government cost share.





Mr. Anand Panyarachun and Dr. Henry Kissinger with donors to the American Corporations for Thailand program at a briefing in 1999.

“This is an area where a relatively small amount of resources can have a long-term impact, so companies are helping themselves by contributing.”

*Former Secretary of State
Dr. Henry Kissinger*

American Corporations for Thailand (ACT)

Soon after the Institute was established, the 1997 financial crisis hit Thailand and the region. It was a dark time when even the best-managed Thai companies were on the verge of bankruptcy. The Institute responded by working with major U.S. companies in Thailand to provide retraining for those left unemployed by the crisis. Khun Anand asked his friend Dr. Henry Kissinger to join him in leading this effort, and together they were able to attract more than \$1.8 million from donors led by Unocal and American International Group (AIG).

These efforts symbolized the American private sector’s commitment to Thailand and provided much-needed practical support for recovery from the crisis. Over the next six years, ACT funded more than 50 projects serving some 700 trainers and about 27,000 trainees with an estimated 2 million hours of training, helping a high percentage of trainees to find new jobs.



Accelerating Economic Recovery in Asia

In 1999, the U.S. government, recognizing that the regional financial crisis was deeper than it first appeared, agreed to provide funds to help the affected countries under a program called Accelerating Economic Recovery in Asia (AERA). In most countries, this program was administered by the local USAID missions. In Thailand, however, where the mission had been closed, USAID implemented most of the program through the Kenan Institute Asia.

Over the next six years, the Institute undertook a wide variety of activities to both help recovery and support economic reforms. Although varied, the AERA projects all focused on goals that Thailand had already set for itself and supported Thai institutions working in those areas. Many contributed their own funds to projects that were built on the basis of partnership between Thai and American organizations.

The AERA program funded:

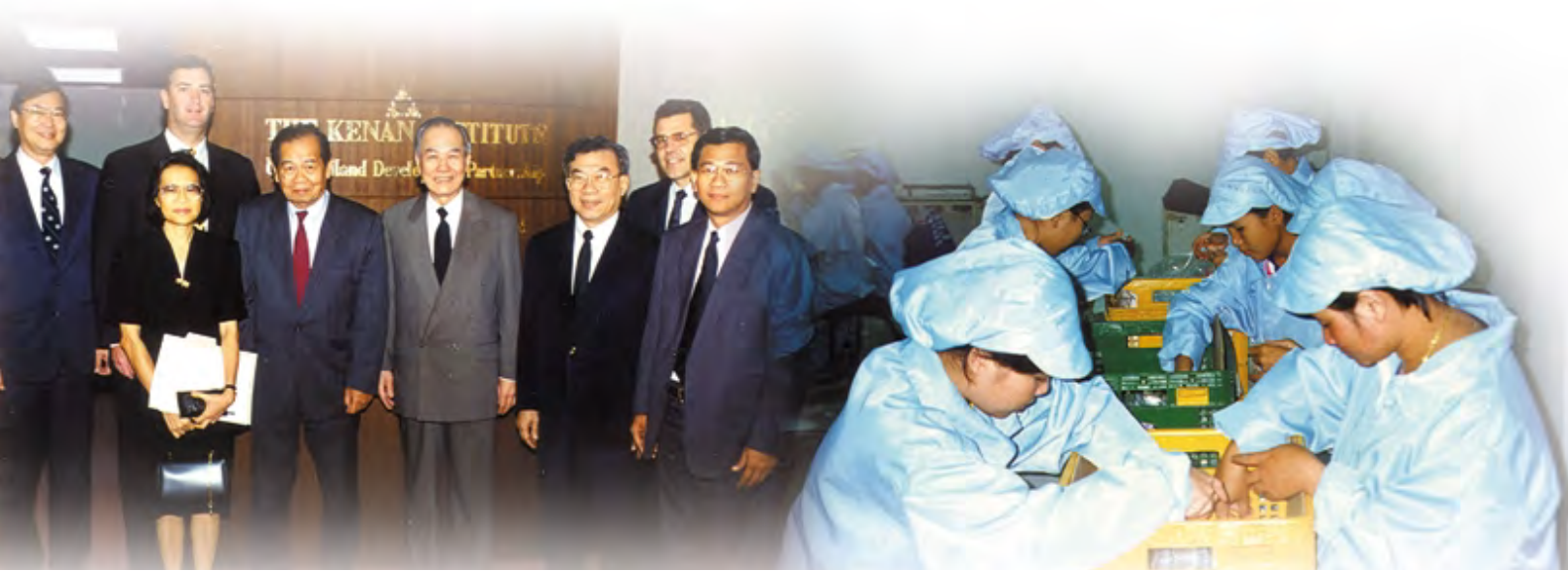
- customized banking training for some 2,000 managers at Thai-owned banks and a distance education program for more than 18,000 officers at government-owned banks
- links between U.S. and Thai organizations that support better business practices, resulting in the formation of more than 30 partnerships, bringing higher standards of accounting, dispute resolution, bankruptcy adjudication, auditing and ethics to Thailand
- business consulting and training assistance to more than 300 small and medium-sized companies and localized training programs in business planning, business incubation and entrepreneurship
- community-based mechanisms to prevent the spread of multi-drug resistant malaria in deprived border areas
- training for secondary school teachers on using information technology to raise the quality of their teaching
- a program of research and training to assist company executives to better implement corporate social responsibility

The Owen G. Kenan Conference

To spread the ideas of sustainable development and the skills of participatory strategic planning, the Institute launched a series of annual conferences beginning in 2002. Now named in honor of one of the Institute's founding trustees, the Owen G. Kenan Conference each year brings together government officials, academics and corporate executives to discuss strategies in a key area of development. Recent topics have included logistics, food safety, and air commerce.

The Institute today

The Institute continues to employ the knowledge and skills learned during its first decade to contribute to Thailand's sustainable development. Building mutually beneficial partnerships grows stronger than ever as the Institute collaborates with corporations, NGOs, academic institutions and government agencies in both Asia and the United States. Kenan Institute Asia is expanding on its original vision to provide the benefits of a decade of experience to Thailand's neighbors, strengthening economies, the environment and the quality of life.



Building on Practical Development Experience

For the past ten years Kenan Institute Asia has worked with key partners to support development that is sustainable economically, socially and environmentally. We have sought to manage programs effectively to initiate projects that meet needs in creative ways, deliver value-added services, and achieve maximum social impact for years to come. The Institute has aligned its mission, strategies, governance and skills to provide the flexibility to face unexpected challenges and perform to the highest standards.

Kenan Institute Asia's mission is to support sustainable development within the free enterprise system, while creating boundary-spanning partnerships that meet social as well as economic needs without harming the environment. Such partnerships cross the geographical boundaries between the United States and Asia and between Thailand and its neighbors. Our partnering crosses other kinds of boundaries as well – between corporations and NGOs, between government and academia, between the private and public sectors.

The Institute's main impact comes from its practical projects yielding concrete results. Lessons learned over the years demonstrate the importance of project design from which all parties expect long-term benefits beyond immediately available funding. Experience has shown us that getting people directly involved, peers working together – whether as corporate volunteers, trainers, mentors or stakeholders – provides the human connectivity that adds great value. Our on-the-ground experience also enables us to make useful longer-term policy recommendations.

“The Kenan Institute Asia has the capacity to strengthen the partnership between our two nations, deepen our understanding and bring our two peoples closer together in enterprises which harness the energies, talents and ingenuity of our citizens.”

Former U.S. Ambassador William Itoh



Kenan Institute Asia works with partners and beneficiaries for sustainable development



Small and medium-sized businesses comprise the vast majority of businesses in almost every economy worldwide, and they are essential to the constant innovation necessary for an economy to remain competitive. However, small businesses face increasingly fierce competition. To succeed, and to grow, new entrepreneurs must be equipped with a special combination of management skills, financial strength and willingness to take risks. KIA Asia helps small businesses and entrepreneurs acquire the skills, mind-set and support they need to enter and flourish in the global economy.

The Institute works with multinational companies in the region to meet the great responsibility that comes with their increasing power and influence. In partnerships with many of the most conscientious companies, the Institute helps design and implement best practices programs to raise standards of business ethics, environmental care and social consciousness.

Since developing a country means developing its people, KIA Asia places great emphasis on working with youth. By helping teachers and students in rural schools make better use of information technology for learning, we help overcome the educational disadvantages they face. Project-based learning programs help students to break away from traditional rote learning and to achieve skills in analytic thinking, team work and research.

Sustainable development suffers when community structures are weak because there are no means to mediate the sometimes conflicting aims of business, government and civil society organizations. Kenan's

experience has shown that when community organizations build bridges among differing elements of society, the results are often win-win outcomes accepted by all.

Our ability to support sustainable development derives from the quality of our staff, our trustees, our partners and our volunteers. A strong and informed board of trustees, assembled and led by our chairman, provides the Institute a significant tool to achieve our goals. We have adopted best practices from the private sector — including competitive compensation policies, performance incentives, autonomy for managers to run their units and careful performance monitoring — to build our HR capacity and to encourage our staff to strive to reach their full potential. We have high standards, but, as a result, we are confident that the Institute possesses the management capability, ethical standards and technical knowledge to fulfill our mission.

KIA Asia has invested substantial resources in developing our planning, decision-making, knowledge management, and administrative processes to ensure that all donor and Institute money is used in the most effective and transparent manner possible. Annual compliance audits under strict U.S. government guidelines have strengthened these internal processes throughout the past ten years.

Looking Forward

The activities of the past year described in this report are part of the continuing history of Kenan Institute Asia that has successfully brought together a wide array of people, partners and processes as we look forward to another decade of encouraging and facilitating sustainable development.

Tsunami Recovery Action Initiative

...rebuilding shattered hopes



“This new form of economic cooperation, based on private sector cost-sharing, is a tremendous vehicle for helping a country meet its development needs without having to rely solely on government funding. You should be very proud of the contribution you and the Kenan Institute are making to improve the living standards of many in Thailand.”

President Bill Clinton

Responding quickly to the devastating tsunami which hit the coast of southern Thailand on December 26, 2004, KIASIA mobilized its resources and networks to reconstruct the lives of those impacted by the catastrophe. The Tsunami Recovery Action Initiative (TRAII) was launched in February 2005 under the leadership of its chairmen, former U.S. Ambassador to Thailand William H. Itoh and Thailand's former Ambassador to the U.S. Nitya Pibulsonggram. To support their efforts, KIASIA's Better Business Practices division shifted its focus and USAID in-hand funding to the damaged areas in Phuket, Phang-nga, Krabi and Ranong. KIASIA worked hand-in-hand with Thai banks to provide advice and business planning training for small and medium-sized businesses attempting to start over. In addition, KIASIA delivered its Rural Entrepreneurship through Action Learning (REAL) training program to entrepreneurs in the relief camps and to community savings groups, followed by redevelopment grants to the savings groups. With support from Microsoft, Kenan also leveraged its relationship with Ranong Community College to deliver REAL to members of the community. Redirection of funding from the American Corporations for Thailand, including Unocal, Starr Foundation, Dow Chemical and American Express, allowed the Institute to award a total of 400 scholarships to middle school students at risk of dropping out because of the tsunami's ruinous effect on their families' incomes.



Kenan Implements Sustainable Tourism Development Program in Phang-nga

After redirecting existing resources to provide medium-term assistance, KIAAsia began planning a three-year development program aimed at generating long-term recovery and eventual prosperity for the Lam Kaen and Khuk Khak communities in Phang-nga Province. The initiative, which focuses on building local capacities to achieve high-quality sustainable tourism, receives generous funding from the Kenan Charitable Trust and the Kenan Institute of Private Enterprise. Project activities cover three areas: education for tourism, entrepreneurship and hotel management training, and community development for sustainable tourism. This integrated, geographically focused endeavor is designed to improve livelihoods in the impacted communities in a significant and enduring manner. Moreover, the initiative will establish metrics of evaluation to accurately measure the effectiveness of inputs and overall program progress. From this, Kenan looks to generate a scalable and transferable model of community recovery and development that can be replicated elsewhere when catastrophe strikes.

“I was shocked as I watched my small Thai spa pavilion that I just opened on Patong beach a week before it disappeared with the tsunami. I had to lay off my employees. Then, TRAI business consultants helped me write a new marketing plan for my remaining shops so I could survive.” *Natthanit Porwan, Owner, Baan Thammachat Company*



Entrepreneurship

...gaining the business skills to succeed

KIAsia empowers new entrepreneurs to launch and manage their businesses through the Rural Entrepreneurship through Action Learning (REAL) curriculum. REAL is localized from a highly successful entrepreneurship development curriculum in the rural U.S. In 2005, KIAsia worked closely with 10 community colleges throughout Thailand to train local entrepreneurs, and, in a rapid response effort, specifically organized REAL training in Ranong, Phang-nga, Krabi and Trang provinces for businesspeople affected by the tsunami disaster. Overall, more than 300 aspiring entrepreneurs have benefited from the REAL program to date.

Mr. Boonchoo Tonglek, a fisherman in Baan Namkem, Phang-nga who went through the program, had this to say: "I learned how to do business through REAL and how to set realistic targets, from small to large. My plan now is to borrow from my community's savings fund to invest in four fish breeding cages. If successful, I hope to expand in the future. I will be sure to repay my loan, so the fund will revolve and grow. The training was practical and I plan to convey what I learned to people in my village."



Business Incubation Management

...giving new businesses a head start

KIAsia's business incubator management programs provide start-up facilities and help guide entrepreneurs through the new-business life-cycle, from launch through graduation from the incubator. The Institute has designed a unique training curriculum for incubator managers, covering both the "art" and science of incubator management and best practices in the industry.

In 2005, KIAsia managed an incubator for the Department of Industrial Promotion. Twenty-three incubatees, ten in-wall and thirteen out-wall, graduated from the program. Overall, 17 new businesses were successfully registered and a total of 140 new employees were hired. Combined investment totaled over 40 million baht (US\$ 1 million), generating over 50 million baht combined income.

With a one-year grant from the infoDev Incubator Initiative of the World Bank, KIAsia worked with the Office of Vocational Education Commission (OVEC), Ministry of Education to research and develop business incubators customized for Thailand for use both in the incubator and for client operations. Building on this effort, OVEC has budgeted funds to establish incubators at 10 vocational colleges in five regions of Thailand to bring incubation services to entrepreneurs in rural communities.



"A business incubator means we don't always have to figure out our own ways or to do business without advice. The advice I received from Kenan allowed me to know more, reduce chances of mistakes and increase the chance of success for my business. Furthermore, I got to know fellow businesspeople from the incubator whose businesses are complementary and can enhance my company. I believe I have come the right way."

Mr. Wirat Jaroenpanich, owner of Art Lander, a manufacturer of fiberglass home and garden decorative sculptures

SME Consulting

...improving planning, performance and strategy



In 2005, KIASia completed over 30 performance improvement and strategy projects, ensuring sustained development in all corners of Thailand.

- We conducted a feasibility study for Chanthaburi Province to set up a central farmers' wholesale market. The Thai government subsequently awarded the province over 500 million baht for the market, making Chanthaburi the regional center for agricultural trade.

- The team conducted another feasibility study for a hotel and shopping complex in Hua Hin which concluded that the shopping complex was feasible, but the hotel was not. The client has contracted to develop the project accordingly.

- KIASia production consultants utilized sales and operations planning for a leading stainless steel kitchenware producer, enabling it to forecast sales more accurately and substantially reduce inventory cost.

- In tsunami-devastated Phuket, KIASia recruited an expert to transfer know-how to an abalone aquaculture farm and exporter. The farm learned how to select and breed a strong and fast-growing variety of abalone. The KIASia consultant also designed and provided training for a simple software solution for farm management.



"I used to run my business in a traditional way without systematic management, but now my business vision is widened. Now I apply modern human resource management at my hotel, and the expert provided by Kenan trained our new hires to have a positive attitude about customer service. I am impressed with and feel warmly about Kenan's assistance. After the tsunami, there were hardly any organizations offering help to small businesses. Most assistance went to other sectors." *Chatri Laopiyasakul, Managing Director of Aiyara Villa Hotel in Takuapa, Phang-nga*

Business Plan Writing

...preparing for success

True to its mission to encourage and assist Thai SMEs in business planning, KIAAsia organized a business plan writing workshop for 27 Phuket entrepreneurs whose businesses were destroyed by the tsunami. The training helped them write viable strategies to refinance loans, apply for new loans, and redesign their businesses to recover from and help grow the hard-hit tourism industry. Separately, KIAAsia consultants helped a famous fashion garment brands group write a bid for the Thailand dealership of a leading U.S. furniture brand. The U.S. manufacturer lauded the work as the best business plan it had received and granted our client the exclusive dealership for Thailand.



“The tsunami crisis allowed me to know Kenan which helped me with business planning by providing me the opportunity to examine the past performance of my business and determine where to improve. Now, I have set a clear business direction and goals and started to plan systematically. I will follow the consultants’ recommendations about sales and customer data management to formulate a marketing plan that will increase my customer base, keep my existing customers, survive and grow into the future.” *Santi Suwannakarn, Managing Director of Taweesuwan Co., Ltd., a jewelry firm in Phuket*



Business Support Organizations Partnership

...raising business standards



With funding from USAID, KIASIA's Business Support Organizations Partnership (BSOP) worked collaboratively with institutions in the U.S., Thailand and other Asian countries to raise business standards. These efforts focus on the development of capacity building for the corporate sector to maximize their sustainable competitiveness. In the area of judicial and legal reform, BSOP provided technical assistance to facilitate the establishment of Vietnam's intellectual property court and hosted the 2nd ASEAN Law Forum, entitled "Alternative Dispute Resolution: A Mechanism for Enhancing Commerce in the ASEAN Region" in July 2005 in Bangkok.

KIASIA is also partnering with the private sector to implement the "Strengthening of Commercialization of Technology and IPR Systems in South East Asia" program. In the first phase, KIASIA is working with the International Intellectual Property Institute and Chulalongkorn University to conduct a survey of patent capabilities in ten South East Asian nations.

"The conclusion to draw from this forum is that experiences and practices developed in each member country are assets which will strengthen each country's ability to attract additional investment in this region." Mr. Timothy Beans, USAID Mission Director

Investment Intelligence

...seeking sustainable investment

To improve economic sustainability and international competitiveness through development of strong trade and investment ties, the Investment Intelligent Unit (IIU) provides investment-related services to Thai and international public and private sector clients.

The unit works closely with the Thailand Board of Investment (BOI) providing on-site marketing and investment promotion consulting. The IIU produces the BOI's monthly Investment Review for foreign investors, currently distributed to over 12,000 recipients in printed and electronic form. Additional services to the BOI include researching and writing annual strategic papers on the global investment climate and costs of doing business in Asia, generating marketing materials, speech writing and translations of investment laws.



The Investment Review, produced for the BOI, is a reliable source for investment-related news and updates.

Strategic Corporate Citizenship

...ensuring social responsibility

As Corporate Citizenship (CC) becomes a mainstream philosophy of global businesses, society increasingly expects businesses to become socially responsible and to make efforts to ensure sustainability.

In 2004 KIAAsia initiated the Strategic Corporate Citizenship Program to build the capacities of the corporate sector to implement projects which will ultimately benefit Thai communities and meet strategic corporate objectives. KIAAsia and the Center for Corporate Citizenship at Boston College launched a Certificate Program on Corporate Citizenship Training in Thailand with courses on strategic planning, evaluation and volunteering.

Participants who attended the training courses confirmed their experience that "Doing business with care to all stakeholders returned invaluable earning beyond profit."

KIAAsia further encouraged Corporate Citizenship through its participation in regional forums including the Asian Forum on Corporate Social Responsibility in Jakarta.



Labor Standards Advisory Service

...protecting workers, improving competitiveness

KIAAsia's Labor Standards Advisory Service (LSAS) has wide-ranging experience in providing training, auditing and consulting to various industries, particularly the consumer export sector, which has recently experienced pressure from major brands responding to criticism from NGOs and consumer groups. Globally-accepted labor standards are generally required by suppliers as well as in the frameworks of Thailand's current or proposed Free Trade Agreements (FTA).

The Department of Labor Protection and Welfare, Ministry of Labor, encourages and supports manufacturers to improve and enhance their labor practices to meet these international standards. LSAS has partnered with TÜV NORD (Thailand) Ltd. to audit and certify more than 150 manufacturers throughout the country. Not only will the implementation of higher labor standards enhance these certified manufacturers' competitiveness in world industrial markets, but in the end, they will provide Thai labor with a better and more sustainable quality of life.

Ms. Yupaporn Jam-Ulirut, lead auditor of TÜV NORD (Thailand):
 "The auditing team from KIAAsia was well regarded by the manufacturers, and both the auditing and the advising work were effective. The clients implemented the suggested improvements to conform to relevant standards, resulting in much improved working environments and better quality of life for their workers."

Community Foundations

...partnering for a healthy society



Privy Councilor M.L. Usni Pramroj speaks with members of the Borromeo String Quartet who performed at the Kenan Memorial Concert launching the Bangkok Community Foundation.

The community foundation concept is an adaptable form of philanthropy that has the potential to enhance communities and provide strategic investments in their future. Partnering with the Friendship to Community Foundation and Local Development Institute, Kenan Institute Asia is facilitating the start-ups of the Bangkok Community Foundation and the Rayong Community Foundation by engaging government organizations, corporations, and communities to work together on a partnership basis to promote a healthy society.

With funding from the Thai Health Promotion Foundation KIASia started this project to customize the community foundation concept to fit the unique characteristics of

Thai communities. Officially launched on December 3, 2005 with the Owen G. Kenan Memorial Concert featuring the Borromeo String Quartet at Phya Thai Palace, the Bangkok Community Foundation will be an independent organization operated by the people of Bangkok for the people of Bangkok. It will manage contributions from individual philanthropists according to their specific requirements within guidelines of transparency, effectiveness and accountability. In 2006, both community foundations are expected to be fully operational, and their start-up models will be showcased to other interested provinces. Lampang and Udon Thani provinces are piloting similar projects.



The NETWORK

...creating virtual common ground

With the support of Asian Development Bank and GlaxoSmithKline Biologicals, the NETWORK provides virtual common ground for corporate and NGO groups from Asia and the Pacific to meet and share information on line through web conferencing and website partnerships. The NETWORK aims to empower NGOs and the private sector to better understand each other and clarify their respective roles in promoting sustainable development. In addition to sharing best practices and developing standards, NETWORK members jointly develop issues such as poverty reduction, health promotion, environmental protection and educational improvement. www.network-ngo-ps.org

“Sustainable development is the main objective that all of us aspire to whether as individuals, NGOs, businesses or the government. The more we work together, the more force we get.” *Mr. Paiboon Wattanasiritham, Advisory Committee of The NETWORK*

Microfinance

...giving the poor access to capital

Faced with the difficult task of rebuilding communities in Phang-nga and Krabi following last year's tsunami, KIASia's microfinance team set in motion a plan to help them recover, reestablish their livelihoods, and begin to move towards a promising future. In a fairly short period, the team helped set up seven community savings groups, providing technical advice aimed at strengthening the groups' capital management and lending capabilities. The KIASia microfinance model is unique in that it combines such training with merit-based matching grants, helping to boost lending, expand community-welfare operations, and accelerate recovery.

The team drew on Kenan's successful REAL entrepreneurship curriculum that includes localized entrepreneurship training to equip participants with the skills to start and manage community enterprises. Reinforced with product training tailored to local conditions, including marketability, capabilities, and availability of materials, the comprehensive training and follow-on business advice have enabled many residents to earn a living again, to meet monthly saving goals and to repay loans which will allow the funds to grow and sustain.



"This course was fun. I learned business, accounting and cash flow skills that can be applied right away. My husband was a fisherman supporting my family while I was a housewife. The tsunami destroyed our home so now I have to sell souvenirs with my group to earn the money to buy food and pay rent. Roughly 4,000 baht profit a month is divided in half between reinvestment and money to members. The 100,000 baht grant from Kenan will be invested in a new shop to be set up by 20 members on Phi Phi Island in time for the coming tourist season. There are about 400-500 tourists now visiting the island and wishing to buy from and help villagers. Kenan will train us about design as we are not yet good at this." *Mrs. La-or Sanguantai, a souvenir trading group leader from Phi Phi Island*

Sustainable Competitiveness

...developing clusters, enhancing competitiveness



“Clusters represent a new way of thinking about national, state, and local economies, and they necessitate new roles for companies, government, and other institutions in enhancing competitiveness.” *Professor Michael E. Porter*

After five years of exploring and implementing Michael Porter’s theories on cluster competitiveness – geographic concentrations of interconnected companies, specialized suppliers, service providers, and associated institutions in a particular field – KIASIA now works closely with the National Economic and Social Development Board (NESDB), other government agencies and private organizations to disseminate understanding of clusters and provide hands-on consultation for cluster development in a wide variety of sectors. Following initiation by KIASIA, at least two clusters, the high-value vegetable cluster in the western region and the gems and jewelry cluster in Chanthaburi Province, have been particularly successful with strong support from local authorities.

This year, Kenan was invited to join TeamThai, the Thai government’s initiative to promote public-private collaboration for national competitiveness. In June 2005, KIASIA was commissioned by the NESDB to conduct “Cluster Mapping,” to study all currently existing clusters and analyze their performance, strengths, and growth potential. At the end of the project, KIASIA recommended 20 clusters with high potential, along with development strategies for each. A manual for cluster development followed.

KIASIA continues its cluster development program, the Competitiveness Initiative, with plans both to assist Thai clusters and to expand activities to neighboring countries.

Sustainable Urban Development

...strengthening management, encouraging participation

KIASIA’s Environment and Sustainable Development Division has a dual approach to ensuring sustainability of urban development: strengthening the management capacities of local government officials as well as encouraging participation of local communities. Approximately 300 local leaders participated in the Enhanced Municipal Manager Training Project, in collaboration with King Prajadhipok Institute, and national guidelines for citizen surveys were developed. In addition, we worked closely with the Thailand Environment Institute to develop a set of sustainable development indicators at regional and local levels. Chiang Mai became the first municipality to implement sustainable city indicators with the participation of various stakeholders.

“Sustainable city indicators are important and very useful tools to help us achieve our development goals while incorporating the needs of our citizens.”

*Chiang Mai Mayor
Boonlert Buranupakorn*

Border Action Against Malaria

...managing community health

Facing the most highly drug-resistant strains of malaria parasites in the world, KIASia's USAID-funded Border Action Against Malaria Project (BAAM) has developed a model process for evidence-based drug policy monitoring, review and decision-making. KIASia senior health staff are members of the National Malaria Drug Policy Committee and provide support for building capacity of the Department of Disease Control to implement therapeutic efficacy and drug sensitivity monitoring studies through a network of nine sentinel sites along Thailand's borders.

Three years of monitoring has shown steadily decreasing efficacy of mefloquine monotherapy for treating drug resistant *P. falciparum* malaria. At the same time, use of artemisinin-based drugs in sentinel sites has significantly reduced malaria transmission. Based upon this evidence, a new artemisinin-based combination treatment policy was adopted for nationwide use in October 2004. Application of the new treatment regimen benefits 2.75 million Thai people and approximately 1 million migrant laborers in communities at risk of malaria transmission. Since adoption of the new treatment policy nationwide, malaria cases have almost halved.

คู่มือการรักษาไข้มาลาเรีย
ชนิดไม่มีภาวะแทรกซ้อน
ฉบับ พ.ศ.2547



New handbook for treatment of uncomplicated malaria using revised treatment regimens as prescribed by the Ministry of Public Health

“Monitoring drug resistance tells us where resistance emerges and where we need to change drug treatment regimens to improve efficacy of treatment. KIASia has been our partner supporting this surveillance which has resulted in a new national malaria drug treatment policy.” *Dr. Chaiporn Rojanawatsirivet, Director, Bureau of Vector Borne Disease, Royal Thai Government Ministry of Public Health*



Medical technologists from the Department of Disease Control being trained on in vitro drug sensitivity monitoring for drug resistant malaria

ICT in Education

...opening IT channels for learning



Teachers participate in a brainstorming activity at an OCC Train the Trainer session in Chiang Mai, October 2005

Malor, a Kayan hilltribe member in Mae Hong Son Province, comes to the Microsoft-funded community-based ICT center at Mae Hong Son Community College at least once a month to keep in touch with her foreign friends via email. Through this regular correspondence, Malor is able to promote the village by keeping her network of friends aware of changes and advances.

KIAsia promotes the use of Information and Communications Technology (ICT) in education as an essential means to bridge the digital divide and to enhance learning in rural schools. KIAAsia's USAID-funded "One Computer Classroom (OCC)" is an innovative approach that enables teachers to effectively utilize even just one computer in their classrooms. The establishment of four community-based technology and learning centers supported under the Microsoft Unlimited Potential program enables the underserved in these communities to gain access to information and communications, thus breaking down the barriers they face to knowledge and participation.



Personal Finance Management

...achieving financial goals



During a Money Wise - Young Entrepreneur camp, students initiated product ideas and developed a simulated business plan

KIAsia works closely with GE Money Group to promote personal financial management education, targeting both youth and adults. The "Money Wise - Young Entrepreneur" program encourages high school students to use concepts of finance, economics, and entrepreneurship in their daily lives through "Young Entrepreneur" clubs. The "Money Wise for Government Officials and New Entrepreneurs" curriculum covers a complete range of personal financial management topics for a wide variety of adult financial needs.

"The workshop showed me that successful entrepreneurs must be socially responsible, analytical and well-prepared." Yuwarat Meesap, Matthayom 5 student at Taveetha Pisek School

English and International Education

...learning for a global future

KIAsia promotes the internationalization of Thai students and the workforce by encouraging interactions with foreign students, interns, and volunteers that facilitate cultural exchanges and increased use of the English language. The USAID-funded American Volunteers for Thai Community Colleges brought in ten volunteers, aged 21-70, to help establish self-access English language centers at Thai community colleges. Through daily interactions, people of both worlds gained the experience, skills, and knowledge that will allow them to work more effectively across cultures.

Sawat Paisarnsirisup, an English teacher at Nongbualampoo Community College, and Michelle Townsend, a USAID-funded American volunteer, became best friends after spending ten weeks working together to set up a self-access English language center. The presence of Michelle in this small Northeastern town encouraged Sawat and other community members to speak English on a daily basis and open themselves up to new ideas. Being one of a very few foreigners in the province likewise encouraged Michelle to adapt to a new environment.



Environmental Education for Youth

...learning to protect the environment

KIAsia's Environment and Sustainable Development Division completed its second year of encouraging integration of environmental projects into school curricula. Projects support active collaboration among stakeholders from within the schools (administrators, teachers, and students) and from outside (industries, communities, government agencies). In addition to its continuing support of environmental education in Green Schools in Samutprakarn Province, Kenan teamed up with Burapha University to introduce the Participatory Environmental Education Model (PEEM), a green curriculum, at four primary and secondary schools in Rayong Province.



"PEEM is an excellent model for inserting local content into school curriculum, as well as for enhancing the community's consciousness of environmental issues. The project led to successful pollution management around a school within an industrial estate. The most important thing is that the students really enjoyed their classes." Director Boonsong Samuthasen, Huaypong School

Youth Leadership

...preparing today's youth to be tomorrow's leaders



Exploring the Community Assets: Villagers in Tub Ma sub-district demonstrated "Lumtad," a Thai folk performance to students in the Rayong Leadership Camp

"It has been a wonderful and unforgettable experience having joined the Youth Leadership Camp. I can't believe that we have so many great things within our own home, Rayong. I have been touched by local wisdom and inspired to preserve and make it known to others." *Amphon Saparn, Matthayom 5 student at Nikomwittaya School*

Kenan's unique three-year Youth Leadership Program for high school students in Khon Kaen, Songkhla, and Rayong aims to build tomorrow's leaders from among today's disadvantaged youth. Administered in partnerships with the American Corporations for Thailand, the Ministry of Education, and Khon Kaen, Prince of Songkhla and Burapha Universities, the program includes scholarships, leadership camps, and corporate mentorships which provide invaluable support and life skills to the students. In conjunction with Provincial Education Service Area Offices, KIA Asia screens and monitors the participants' academic performance and behavior.

The positive impact of this youth development program is already obvious – 10 out of 20 students in Khon Kaen were recognized for their outstanding community service and two won Khon Kaen Youth Leadership Awards.



Report of Certified Public Accountant

Kenan Foundation Asia Balance Sheets "As at September 30, 2005 and 2004"

Assets	2005 Baht	2004 Baht	LIABILITIES AND FUND BALANCE	2005 Baht	2004 Baht
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and deposits at financial institutions	28,589,237	39,490,622	Accrued expenses - UNC contract	3,165,622	4,445,199
Accounts receivable	14,729,830	8,404,333	Accrued expenses and other current liabilities	<u>19,531,844</u>	<u>15,126,122</u>
Advance payment	1,939,424	6,866,699	Total Current Liabilities	<u>22,697,466</u>	<u>19,571,321</u>
Other current assets	<u>857,691</u>	<u>972,975</u>			
Total Current Assets	<u>46,116,182</u>	<u>55,734,629</u>			
NON-CURRENT ASSETS			FUND BALANCE		
Equipment - net	8,817,178	9,934,032	Initial donation	500,000	500,000
Long-term investments	212,524,107	203,608,959	Unrealized gains on investments in available-for-sale		
Other assets	<u>1,419,485</u>	<u>1,451,987</u>	marketable securities - net	6,523,772	15,211,277
Total Non-Current Assets	<u>222,760,770</u>	<u>214,994,978</u>	Accumulated excess of revenues over expenditures	<u>239,155,714</u>	<u>235,447,009</u>
			Total Fund Balance	<u>246,179,486</u>	<u>251,158,286</u>
TOTAL ASSETS	<u>268,876,952</u>	<u>270,729,607</u>	TOTAL LIABILITIES AND FUND BALANCE	<u>268,876,952</u>	<u>270,729,607</u>

Kenan Foundation Asia

Statements of Changes in Fund Balance
For each of the years ended September 30,
2005 and 2004

	Initial Donation Baht	Unrealized gain on investment in available- for-sale marketable securities - net Baht	Accumulated excess of revenues over expenditures Baht	Total Baht
Fund Balance as at October 1, 2003	500,000	12,855,950	218,418,858	231,774,808
Changes in unrealized gain on investment in available-for-sale marketable securities	-	2,355,327	-	2,355,327
Excess of revenues over expenditures	-	-	<u>17,028,151</u>	<u>17,028,151</u>
Fund Balance as at September 30, 2004	500,000	15,211,277	235,447,009	251,158,286
Changes in unrealized loss on investment in available-for-sale marketable securities	-	(8,687,505)	-	(8,687,505)
Excess of revenues over expenditures	-	-	<u>3,708,705</u>	<u>3,708,705</u>
Fund Balance as at September 30, 2005	<u>500,000</u>	<u>6,523,772</u>	<u>239,155,714</u>	<u>246,179,486</u>

KENAN FOUNDATION ASIA

STATEMENTS OF REVENUES AND EXPENDITURES
FOR EACH OF THE YEARS ENDED SEPTEMBER 30,
2005 AND 2004

	2005 Baht	2004 Baht
REVENUES		
Donation income	94,393,998	133,516,817
Interest income	6,376,297	3,923,537
Other income	<u>55,093,121</u>	<u>51,683,844</u>
Total Revenues	<u>155,863,416</u>	<u>189,124,198</u>
EXPENDITURES		
Grants to projects	114,096,698	127,772,348
Administrative expenses	<u>38,058,013</u>	<u>44,323,699</u>
Total Expenditures	<u>152,154,711</u>	<u>172,096,047</u>
Excess of Revenues over Expenditures	<u>3,708,705</u>	<u>17,028,151</u>

We have audited the balance sheets of Kenan Foundation Asia as at September 30, 2005 and 2004, and the related statements of revenues and expenditures and changes in fund balance for each of the years then ended, and have reported thereon dated December 8, 2005 that the financial statements referred to above present fairly, in all material respects, the financial positions of Kenan Foundation Asia as at September 30, 2005 and 2004 and the results of its operations for each of the years then ended in accordance with generally accepted accounting principles.

The balance sheets at at September 30, 2005 and 2004, and the related statements of revenues and expenditures and changes in fund balance for each of the years then ended, prepared for publication purpose, have been drawn from the audited financial statements which have been reported thereon as discussed in the preceeding paragraph.

KPMG Phoomchai Audit Ltd.

KPMG Phoomchai Audit Ltd.
Bangkok
December 8, 2005

Donors and Partners

Founding Organizations



**United States Agency for
International Development**



**Kenan Family
Foundations**



**Department of Technical and Economic
Cooperation, Ministry of Foreign Affairs**

Project Supporters and Partners

International Agencies

- Asian Development Bank
- Asian Pacific Philanthropy Consortium
- ASEAN Foundation
- Asian Productivity Organization
- Fair Labor Association
- U.S. Department of Justice
- U.S. Department of State
- U.S. Patent and Trade Office
- U.S. Trade and Development Agency
- World Bank
- World Health Organization

Non-Profit Organizations

- American Bar Association
- American Bankruptcy Institute
- American Chamber of Commerce in Thailand
- East-West Center
- Eisenhower Fellowship
- Electrical and Electronics Institute
- The Federation of Thai Industries
- International Intellectual Property Institute
- James HW Thompson Foundation
- Population Development Association
- Samut Prakarn Environmental Society
- SME Cambodia
- Stock Exchange of Thailand
- Thai Chamber of Commerce
- Thailand Environment Institute
- Thailand Logistics and Production Control Society
- Thai National Shippers's Council
- Thai Rural Net
- Thai Health Promotion Foundation

Companies

- Amata Group
- Bangkok Bank
- Bank of Ayudhya
- Coca Cola Thailand
- Laem Chabang International Terminal
- Mitr Phol Sugar
- Nanyang Textile Group
- PADCO
- Siam Commercial Bank
- Sombon Group
- Thai Stainless Steel
- United Standard Terminal

Thai Government Agencies

- Administrative Court
- Bank of Thailand
- Bank for Agriculture and Agricultural Cooperatives
- Board of Investment
- Chantaburi Provincial Government
- Central Intellectual Property and International Trade Court
- Chiang Mai Municipality
- Institute for Small and Medium Enterprises Development
- Ministries of: Agriculture, Commerce, Education, Environment, Finance, ICT, Industry, Labor, Public Health, Transportation
- National Economic and Social Development Board
- National Science and Technology Development Agency
- National Competitiveness Committee
- Office of the Judiciary
- Office of Small and Medium Enterprises Promotion
- Office of Atoms for Peace
- Phuket Tourism Association
- Pollution Control Department
- Small Industry Finance Corporation
- Supreme Court
- Thai Industrial Standards Institute

Universities

- Bangkok University
- Burapha University
- Boston College
- Chinese University of Hong Kong
- Chulalongkorn University
- Dhurakij Pundit University
- Khon Kaen University
- Mae Fah Luang University
- Mahidol University
- Prince of Songkla University
- Thammasat University
- University of North Carolina at Chapel Hill
- King Mongkut's University of Technology Thonburi
- North Carolina Community Colleges
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KENAN INSTITUTE ASIA 1996 - 2005



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