



Partnering for Sustainable Development

Annual Report 2006

www.kiasia.org

Content

● Message from the Board of Trustees	3
● Program Areas	4
● Tsunami Recovery	6
● Environment	8
● Public Health	9
● Youth & Education	10
● Community	12
● SMEs and Entrepreneur	14
● Corporate	16
● Economic Environment	18
● Kenan Conference - 2006	19
● Financial Report	20
● Donors and Partners	21

Vision and Mission

Kenan Institute Asia strives to build sustainable competitiveness in Thailand and the Greater Mekong Sub-region.

The Institute fulfills this mission of economic, social and environmental sustainability by developing multi-sector partnerships based on true development needs and mutual benefit through the cooperation of universities, government agencies and the private sector.

Objectives

- To promote better business practices for good governance, social and environmental responsibility and sustainable competitiveness
- To enable preservation of the environment through public-private partnerships and good business practices
- To facilitate the use of information and communication technologies for education and for bridging the digital divide between rich and poor
- To support capacity building and human resource development to increase the supply of managers who understand sustainable development
- To provide approaches to improve public health through schools and community-based organizations to reduce the threat of infectious disease in the region
- To develop public-private-academic partnerships and trans-national linkages working towards sustainable development
- To assist SMEs in the region to improve their capacity to compete in global markets
- To promote the long-term sustainable recovery and development of the areas in southern Thailand hit by the Indian Ocean tsunami
- To build the capacities of youth leaders in entrepreneurship, financial literacy and social responsibility



www.kiasia.org



Economic
Environment

Corporate

SMEs &
Entrepreneurs

Community

Youth &
Education

Public
Health

Environment

Tsunami
Recovery

Message from the Board of Trustees



With more than a decade of development experience, the Kenan Institute Asia, is one of the few non-profit organizations working for broad sustainable development based on the free enterprise system. We believe it is not only possible, but necessary to develop and expand ways that business growth can incorporate protection of the environment and solutions to social problems. Our tagline – Partnering for Sustainable Development – indicates our understanding of the need for the contributions of many partners – businesses, government agencies, academia and community organizations – to succeed in this difficult task.

Under our founding chairman, Mr. Anand Panyarachun, K.I.Asia developed projects and expertise in four main areas: better business practices, environmental management, education and public health. We first concentrated on Thailand, especially helping recovery and reform after the 1997 financial crisis. More recently, we have broadened our focus to include Thailand's neighbors in the Greater Mekong Sub-region. We believe we can help these countries benefit from the development experience of Thailand and our links to expertise in the United States.

We assist entrepreneurs and small business managers to be more competitive, train corporate executives to manage responsibly, help communities develop sustainably and deliver educational programs for a new generation of independent and responsible leaders. The support we have received from the private sector has been particularly important, because it has enabled us not only to fund development activities, but also to involve talented corporate employees in development work.

We also continue our historical role acting as a bridge for development cooperation between the United States and Thailand and between Thailand and its neighbors. We are beginning to work with other governments and peoples interested in sustainable development in the region as well as with multilateral organizations such as the Asian Development Bank and the World Bank.

This annual report gives brief highlights of our activities in 2006, but more detailed and up-to-date information may be found on the Institute's website at www.kiasia.org. We welcome your interest in the Kenan Institute Asia and urge you to look through this report and to visit our website for more information on projects and capabilities that are of interest to you.

K.I.Asia Board of Trustees 2006

Mr. Anand Panyarachun

Honorary Chairman, K.I.Asia
Chairman, Thailand Development Research Institute

Mr. Nitya Pibulsonggram

Chairman, K.I.Asia
Advisor to the Minister of Foreign Affairs
Khunying Jada Wattanasiritham

President and CEO, Siam Commercial Bank PCL

Mr. Arporna Paul Sribhibhadh

Honorary President, Association of The Software Industry

Mr. Isara Vongkusolkit

President, Mittr Phol Sugar Corp., Ltd

Mr. Kosit Panpiemras

Executive Chairman, Bangkok Bank PCL

Dr. Phisit Pakkasem

Chairman, TISCO Bank PCL

Dr. Sarasin Viraphol

Executive Vice President, C.P Group of Companies

Mr. Piamsak Milintachinda

Director General, Thailand International Development Cooperation Agency

Khun Sivaporn Dardarananda

Secretary General, Elephant Reintroduction Foundation

Dr. Supavud Saicheua

Managing Director and Head of Research Group, Phatra Securities PCL

Prof. Dr. Surapon Nitikraipot

Rector, Thammasat University

H.E Mr. Ralph L. Boyce

U.S. Ambassador of Thailand

Dr. John D. Kasarda

Director, Frank Hawkins Kenan Institute of Private Enterprise

Mr. Thomas H. Reese, III

President and Chief Operating Officer, Amata Corporation PCL

Mr. William H. Itoh

Director, Washington International Program University of North Carolina at Chapel Hill

Mr. Robert A. Wilson, Jr.

Vice President-Investments, SmithBarney Citigroup

Mr. Stephen W. Green

Managing Director and CEO, Asia South Business Unit, Chevron Asia South Ltd.

Mr. Owen Gwyn

Chairman, GEOCORP

Mr. J. Alston Gardner

Owner and Director, Fulcrum Ventures, LLC

Dr. James R. Leutze

Chancellor Emeritus, The University of North Carolina at Wilmington

Ms. Virginia P. Kirkwood

Owner and Director, Shawnee Holding Inc.

Mr. Paul Wedel

Executive Director, Kenan Institute Asia



Partnering for Sustainable Development:

K.I.Asia undertook activities in 8 Key Program Areas in 2006

Achieving sustainable development is a three-way balancing act. Success requires economic competitiveness along with action to strengthen society and preserve the environment. This balance may mean slower economic expansion in the short-run, but leads to more stable and sustainable growth in the long-run. K.I.Asia helped the region recover from the 1997 financial crisis by supporting the reforms needed for balanced growth. That theme continued in 2006 with a variety of projects to support balanced and sustainable development.

These projects required a variety of skills and a depth of resources. Therefore, K.I.Asia partnered with many organizations that were crucial to our success. Our partnering experience added value to many projects that brought together some combination of government, business, NGOs and academia. We have also learned to build partnerships that cross geographical boundaries – between Thailand and its neighbors and between Southeast Asia and developed economies. In 2006, K.I.Asia undertook eight main types of activities. Up-to-date information on current activities in these program areas can be found at www.kiasia.org.

“The Institute has the partnering skills, management ability and expertise needed to make partnerships work. We have learned to speak the languages of business, government and community organizations in order to facilitate joint efforts among them.”

Anand Panyarachun,
Honorary Chairman, K.I.Asia

Competitiveness

To survive and expand, businesses must be competitive – a constant challenge in the face of rapid globalization. K.I.Asia has provided cluster development consulting to improve competitiveness for related groups of companies. We used an array of diagnostic tools that assist in formulating and implementing cluster-based strategies.

K.I.Asia has long supported mutually beneficial partnerships that strengthen the regulatory and competitive environment, business standards, and good governance practices for the private sector. The Institute supported efforts by both the government and the private sector to attract high-quality, environmentally-sound foreign investment. See www.kiasia.org/competitiveness.



Expert explains to cluster members how to improve silk yarn quality.

Corporate Citizenship

K.I.Asia helped build capacity in the corporate sector to implement strategic corporate citizenship services. It worked with the corporate sector, government, universities, non-profit organizations and community groups to implement mutually-beneficial corporate-community projects. See www.kiasia.org/corporatecitizenship



SMEs and Entrepreneurship

In countries such as Thailand where over 90% of firms are small and medium-sized enterprises (SMEs), support for entrepreneurs is vital. K.I.Asia trains entrepreneurs and then, in partnerships with technical and community colleges provides them with incubation, management advisory and financial support services. See www.kiasia.org/smesandentrepreneurs.



Youth & Education

To contribute to sustainable development, young people need technical and business knowledge, creative thinking skills and social and environmental awareness. K.I.Asia helps schools in four main areas: leadership, using information technology for learning, environmental education and inquiry-based science teaching. See www.kiasia.org/youthandeducation.



Community Strengthening & Microfinance

Communities need to ensure that private sector development is socially and environmentally acceptable. K.I.Asia uses multi-sector partnerships to strengthen business practices and improve the quality of life in communities at the provincial, municipal and sub-district levels. See www.kiasia.org/community.



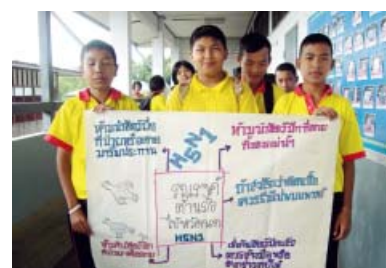
Environment

Using the lessons learned from Thailand's rapid industrialization and urbanization, K.I.Asia provides technical assistance, policy advice and project management to enable environmentally friendly development. See www.kiasia.org/environment.



Public Health

Sustainable development is not possible without healthy communities. K.I.Asia partnered with Thai agencies, donors, NGOs, research institutes, schools and communities to implement community-focused strategies to prevent infectious diseases in Thailand and its neighboring countries. See www.kiasia.org/publichealth.



Tsunami Recovery

The tsunami that struck on December 26, 2004, caused unprecedented death and destruction. The K.I.Asia Tsunami Recovery Action Initiative (TRAI) program provided targeted assistance to help affected communities in southern Thailand recover by developing sustainable tourism. Over a three-year period, K.I.Asia will help local institutions build the capacity to carry out sustainable, long-term and well-planned development. See www.kiasia.org/tsunami.





Tsunami Recovery Action Initiative (TRAJ)

Since early 2005, K.I.Asia has been assisting the southern province of Phang-nga, the area in Thailand hardest hit by the tsunami. While the tsunami caused unprecedented death and destruction, its indirect economic and social impacts were much broader and will take longer to address. For longer term development, K.I.Asia designed the three-year Tsunami Recovery Action Initiative (TRAJ) that focuses on building local capacity for high-quality, sustainable tourism. K.I.Asia received generous support from the Kenan Charitable Trust and the Kenan Institute of Private Enterprise for this initiative. The Kenan TRAJ program has two broad goals: 1) to improve the livelihoods of those affected by the tsunami in a sustainable and environmentally friendly manner; and 2) to pilot and document a model for other communities to use to recover from disasters. K.I.Asia is implementing the program in close collaboration with the Phang-nga Governor's office, the Phang-nga Tourist Association, the Ministry of Education, community groups, and the Lam Kaen Tambon Administrative Organization.

Building Local Capacities for Sustainable Tourism

Tourism provides nearly half of Phang-nga's income and was the business sector most affected by the tsunami. Sound tourism development also offers the greatest opportunities for better income for local people. Therefore, K.I.Asia is working with the Phang-nga Tourist Association, the local government, and educational institutions to help plan and implement high-quality tourism development. The TRAJ program is following a four stage approach that includes building: 1) common understanding on sustainable tourism; 2) capacities of business persons, community members, and students; 3) linkages between the various stakeholders; and 4) capabilities of local institutions to sustain the efforts.

In 2006, K.I.Asia programming reached more than 1,100 business persons, community members, government officials, students and teachers. Activities included workshops on strategies for sustainable tourism and providing customized business consulting for tourism businesses such as hotels and travel agencies. K.I.Asia provided training for small supporting businesses like restaurants and boat services, for hotel employees, for student guides and for community leaders. K.I.Asia worked closely with local government to generate ideas and plans that



Participants in REAL Entrepreneurship training practice preparing tourism business plans.

will allow the private sector to develop businesses in ways that preserve the natural beauty of the area and provide income for local villagers. The overall satisfaction level of those participating in TRAJ training programs was 88%. For more information, visit www.kiasia.org/TRAJ

IN-STEP Science Education

A related education program is the Inquiry-based Science and Technology Education Program (IN-STEP). This project is dedicated to building basic science education teaching capacities at middle schools in Phang-nga. The development of science knowledge, especially in ecology and biology, will support the Phang-nga Province's goal of being a destination for environ-



Phang-nga master teachers participate in the Professional Development Design Workshop.

mentally friendly tourism. The three-year program is being implemented with the Ministry of Education, the Merck Institute for Science Education, and leading science educators in Thailand. The program is funded by MSD (Thailand) Ltd., a subsidiary of the US-based Merck & Co., Inc.

"Here, tourists can learn about the local way of life and appreciate the beauty of nature. Kenan helped develop tourist attractions and introduced us to eco-tourism. They guided us on ways to preserve the natural setting."

Mr. Kunchai Maraie, Local bamboo rafting tour owner

Community Technology and Development Learning Centers

K.I.Asia began establishing Community Technology and Development Learning Centers in Phang-nga in cooperation with the Phang-nga Community College. Supported by Microsoft's Unlimited Potential Program, the design of four centers and training of trainers from the Community College have been completed. The facilities, to be located in the Lam Kaen community, will be operational in the first quarter of 2006. The centers serve to improve the IT skills of entrepreneurs and community savings groups participating in tourism businesses.



A newly-established Community Technology and Learning Center at Baan Namsai, Lam kaen.

Long-Tail Fishing Boat Repair Center and Pier

In order to help the small-scale fishing folk affected by the tsunami, K.I.Asia has partnered with Gannon Realty to design and build a repair facility for coastal fishing boats called "long-tail" boats because of their long, swivel-mounted propeller shafts. This facility will allow the fisher folk to have a safe and cost-effective place to repair boats and unload fresh fish. The fisher folk are also looking for opportunities to use the facility as a way to engage tourists. A grant was provided by the Bush-Clinton Tsunami Relief Fund to support the design and construction. In 2006, the team set up a fisherman's group to manage the facility, completed the design in consultation with the fishermen, and received bids for the construction, which is scheduled for completion in mid-2007. For details please see www.kiasia.org/longtailboatrepaircenter.



Architectural drawing of the planned long-tail fishing boat repair center and pier.

Kenan TRAI mission:

"To build capacities in entrepreneurship, hotel management, tourism-related occupations and education that support sustainable tourism in order to improve the livelihoods of members of the tsunami-affected target community of Lam Kaen – Kuk Kak, Phang-nga, Thailand."



Environment and Sustainable Development Programs

Recognizing the importance of preserving the environment while pursuing economic growth, K.I.Asia works with private sector and government partners to develop approaches that protect the environment through producing cleaner energy production, educating future leaders, training municipal managers and developing sustainable development indicators.



High school students participate in the EGAT young ambassador youth camp.

“Sustainable development focuses on the balance of three general development areas: economic, environmental and social. In order to understand the situation of sustainable development, it is necessary for Thailand to have a suitable and usable set of indicators. Therefore, the development of National SDIs (Sustainable Development Indicators) is truly needed.”

Mr. Santi Bang-or, Former Deputy General Secretary, NESDB

Environmental Education

In 2006, K.I.Asia worked with the Ministry of Education and Burapha University to establish a participatory school-community approach to teach young people about the environment and community development. The curriculum was developed and taught in four participating schools in Rayong province with support from Dow Chemical. See www.kiasia.org/environmentaleducation for details.

With the financial and technical support of the Electricity Generating Authority of Thailand (EGAT), the Institute launched a three-year program designed to improve understanding of energy and environment. In the first year, K.I.Asia provided 103 students with site visits, lectures, discussions and interactive training to help them learn about the production of energy, energy conservation and environmental management. The 10th-grade students also improved their leadership, team-working and learning skills.

Municipal Manager Training

K.I.Asia, with King Prajadhipok's Institute (KPI) and the International City and County Management Association, developed, improved and delivered training courses for municipal managers with funding support from USAID. The partners developed protocols on citizen surveys for use by local governments. The KPI and Thai partners also helped organize a two-day forum with 32 technical sessions on city and environmental management for 1,100 local government officials.

Sustainable Development Indicators

K.I.Asia continued to help Thailand develop its national sustainable development indicators to guide development in an environmentally sustainable direction. In 2006, with its partners at the Thailand Environment Institute, K.I.Asia provided advisory services to NESDB in developing the sustainable development indicators for the Ping, Chaophraya and Mun river basins.

Public Health Program

With an increase in dangers from avian influenza and multi-drug resistant malaria in 2006, infectious diseases remained major threats to sustainable development in the region. These threats require significant new investments to strengthen national public health capacities and regional cooperation. More information can be found at www.kiasia.org/publichealth.

With support from USAID, K.I.Asia's Borderless Action Against Microbes Program (BAAM) worked to strengthen the capacity of public health systems to collaborate on surveillance and response actions against significant infectious diseases. The Institute focused its efforts on marginalized rural communities in the Greater Mekong Sub-region. Details can be found at www.kiasia.org/malaria.

In 2006, K.I.Asia helped build systems for surveillance of and response to drug resistant malaria. This initiative supported cross-border collaboration aimed at prevention and control of malaria and infectious disease outbreaks. The Institute helped rural schools deliver a life-skills-based approach to mosquito-borne disease prevention with a community outreach component.

K.I.Asia also managed a project to reduce the risk of avian and pandemic influenza in the region. The project facilitated cross-border collaboration on information exchange, planning, surveillance and response to avian flu outbreaks. It built five new public-private partnerships to implement innovative strategies. See www.kiasia.org/avianinfluenza for more information.

K.I.Asia and Unicef, with funding from the government of Japan, built capacity for life-skills-based health education for prevention of avian and human influenza. Teachers' guides with lesson plans and teaching materials appropriate for children from kindergarten to 12th grade were distributed to 40,000 schools in Thailand. Support teams comprised of education supervisors and provincial public health officials were trained. School-level emergency preparedness and response plans were tested in 39 representative schools.

The Institute also provided staff support for a global USAID program implemented by the United States Pharmacopeia (USP), a non-profit public health organization. The USP Drug Quality and Information program focused on improving the quality control of antimalarial drugs to increase treatment efficacy, reduce drug resistance, and maximize the use of health care resources.

"Through Kenan training, students developed knowledge of healthy behavior related to bird flu and pandemic influenza. Students can now take care of their own health and continue healthy practices in their family and community."

Ms. Waesong Suetong,
Teacher at Bang Kluai Nok,
Ranong province



Students preparing to campaign for the prevention of bird flu in their community.



Education and Youth Development Programs

Development in Asia has been limited by the ability of education systems to produce versatile, knowledgeable and creative graduates. K.I.Asia believes that the potential of youth to contribute to social and economic development is great. In order to do so, today's youth need to be equipped with technical and business knowledge, leadership and creative thinking skills, and social and environmental awareness. K.I.Asia has partnered with schools, community leaders, local governments and the private sector to create and manage programs to provide the skills needed. Project areas include:

- Youth Leadership
- Young Entrepreneurs and Financial Education
- Information Technology in the Classroom
- Secondary Science Education (see page 7)

"I can now apply knowledge of financial, marketing, and business planning to my future business. After setting up the Young Entrepreneur Club in my school, I can see there are good opportunities for me in entrepreneurship to increase my income."

Ms. Weerawan Kajonprueksamas
from Wat Pradu Naisongtham School.

Youth Leadership

In 2006, K.I.Asia continued its Student Leadership Program to provide greater opportunity to promising, underprivileged high school students in three of Thailand's less affluent provinces. The program is providing 70 selected high school students with three years of 1) scholarships, 2) leadership camps, and 3) volunteer mentors from multinational companies including Chevron, AIA, American Express and Dow Chemical. K.I.Asia coordinated the three program components, facilitating participation from corporate donors, the Thai Ministry of Education, school administrators, students and their families. The program has made a real difference for many students. As one student, Ms. Panvipha Sontha, explained: "Without the assistance of the scholarship, I couldn't have continued my education. But, the program has given me even more than that – the chance to learn new skills and meet great new people." The program has been successful in three provinces and K.I.Asia is now planning ways to expand it to additional areas. For more information, see www.kiasia.org/youthleadership.



Rayong youth leaders interview a villager to identify community assets.

Young Entrepreneurs and Financial Education

K.I.Asia established the “Money-Wise Young Entrepreneurs” project in 2004 to help high school students learn the fundamentals of personal finance, entrepreneurship and business plan implementation. In collaboration with GE Money, the program addresses important needs in Thailand where personal and household debts are high and money management skills are low. Training was completed for 21 teachers at four schools and, subsequently, five more schools joined the program. Several of the schools have set up Money-Wise Young Entrepreneurship Clubs and developed student business plans. See www.kiasia.org/youngentrepreneurs.



Students practice developing business plans during Money-Wise Young Entrepreneurship camp.

The One Computer Classroom (OCC)

K.I.Asia initiated and developed curriculum, trained teachers, monitored progress and undertook research to improve the use of information and communication technology (ICT) in Thai classrooms. The focus is on utilizing limited computer resources for the most effective learning for all subjects, not just computer literacy. OCC’s methodology includes promoting higher level thinking skills such as analysis, synthesis, and evaluation. It emphasizes the use of the computer as a learning tool. With only one computer in the classroom, learning activities are usually based on cooperative groups. Project work helps students to use higher level thinking and teamwork skills. The program, begun with funding from USAID, went into a second phase in 2006 with support from Banpu Public Company. At present, OCC training has been delivered to 85 teachers at 18 schools in Northern Thailand. See www.kiasia.org/onecomputerclassroom

“The OCC model supports the Ministry’s goal of using ICT to enhance limited learning resources.”

Dr. Chinapat Bhumirat; Deputy Secretary - General of Office of the Basic Education Commission.



Teachers work together to search for e-curriculum in the One Computer Classroom, Lampang.

"I have learned a great deal about how to manage community funds effectively. As a result, our savings group has used all of our funds effectively for our sustainability."

Ms. Sophit Choochaimongkol,
Group Leader — Baan Numkhem
Community Saving Group

Community Programs

To help communities meet their goals for competitiveness and sustainable development, K.I.Asia supports partnerships to strengthen business practices and improve community livelihoods. Since 2000, K.I.Asia community programs involving training, project management and technical services have received significant support from USAID, Thai government agencies, Microsoft, GE Money, the Asian Development Bank and GlaxoSmithKline Biologicals.



*Workshop on
Community
Asset Manage-
ment Training
for the
Vana-Kaset
Community in
Chachengsao.*

Community Microfinance Capacity Development

In 2006, K.I.Asia provided microfinance management training to community savings groups through activity-based teaching on management, accounting and good governance. K.I.Asia's microfinance team provided follow-on consulting to community member entrepreneurs who borrow to invest in community enterprises. With funding from USAID, K.I.Asia gave small grants to qualified community groups affected by the tsunami that hit southern Thailand at the end of 2004. Entrepreneurship training helped borrowers sharpen their business skills to improve their chances for success and for loan repayment.

In addition, the team joined with the Bank for Agriculture and Agricultural Cooperatives (BAAC) to provide six training sessions for community micro enterprises and community savings groups in four regions of Thailand. While the K.I.Asia team provided appropriate financial knowledge to run effective community enterprises, the BAAC contributed its practical expertise with credit, savings and other financial services for low income people. For more information see www.kiasia.org/microfinance.

Community Technology and Learning Centers Development

Information and Communications Technology (ICT) can be a powerful tool to support social and economic development. Most people in Thailand and the region, however, still do not have access to this technology or do not yet know how to use it effectively. K.I.Asia's Community Technology and Learning Centers Development (CTLCs) Program gives communities access to ICT and ICT training through community-based centers.

These centers, funded by Microsoft and set up under K.I.Asia's supervision, address a critical need for underprivileged Thais to gain the necessary ICT skills to improve the way they work. K.I.Asia's CTLCs do not just offer standalone ICT skills training but seek ways for ICTs to improve the lives of the people they serve. K.I.Asia's in-house experts in microfinance, business incubation, entrepreneurship, education, and environment allow K.I.Asia's CTLCs to offer a holistic approach that makes a real impact on the community's development. For more information see www.kiasia.org/communityICT.



A Karen Villager takes a computer training course at the Community Technology and Learning Center in Mae-Hong Son.

Capacity Building for Community Colleges

With USAID funding support, K.I.Asia helped Thai community colleges establish ten self-access English language centers. The centers help develop the English language skills of the Thai workforce.

In 2006, K.I.Asia and Thailand's Ministry of Education worked together to develop a series of training curricula on basic personal financial management for government officials and community entrepreneurs. The "Chalaad Ru Ruang Ngern" (Money-Wise) program teaches basic knowledge of personal financial management. The training was designed to develop financial management skills so that students can apply those skills in real life. K.I.Asia developed and delivered the curriculum to Community Colleges with assistance from financial experts from GE Money (Thailand). Teachers from nine community colleges were trained to deliver the curriculum. During the year, nearly 300 community college students, local entrepreneurs, farmers, government officials, and community members received this training.

"The trainer from GE [Khun Noppadhol Baikwang] is fun and very friendly. He is also full of knowledge and experience to share with us. Everyone would like to thank GE Money for opening up this opportunity for us and for deepening our understanding as well as making us aware of money matters," said Ms. A-Runya Klincha-em, a local entrepreneur from Mukdahan Province.



Teachers learned to use the "Money-Wise" course during a training session at Uthai Thani Community College.

NGO-Business Partnerships for Sustainable Development

Businesses often lack the knowledge and networks to work effectively with NGOs, whose hands-on project experience at the grassroots level make them natural partners for firms pursuing Corporate Social Responsibility (CSR) aims. At the same time, many NGOs find it difficult to achieve their objectives due to shortages of managerial and technical skills and financial resources. To address these problems, K.I.Asia, with support from the Asian Development Bank-NGO Center and GlaxoSmithKline Biologicals, set up an on-line network to improve NGO-Business communication and cooperation.

The network provides a site on the Internet for NGOs and businesses to seek partners in sustainable development and to share best practices, models, opinions and concerns through an open forum. This virtual forum is available at www.ngobiz.org. For more information, contact thenetwork@kiasia.org.



An entrepreneur trained in the Money Wise program deals with a customer.



SME Consulting and Entrepreneur Training

“Thanks to K.I.Asia for organizing the REAL training for us. I gained practical knowledge on how to run a business with confidence. It would be great if K.I.Asia would arrange the REAL Training again because there are still a number of us in the community who would benefit.”

Ms. Pattaraporn Kwannark,
entrepreneur

To support sustainable private sector-based development, K.I.Asia provides business management consulting, training in basic business skills, trade capacity building, strategic planning, and production planning for small and medium-sized enterprises (SMEs) and entrepreneurs.

In 2006, K.I.Asia began a project funded by USAID to build trade capacity among packaged food producers in the Association of Southeast Asian Nations (ASEAN). The first activity, a workshop and clinic on exporting packaged food to Japan, served more than 100 companies. It will be followed by workshops on the US and Chinese markets, consultations with international packaged food trade experts, and seminars on food safety, sanitary standards, labeling requirements and marketing. For details click www.aseanfoodexport.com.



K.I.Asia consultants conducting the REAL Entrepreneurship training for community members in Phang-nga.

To support franchising businesses, K.I.Asia worked in partnership with the Department of Business Development, the Department of Export Promotion and the Department of Intellectual Property rights to help more than 20 Thai franchisors enter markets in Vietnam, Malaysia and Dubai. The project began in mid-April 2006, and will continue into 2007, but already the effort has produced results. Franchises such as ‘Spa of Siam’ and ‘Borntras’ were successful in contracting with new franchisees in Vietnam. Smart English and Neo Suki found new regional partners. Wong Panich Recycling Plant and Car Lack, a leading car care provider, are closing business deals in Dubai. See details at www.kiasia.org/franchising.

Earlier in the year, K.I.Asia completed a supply chain management program for a leading stainless steel kitchenware producer to improve the company’s overall competitiveness. The project enabled the company to synchronize sales and production and optimize inventory levels.

K.I.Asia consultants helped a home living products and real estate development company create a 5-year business plan to win an international license from a US brand owner who lauded the plan as the best among all potential international licensees and subsequently awarded the company the exclusive dealership for Thailand.

“Joining the Thailand Franchise project this year provided us a chance to expand into overseas markets such as Dubai, Malaysia and China. We expect the project to boost growth for franchises.”

Ms. Pranita Suitthimeathegon — Wongpanit Recycle Management Business.

K.I.Asia also provided assistance to a leather products cluster in the central region. Funded by the Bureau of Industrial Sectors Development of the Ministry of Industry, the K.I.Asia business consulting team helped the cluster develop a strong strategic plan. The plan focused on sharing information and technology and encouraging greater innovation in design and product development.

Another effort focused on helping businesses affected by the 2004 tsunami recover and expand in time for the 2006-2007 high season. Along with SME business consulting help, K.I.Asia organized training on Front Office Management and Food & Beverage Management. The Institute partnered with the Phang-nga Tourism Association and Dusit Thani College. These partners helped provide supporting facilities and training instructors respectively. K.I.Asia consultants helped tsunami-affected hotels and tour companies develop better management and operating software.

Early in the year, with funding from USAID, K.I.Asia provided training and advisory services to managers of small business incubators. To reinforce their training experience, the Institute took key policy makers and incubator executives to observe the best practices in US business incubation at leading business incubators in a variety of industries and geographical locations in the San Francisco Bay area. In mid-year, K.I.Asia won a grant from the World Bank InfoDev program to expand its earlier work on business incubators to Laos and Cambodia. See www.kiasia.org/businessincubation.

K.I.Asia continued its long-standing assistance to beginning entrepreneurs and very small new businesses. Using a Thai-language entrepreneurship training program called REAL (Rural Entrepreneurship through Action Learning), the Institute provided hands-on training that develops entrepreneurial traits, knowledge and skills and guides participants through the process of planning, establishing, and operating small businesses of their own design. Entrepreneurs with no more than a 6th grade education have successfully completed this course and have gone on to start or improve their family businesses. To expand the reach of this program, K.I.Asia transferred the REAL curriculum to teachers at 10 community colleges. More information can be found at www.kiasia.org/entrepreneurshiptraining.



Black Canyon Restaurant, one of our participating franchisors, branch in Dubai.



A Dubai guest visits the Wongpanit Recycle Management Franchise in Dubai.



Thailand Franchise project booth in China.

Corporate Programs

In a world where large corporations have become crucial sources of finance and human resources for development, K.I.Asia helps corporations contribute more effectively to sustainable development. This help includes executive training, research, advisory services, program management and labor standards auditing. K.I.Asia has served over 80 Thai and multinational corporations including Chevron, Banpu, AIA, Siam Commercial Bank, Amata Group, GLaxoSmithkline, Somboon Group, Nike, American Express, Bangkok Bank, Dow Chemical, Microsoft, Bank of Ayudhya, Levis, GE Money, MSD Thailand, Ford, Siam City Cement, and Nestle.

“Besides building a CSR network, courses offered by Kenan gave me insight on what CSR really means in theory and in practice.”

Mr. Trongjate Namwong, Project Coordinator — Pfizer Thailand Foundation.



Corporate managers learn new community engagement strategies.

Strategic Corporate Citizenship Courses

K.I.Asia delivers Corporate Citizenship Training that provides practical tools for corporate managers. Collaborating with its partner – the Center for Corporate Citizenship at Boston College – K.I.Asia delivered the English-language Corporate Citizenship Certification Training program in 2006. With its Thai corporate partners, K.I.Asia also developed a localized course in Thai using Thai case studies and adjusting the curriculum to better fit the Thai business and community context. The Thai language Corporate Citizenship course was first delivered in September 2006. A positive reception for the course encouraged K.I.Asia to offer it again in 2007. In total, over 100 corporate managers have been trained and 15 have received the Certificate in Corporate Community Involvement from Boston College.

Corporate Citizenship Research and Information

To provide information and insight on corporate social responsibility practices in Asia, K.I.Asia researched and published two studies: "The State of Corporate Citizenship in Thailand" and "Consumers' Behavior and Attitudes towards Corporate Social Responsibility in Thailand." These surveys indicated that both consumers and corporate executives in Thailand are placing increased emphasis on good corporate citizenship. These studies can be found on the K.I.Asia website at www.kiasia.org/corporatecitizenship.

Through the website and through two regular newsletters on corporate citizenship and corporate volunteering, K.I.Asia provides a way for practitioners to exchange experiences to help develop good corporate citizenship in the region.

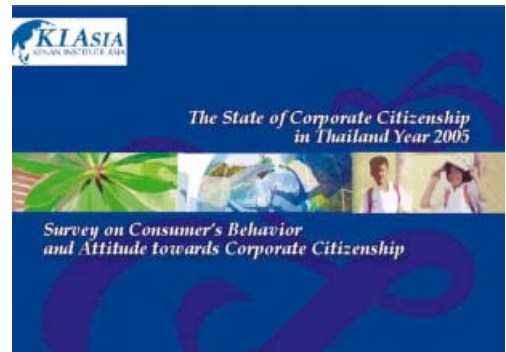
Project Management and Advisory Services

K.I.Asia acts as a bridge between the corporate sector, government, universities, non-profit organizations and community groups to implement mutually beneficial corporate-community partnerships in Thailand and the region. The Institute advises corporations on the set up of their corporate citizenship programs, and helps design and manage particular projects. In 2006, K.I.Asia managed projects in:

- Financial Education and Entrepreneurship
- Youth Leadership
- ICT for Secondary Education
- Science and Environmental Education

Labor Standards Advisory and Auditing Services

K.I.Asia works to improve working conditions and productivity in labor intensive manufacturing industries by providing advice, education and monitoring on international labor standards. K.I.Asia is accredited under the Fair Labor Association and Worldwide Responsible Apparel Product (WRAP) standards and, in 2006, audited more than 40 factories in the region. K.I.Asia also organized and participated in workshops to advise factory managers on meeting international labor standards. In 2007, K.I.Asia will provide customized consulting to individual factories that will include the training of managers, establishment of rules and development of operating processes. See details at www.kiasia.org/labor.



K.I.Asia conducted Thailand's first corporate citizenship surveys.

"The surveys contain interesting aspects of Corporate Social Responsibility which are worth reading, especially for companies who want to embed CSR into their business."

Ms. Suwanna Atapan, Corporate Social Responsibility Manager — Merck Ltd, Thailand



Best labor practices include taking safety precautions while operating machinery.

Business Policy & Competitiveness Programs

K.I.Asia works with both governments and private entities to improve the economic environment and enhance sustainable competitiveness through better business policies and strategies. A key approach is to focus on business clusters – groups of companies, organizations and agencies located in the same area that need to work effectively together to compete in global markets.

Cluster Mapping Project

Working with Thailand's national planning agency, the National Economic and Social Development Board (NESDB), K.I.Asia completed a study of business clusters in Thailand to assess the potential of selected clusters and to review the strategic challenges facing them. The study showed that strong cluster leadership was crucial to a cluster's ability to coordinate strategies and actions. It confirmed that consultants brought in to facilitate cluster development were important. These consultants, often called "cluster development agents (CDAs)" successfully helped a number of Thai clusters develop joint strategies, processes and actions. K.I.Asia produced a handbook - "Guidelines for Cluster Development" – to assist CDAs in their work.

K.I.Asia made a number of policy recommendations to the government, urging it to take a supportive, rather than leading role in working with clusters. More information can be found at www.kiasia.org/clusterdevelopment.

Chantaburi Gems Capacity Building

Chantaburi Province, long known as a major gemstones processing center, faces a major challenge: locally available raw materials have been exhausted. K.I.Asia undertook two projects to help the province leverage its processing skills and enhance its marketing to maintain its competitive edge in gems. K.I.Asia consultants helped design both the management and structure for a "Chantaburi Gems Center" to promote, support, and stimulate the development, expansion, and growth of the gems business in Chantaburi. The Institute also implemented a training program to build the business capacity of local entrepreneurs. The focus was on entering new markets, improving marketing and enabling Chantaburi to prosper on its skills rather than its raw materials.



Map showing 152 production and service groups in Thailand.



An architect's rendering of the planned Chantaburi Gems Center Building.

The Annual Kenan Conference

Named in honor of one of K.I.Asia'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.

In 2006, the Kenan Conference focused on "Development around Suvarnabhumi Airport – Planning to get it right." With the new Suvarnabhumi Airport scheduled to open soon, it was a good time to deal with the difficult issues involved in planning development around the airport so that it meets business, community and environmental needs. K.I.Asia Trustee, Ambassador Nitya Pibulsonggram, opened the conference saying that the development of the airport and the area around it was the most important infrastructure development in Thai history and that it provided a one-time opportunity to make Suvarnabhumi a key driver of the Thai economy.

Mr. Somchai Sunthornwat, Deputy Minister of Interior, said a special local administrative body would be established to provide good coordination among government agencies involved in planning and implementing development around the airport.

Dr. John Kasarda, Director of the University of North Carolina's Frank Hawkins Kenan Institute of Private Enterprise said speed and connectivity encouraged corporations to cluster around major airports. Airport areas are therefore attracting logistics centers, business parks, industrial estates, residential and retail shopping areas – forming the basis for what is known as the "aerotropolis".

Dr. Willem Trommels, Managing Director of the Berlin Area Development Company, said clear objectives, structured planning, a good governance structure and control of land and infrastructure development were crucial.

A panel moderated by K.I.Asia's Dr. Saisawan Vadhanapanich expressed concerns about managing flooding in the low-lying airport area, creating an integrated master plan for the area, improving rapid mass transit access, and getting community organizations involved in development decision-making. Information on all Kenan Conferences can be found at www.kiasia.org/kenanconference.



K.I.Asia's Dr. Saisawan leads a panel discussion on business community and environmental issues facing development around Suvarnabhumi Airport.



Dr. Willem Trommels, managing director of the Berlin Area Development Company, explains how development has been managed around airports in Europe.



More than 200 participants from business, government and community organization attended the conference.

Kenan Foundation Asia Balance Sheets "As at September 30, 2006 and 2005"

Assets	2006 Baht	2005 Baht	LIABILITIES AND FUND BALANCE	2006 Baht	2005 Baht
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and deposits at financial institutions	47,258,306	28,589,237	Accrued expenses - UNC contract	772,562	3,165,622
Accounts receivable	9,348,672	14,729,830	Accrued expenses and other current liabilities	<u>9,928,703</u>	<u>19,531,844</u>
Advance payment	4,056,976	1,939,424	Total Current Liabilities	<u>10,701,265</u>	<u>22,697,466</u>
Other current assets	<u>1,847,416</u>	<u>857,691</u>			
Total Current Assets	<u>62,511,370</u>	<u>46,116,182</u>			
NON-CURRENT ASSETS			FUND BALANCE		
Equipment - net	7,240,687	8,817,178	Initial donation	500,000	500,000
Long-term investments	204,309,404	212,524,107	Unrealized gains on investments in available-for-sale marketable securities	(972,747)	6,523,772
Other assets	<u>1,282,337</u>	<u>1,419,485</u>	Accumulated excess of revenues over expenditures	<u>265,115,280</u>	<u>239,155,714</u>
Total Non-Current Assets	<u>212,832,428</u>	<u>222,760,770</u>	Total Fund Balance	<u>264,642,533</u>	<u>246,179,486</u>
TOTAL ASSETS	<u>275,343,798</u>	<u>268,876,952</u>	TOTAL LIABILITIES AND FUND BALANCE	<u>275,343,798</u>	<u>268,876,952</u>

Kenan Foundation Asia

Statements of Changes in Fund Balance
For each of the years ended September 30,
2006 and 2005

	Initial Donation Baht	Unrealized gain (loss) on investment in available- for-sale marketable securities Baht	Accumulated excess of revenues over expenditures Baht	Total Baht
Balance at October 1, 2004	500,000	15,211,277	235,447,009	251,158,286
Changes in unrealized gain 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>
Balance at September 30, 2005	500,000	6,523,772	239,155,714	246,179,486
Changes in unrealized loss on investment in available-for-sale marketable securities	-	(7,496,519)	-	(7,496,519)
Excess of revenues over expenditures	-	-	<u>25,959,566</u>	<u>25,959,566</u>
Balance at September 30, 2006	<u>500,000</u>	<u>(972,747)</u>	<u>265,115,280</u>	<u>264,642,533</u>

KENAN FOUNDATION ASIA

Statements of Revenues and Expenditures
For each of the years ended September 30,
2005 and 2004

	2006 Baht	2005 Baht
REVENUES		
Donation income	128,963,596	94,393,998
Interest income	8,441,561	6,376,297
Other income	<u>43,549,558</u>	<u>55,093,121</u>
Total Revenues	<u>180,954,715</u>	<u>155,863,416</u>
EXPENDITURES		
Grants to projects	90,471,588	114,096,698
Administrative expenses	<u>64,523,561</u>	<u>38,058,013</u>
Total Expenditures	<u>154,995,149</u>	<u>152,154,711</u>
Excess of Revenues over Expenditures	<u>25,959,566</u>	<u>3,708,705</u>

We have audited the balance sheets of Kenan Foundation Asia as at September 30, 2006 and 2005, 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 January 15, 2007 that the financial statements referred to above present fairly, in all material respects, the financial positions of Kenan Foundation Asia as at September 30, 2006 and 2005 and the results of its operations for each of the years then ended in accordance with generally accepted accounting principles.

The balance sheets at September 30, 2006 and 2005, 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 preceding paragraph.

KPM& Phoomchai Audit Ltd.,
KPMG Phoomchai Audit Ltd.
Bangkok
January 15, 2007

Honoring His Majesty, Thai land's Development King



The staff of Kenan Institute Asia joins the nation in celebrating the 60th Anniversary of His Majesty's accession to the throne.

Key Contacts

Paul Wedel -
Executive Director
Paulw@kiasia.org

Directors:

Saisawan Vadhanapanich saisawan@kiasia.org
Kitti Kumpeera kittik@kiasia.org
Richard Bernhard richardb@kiasia.org
Jirawut Tantrakul jirawutt@kiasia.org

*Better Business Practices
Environment & Sustainable Development
Associate Executive Director
Finance & Accounting*

Managers:

Sarit Sanguanwongse
Wirat Jaruwongwanit
Wichai Saretawekul
Sorasak Prechadet
James Hopkins
Richard Bernhard
Jiranya Ratchinda
Kessara Amornvuthivorn
John Dasilva

sarits@kiasia.org
wiratj@kiasia.org
wichais@kiasia.org
sorasakp@kiasia.org
jimh@kiasia.org
richardb@kiasia.org
jiranyar@kiasia.org
kessaraa@kiasia.org
johnd@kiasia.org

*Business Advisory Services
Business Management Improvement
Entrepreneurship & Incubation
Financial Advisory Services
Public Health Program
Tsunami Recovery Action Initiative
Strategic Corporate Citizenship
Innovative Learning for Youth
Business Development*



" Partnering for Sustainable Development "

Kenan Institute Asia in Bangkok

Queen Sirikit National Convention Center

2nd Floor, Zone D, Room 201/2

60 New Ratchadapisek Road, Klongtoey, Bangkok 10110 Thailand

Tel: (662) 229-3131-2 | Fax: (662) 229-3130, (662) 229-5928

E-mail: kiasia@kiasia.org , Website: www.kiasia.org

Kenan Institute Asia in Chiang Mai

Siripanich Building 4th Floor

191 Huay Kaew Road, Muang District Chiang Mai 50200 Thailand

Tel: (053) 213 - 039 | Fax: (053) 213 - 039

Kenan Institute Asia in Phang-nga

8/10 Moo 2 Baan Kho Lak, Lam Kaen

Thai Muang Phang-nga 82210 Thailand

Tel: (076) 443-440 | Fax: (076) 443-440

The Frank Hawkins Kenan Institute of Private Enterprise

The University of North Carolina at Chapel Hill

Skipper Bowles Drive, Campus Box 3440, Kenan Center

Chapel Hill, NC 27599-3440 U.S.A

Tel: (919) 962-8201 | Fax: (919) 962-8202

E-mail: kenaninstitute@unc.edu Website: www.kenan-flagler.unc.edu



2006
ANNUAL REPORT

Kenan Institute Asia (KIASia) is the operational name of the Kenan Foundation Asia, a Thai non-profit foundation with a multinational Board of Trustees. It has been approved as a Thai charitable organization, tax exempt #350.

land's Development King



The staff of Kenan Institute Asia joins the nation in celebrating the 60th Anniversary of His Majesty's accession to the throne.

Managers:

Sarit Sanguanwongse
Wirat Jaruwongwanit
Wichai Saretawekul
Sorasak Prechadet
James Hopkins
Richard Bernhard
Jiranya Ratchinda
Kessara Amornvuthivorn
John Dasilva

sarits@kiasia.org
wiratj@kiasia.org
wichais@kiasia.org
sorasakp@kiasia.org
jimh@kiasia.org
richardb@kiasia.org
jiranyar@kiasia.org
kessaraa@kiasia.org
johnd@kiasia.org

Business Advisory Services
Business Management Improvement
Entrepreneurship & Incubation
Financial Advisory Services
Public Health Program
Tsunami Recovery Action Initiative
Strategic Corporate Citizenship
Innovative Learning for Youth
Business Development