



Philippines

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NGOs AS MAJOR ACTORS IN PHILIPPINE SOCIETY

Historical Background²

Beginnings of the nonprofit/NGO sector (1946-65)

Civil society in the Philippines had its earliest roots in organizations formed after the second World War and the restoration of Philippine independence – taking various forms as charitable associations, socio-civic clubs and interest groups that sought to influence the state. Starting in the 1950s, the first “proper” NGOs were formed, i.e., organizations that went beyond the concerns of personal or family welfare to encompass broader issues of development, rural reconstruction, urban poverty, economic exploitation and social transformation. The communist insurgency led, among other things, to the direct engagement of the Catholic Church with workers and peasants through parish-based credit unions to help poor people get on their feet financially. It also triggered the creation of non governmental organizations that worked for the welfare and resettlement of rebel returnees.

NGOs and Martial Law: Growth Despite Repression (1972-1985)

The nature of NGOs changed when martial law was declared in the seventies. During this period, the government was very suspicious of much of civil society. Organizations that arose out of the disquiet generally claimed that the country’s

¹ This paper seeks to contribute to the action-research and dialogue project of the Asia-Pacific Philanthropy Consortium (APPC) on “Improving Internal Governance of Nonprofit Organizations in Asia” by presenting the issues, initiatives and continuing challenges related to the governance of non government organizations (NGOs) in the Philippines. The paper draws from ongoing and published research on civil society organizations in the Philippines, documented governance practices, focused interviews with key informants, and a national-level consultation forum.

² Carino, L. V. (ed) .“Between the State and the Market: The Nonprofit Sector and Civil Society in the Philippines, UP, Quezon City, 2002.

problems were deep-rooted, that political activism was inevitable, and that “radical” solutions were required. With increasing urbanization came the growth of a large and restive new social sector, the urban poor. Community organizing emerged, and people’s organizations (“POs” for short) developed as a viable strategy for empowering the masses to fight for their rights. In other sectors, new forms of NGOs also began to sprout. Business groups pooled their corporate resources in the Philippine Business for Social Progress (PBSP), a pioneering effort in collective business philanthropy that sought to demonstrate that business had a social conscience and was prepared to invest in building communities. Academia-based social action groups distinguished themselves from other social welfare-oriented groups by their “politico-ideological color,” a reference to their thinly disguised opposition to the Marcos regime and an agenda that focused on people’s empowerment more than simply traditional charity.

As poverty and inequality worsened during the dictatorship, labor education, preventive health care, disaster relief, environment, and gender issues emerged as “new” areas of concern. NGOs were very critical not only of the regime’s anti-democratic character but also of its inefficiency and inadequacy in providing services to many disadvantaged areas and sectors. Thus, NGOs emerged not only as a social conscience for the public sector but also as an alternative to government organizations in the delivery of social services. There was a geographic expansion as well, with NGOs setting up shop from Northern Luzon to the Visayas and Mindanao. These organizing efforts would make NGOs prominent nationwide and even internationally, even though the dictatorship hunted down many of their leaders.

Large amounts of resources to fund NGO activities flowed in through the Catholic Church and mainstream Protestant churches. Many social activists who remained above ground worked within the legal framework and forged critical links with church-related donor agencies. Increasing global awareness of the illegitimacy and abuses of the Marcos regime became an important factor in the flow of development funds to NGOs from non-church sources. Donor agencies made the Philippines a focal point of their development aid, either in support of the political opposition or to buttress the developmental nature of some Marcos programs. Accountability with regard to funds was not much of a priority, with agencies rushing to support social organizing and education efforts out of solidarity and political considerations.

The Watershed of NGO legitimacy (1986-1992)

The EDSA People Power Revolution in 1986 marked the culmination of many years of hard work by activists to end the dictatorial martial law regime. With the ascension to power of President Corazon Aquino in 1986, democratization was substantially accelerated. The Aquino administration reached out to the private



sector and NGOs, as partners and collaborators in the task of rebuilding political democracy and spurring the country’s development. The role of NGOs was officially recognized by the state as an extension of “people power,” and this recognition was eventually enshrined in various provisions of the 1987 Philippine Constitution which asserted that the state would 1) encourage civil society organizations which promote the welfare of the nation; 2) respect their independence in pursuing legitimate and collective interests through peaceful means; 3) facilitate the participation of civil society at all levels of the country’s social, political and economic decision-making; 4) ensure by law the establishment of adequate consultation mechanisms with civil society; and 5) establish a party-list system that would guarantee representation of marginalized groups in the legislature.

Subsequent landmark legislation implemented these NGO-empowering constitutional provisions, the most significant law being the 1991 Local Government (Autonomy) Code. The code formalized the role of NGOs in the local governance process and guaranteed their participation in the following wide-ranging areas: as members of local special bodies, as joint-venture partners of government in development projects, as sectoral representatives in local legislative bodies and processes, and as recipients of funds and other forms of assistance.

Foreign development assistance rose dramatically during this period and, given their new-found political legitimacy, even more funds were channeled to the NGO community. New NGOs proliferated as development agencies sought out appropriate project proposals for possible funding. A trend also developed that allowed NGOs to manage bilateral and multilateral official development assistance (ODA) funds, giving the NGO community relatively easy access to very substantial resources, and promoting greater participation of the smaller and less established NGOs.

Institutionalizing the NGO Sector’s Role and Influence (1992-1998)

The legitimacy and prominence of the NGO sector continued into the administration of President Fidel Ramos in the 1990s. The NGO community was involved in numerous consultative mechanisms, now as a distinct social sector, participating in policy reform summits and in actually drafting major reform legislation. To further strengthen their voice, organizations formed coalitions that brought together groups from different points on the ideological spectrum. NGO causes and ideas were eventually embodied in several new laws, specifically those concerning agrarian reform, urban development and housing, agriculture and fisheries modernization, indigenous people’s rights, women in development, and nation-building. Most of these laws included provisions explicitly requiring consultation with and participation of civil society organizations in implementing the law.

This brief historical sketch of NGOs reflects the remarkable growth of civil society in the Philippines, in terms of its diversity, its role in the country’s political and social history, and its increasing influence in institutional decision-making and socioeconomic reform. It also highlights the different positive and negative influences on the governance practices of Philippine NGOs, which help explain the sector’s current strengths and continuing challenges.

Size and Scope of the Sector

The civil society sector in the Philippines consists of non-stock corporations, NGOs, people’s organizations (POs), cooperatives, community organizations, academia, churches, charitable institutions, and other voluntary associations. A recent study of the sector indicates that the size and scope of these different groups are subject to different estimates and classifications.³ Using consolidated information from various sources, the number of civil society organizations in 1997 was estimated to be anywhere from 249,000 to 497,000. Distribution according to types of organizations is shown in the following table:

Distribution of the Organizations in the Sector, 1997 (in thousands)

Particulars	Low estimate	Per Cent	High estimate	Per Cent
People’s Organizations				
Ø Accredited	109	44	114	23
Ø All Others	60	24	199	40
NGOs	34	14	68	14
Non stocks	21	8	75	15
Cooperatives	25	10	41	8
Total	249	100%	497	100%

Based on this data, people’s organizations (POs) constitute the biggest proportion in civil society. They are associations representing their members’ causes. Some government agencies accredit POs. It is not surprising to have the most number of organizations in this category since people basically organize themselves to deal with issues they confront in daily life, and to be with other individuals they know and like. NGOs are the best-known civil society organizations in the country, even

³ Ibid.

though they are much smaller in number than POs. NGOs are intermediary organizations that bridge the state and the citizens, and whose membership is not composed of the people they purport to serve. Many NGOs either work with, or provide assistance to, POs. There are no specific requirements for the registration of NGOs, and the non-stocks include SEC-registered NGOs.

Looking more closely at NGOs there are about 3,000-5,000 among this group that can be classified as “development NGOs.” These are described as private, nonprofit voluntary organizations that work with different sectors and communities throughout the country, promoting their general welfare and development. Most of these are members of the Caucus of Development NGO Networks (CODE-NGO), the largest coalition of development NGOs in the country today.⁴

NGOs are also classified in terms of different levels of organization⁵:

Primary Level: These are individual nongovernmental organizations working directly at the grassroots level. They do community organizing, direct service delivery, and assistance to POs.

Secondary Level: These are networks of NGOs. Their role is to build capacities of members; to broker resources, sourcing of funds and projects for members; and to push for collective advocacy work. Their direct implementation of projects is limited to “pilot-testing” of particular strategies or trailblazing interventions, which are later shared with their members.

Third Level: These are associations of NGO networks. Principally, the purpose of these third-level NGOs is to advocate for policy reforms and to create opportunities to discuss and build consensus on national issues and concerns. Their activities usually consist of convening dialogues, reviewing national programs and development strategies, and providing opportunities for civil society groups to interface with high-ranking government officials, the donor community, and others. On critical issues they may mobilize collective opinion and public pressure nationwide in order to get the state to listen to and heed the citizens’ sentiments.

The relatively smaller numbers of non-stocks and NGOs belie their significant social contributions and their acknowledged leadership role in Philippine civil society. Given their avowed developmental focus and their increasing political influence in the country, the rest of this paper will focus on NGOs and their governance.

⁴ Aldaba, F., “Doing Good and Being Good: Aspects of NGO Governance in the Philippines”, 2002.

⁵ Lopez, Jing, CSO Consultant of LGSP and former National Coordinator of PhilDDRa, December 12, 2002, LGSP Office, Ortigas Center.

PART II: GOVERNMENT RESPONSE TO NGOS

Over the past five decades, the government has consistently seen Philippine NGOs as the “independent sector,” operating distinctly from itself, other political institutions and the business/private sector. Throughout the country’s post-independence history, every political regime has operated with this view, regardless of whether it tolerated, repressed, or supported the growth and activities of NGOs. The government has also seen and treated NGOs as basically cause-oriented (pro-democracy, pro-development, pro-poor) groups, rather than as professional and management-oriented organizations. These fundamental and pervasive perceptions of the NGO/nonprofit sector have shaped the government’s largely non-regulatory relationship with NGOs.

During the “period of tolerance” (1950s-1960s), the government allowed NGOs to work as intermediaries between the state and various target groups (farmers, labor, etc.). It also gave many NGOs (especially those registered as foundations) tax-exempt status. In the subsequent “period of repression” (1970s to mid-1980s), many NGOs were suspected of subversion, but were still allowed limited functions in order to provide the martial law regime with a semblance of democracy. Community-focused and developmental NGOs were also tolerated because of their foreign funding support. Surprisingly, no formal registration of NGOs was required as such, and no government agency supervised the sector.

With the restoration of political democracy and the emergence of the “period of legitimacy” (late-1980s to early-1990s), NGOs were actually encouraged to be the government’s conscience and watchdog in the government’s campaign to curb corruption and improve the delivery of public services. Landmark legislation and official government policies enshrined NGO rights and roles, and the government increasingly tapped NGOs as implementers and partners in its development programs. In the subsequent “period of institutionalization” (mid-1990s to the present), the government mainstreamed NGO representation in development planning, consulted with NGOs as a sector in policy and legislation, and legitimized its standing as an equal partner with the business/private sector.

As the sector has continued to mushroom and diversify, the government has begun to scrutinize NGOs for accountability and legitimacy, and is increasingly challenging the NGO community to regulate itself.

The need for NGO self-regulation has been underscored in recent studies by government auditors. As partners or contractors in the delivery of specific government programs, NGOs are subject to government rules and regulations in reporting their accomplishments as well as in liquidating their expenses. In this

connection, the state Commission on Audit (COA) conducted an audit of 42 NGO partners with government contracts in the early 1990s, and discovered that there were lapses in accountability in as much as 5% of the total program funds involved. These lapses ranged from non-submission of reports, to lax accounting procedures, to the failure to return unused funds. This has led the COA to call for the strengthening of “the NGOs-GOs (government offices) accountability relationship...(that would involve) closer coordination with the NGOs and monitoring their activities...to ensure compliance with the provisions of the MOAs (Memoranda of Agreement) which they themselves have entered into.”⁶ More and more local governments now stipulate that their partner NGOs must comply with government auditing requirements as a condition for release of funds, and they report that these NGOs are learning to operate accordingly.

The government has generally viewed NGOs as having high moral legitimacy, given their avowed purposes, the idealism and altruism of their leaders, their track record in social and political advocacy, and their well-guarded independence. However, in recent years the government has also begun to develop the NGOs’ trademark attitude of “critical collaboration.” It now worries about some NGOs’ capability to be responsible “watchdogs” of government programs, is wary of the use of donations to NGO for tax dodging, is suspicious of “pseudo-NGOs” set up for political and other vested interests, and is frustrated with the non-performance of inefficient NGO partners. Some sectors in the bureaucracy and the legislature have raised the specter of increased regulation of NGOs by government, e.g. requiring all NGOs to be SEC-registered, making accreditation of their NGO partners more stringent, and even determining which NGOs will be allowed to represent the sector at public hearings.

Nonetheless, the overall government stance towards NGOs remains positive and enabling. The government continues to view NGOs on the whole as a constructive and important influence in the development of a democratic Philippine society. Therefore, government believes that NGOs must be encouraged and facilitated in their continuing growth as a legitimate, responsible and self-regulating sector. In a bold move that has become a model of genuine partnership, the government has authorized the Philippine Council for NGO Certification (PCNC), an NGO set up and governed by the NGO community itself, to accredit NGOs applying for tax incentives through donee institution status, as long as these NGOs meet the minimum standards for certification.⁷

⁶ Carino, L. V. (ed) .“Between the State and the Market: The Nonprofit Sector and Civil Society in the Philippines, UP, Quezon City, 2002.

⁷ Soledad, Felicidad. “Accountability as a Sector: The PCNC Experience”. A paper presented during the 2002 Southeast Asia Regional Conference on Civil Society Resource Organizations, 18-20 February 2002, Pattaya, Thailand.

PART III ISSUES AND CONCERNS IN NGO GOVERNANCE

For the purposes of this paper, governance of Philippine NGOs is discussed in the context of the following analytic framework, which relates four major governance dimensions that reinforce each other – **legitimacy, accountability, transparency and internal management**. Legitimacy is both the goal and the final reward of good governance. It is earned, especially where public resources and/or public interests are involved, through a high degree of accountability, to which effective transparency and good internal management contribute significantly.

The following are working definitions of these governance dimensions:

Legitimacy refers to the particular status with which an organization is imbued and perceived at any given time that enables it to operate with the general consent of people, governments, and other relevant groups (e.g. donors) around the world⁸. There are two types of legitimacy: derived and generated. Derived legitimacy comes from the legal and moral credentials of the organization while generated legitimacy is drawn from the target beneficiaries, funders and other stakeholders of the organization and is usually based on the performance, integrity and reputation of the organization.

Accountability is the process by which an NGO holds itself openly responsible for what it believes, what it does and what it does not do, in a way which shows that it is involving all concerned parties and actively responding to what it learns. Accountability can be classified according to:

- Financial Accountability: answering for the use of entrusted and acquired resources
- Performance Accountability: documenting and reporting on results vis-à-vis expectations, goals, targets and quality standards
- Voice Accountability: the veracity of what the organization says, and the authority with which it speaks
- Accountability to improve: responding to feedback and assessments, and reporting on actions taken

Transparency refers to the extent and quality of information regarding its activities and resources that an organization is willing and able to disclose, as well as the mechanisms to access such information.

⁸ Slim, Hugo "By What Authority? The Legitimacy and Accountability of Non-governmental Organisations", Paper presented at The International Council on Human Rights Policy International Meeting on Global Trends and Human Rights — Before and after September 11, January 2002. <http://www.jha.ac/articles/a082.htm>

Internal Management is the use of appropriate systems and structures to optimize the organization’s resources—material, financial and human—so that its stated mission and vision will be achieved. These include systems and structures for: internal governance, the generation and use of financial resources, ensuring staff capacities and motivation, program development and execution, planning and performance review, building external relationships, and continuous organizational learning.

The succeeding paragraphs present the issues and concerns that challenge Philippine NGOs along these four governance dimensions. These issues and concerns reflect a mix of factors—structural as well as cultural aspects, externalities as well as internal dynamics—within the NGO sector.

Legitimacy Issues and Concerns

Noncompliance with Government Requirements

All NGOs registered with the Securities and Exchange Commission (SEC) as non-stock, nonprofit corporations are required by law to submit annual reports of their operations, which should include a set of financial statements. Unfortunately, compliance by registered organizations is very low, and the SEC does not have the resources to monitor compliance, much less to enforce this requirement and the corresponding penalties for non-submission. Available statistics suggest that less than 50% of SEC-registered NGOs submit the required annual reports.⁹

Representation

In relating with the government, NGOs are confronted with questions of their legitimacy in representing the people.

- **Too many intermediaries:** Because of the large numbers of similar NGOs in a given locality, government officials find it difficult to identify those NGOs who could best represent the people’s interests in local development councils and other local bodies.
- **Political exploitation of POs by pseudo-NGOs:** The natural alliance between NGOs and POs can easily be used to lend legitimacy to partisan political action. This concern was highlighted in the country’s recent political crisis, when urban poor groups were mobilized by political supporters of then President

⁹ Aldaba, Fernando T. “Doing Good and Being Good: Aspects of NGO Governance in the Philippines”, 2002.

Measures and Costs of Performance Accountability

There is a lack of rigor in the expectations and measures of performance applied to NGOs. They are not strictly held to delivering on promised outputs/outcomes, and it is difficult to specify “hard” or quantifiable measures of typical NGO goals like people empowerment, or consciousness-raising or capacity-building. This lack of performance measures does not prod NGOs to build the internal capability to monitor and evaluate their mission-related performance, and to learn from such strategic assessment so that they will produce better results in the future. Setting up and sustaining monitoring and evaluation (M&E) systems (particularly the monitoring of outcomes) is costly. Having a more “missionary” than a management perspective, most NGOs would prefer to spend their limited funds on project activities that they believe will directly benefit their target groups.

The Dominant Focus on Process over Outputs/Outcomes

In program implementation, NGOs tend to be more concerned with developing and using the right processes than with producing the necessary outputs or outcomes. While this bias for process may be a good strategy for building social capital, i.e. empowering the target beneficiaries, it tends to downplay the NGO’s equally important responsibility to deliver on promised results. Donors sometimes reinforce this situation, when they accept the bias for process as an excuse for poor program/project results. In addition to this, donors tend to be quite forgiving of NGOs when they are unable to produce their promised outputs—especially when they are small, have no track record of accomplishment, but have a sincere passion for the social cause they espouse.

Transparency Issues and Concerns

Disclosure of Financial Records

Many nonprofit organizations guard their financial data as if they were state secrets. Researchers in a recent study of Philippine civil society received many refusals to participate in the organizational survey because of the respondents’ reluctance to share financial information. Some of this resistance may be attributed to the absence of and inability to keep books of accounts (a capacity problem); some may be traceable to a feeling among the NGOs concerned that they are not accountable to the public for their handling of donor funds (an ethics problem)¹⁰.

¹⁰ Carino, L. V. (ed) .“Between the State and the Market: The Nonprofit Sector and Civil Society in the Philippines, UP, Quezon City, 2002.

operations, management requirements and current capacities for good governance. There is growing consensus that a deliberate, systematic and sustained investment in building appropriate *NGO management systems* (not just developing NGO managers) is needed, that these systems must be suited to the particular stage of an NGO's organizational development, and that to be cost-effective these systems must allow for smooth progression in scale and complexity as the NGO continues its organizational growth.

**NGO GOVERNANCE THROUGH SELF-REGULATION:
INNOVATIVE INITIATIVES**

Given the large size, rapid growth and increasing prominence of the NGO sector in the Philippines, the issues and concerns about NGO governance have already been much discussed and debated. Likewise the sector's history of strong independence has led to responses that focus on self-regulation as the path to more effective NGO governance. Some of the innovative and instructive initiatives in self-regulation are presented in this section.

Code of Conduct for Development NGOs (1991)¹²

In 1991, the first national congress of Caucus of Development NGO Networks (CODE-NGO) produced a landmark document, the Code of Conduct for Development NGOs, which constitutes what is possibly among the first attempts by an NGO community to establish provisions for self-regulation. This document sprang from the desire of CODE-NGO's founders to establish rigorous standards that would set development NGOs apart and enable them to police their own ranks amidst a thriving "NGO industry," where numerous fly-by-night organizations masqueraded as development NGOs to access generous program funding from government and foreign donors.

While the document covers the development principles adhered to by its NGO signatories, it also identifies the responsibilities of development NGOs in maintaining the soundness and integrity of their specific organizations. Excerpts of the specific statements in this portion of the covenant are as follows:¹³

- "Our organizations serve clear development objectives consistent with our vision-mission and understood by all our board members, staff and partners.

¹² <http://www.codengo.com>

¹³ The CODE-NGO Covenant on Philippine Development.

- We acknowledge accountability to our various publics and stakeholders. We shall manage our organizations with the highest competence, integrity and professionalism and responsible use of resources.
- We will ensure that our financial policies, systems and practices comply with existing laws, generally accepted accounting principles and agreements reached with our donors and fund sources. We shall also endeavor to grow as financially sustainable organizations, utilizing resource generation strategies that are consistent with development values, and with our organization's vision-mission-goal statements.”

The code also shows how transparency is valued in the NGO community as reflected in the following statements and commitments indicated in the document:

- “We shall demonstrate our accountability by regularly submitting annual and financial reports, organizational profiles and other information that may be required of us to help CODE-NGO
- In relation to the COMMUNITIES we work with, we shall provide access to all forms of relevant information and appropriate technology to develop a comprehensive and current perspective of development work.
- In relation to our FELLOW NGOs, we shall promote greater cooperation and solidarity, through constant dialogue, sharing of resources, information, expertise and experiences, and enhance mutual development based upon the premise that we are partners, not competitors in people's development.
- In relation to our partner FUNDING AGENCIES and the BUSINESS SECTOR, we shall nurture transparency, mutual respect and mutual accountability with our partners and strive toward a two-way sharing and appreciation of development frameworks, areas of priority and procedures.”

The Code of Conduct was put to its initial test with the Whitelist Project, where CODE-NGO had to demand program and financial accountability from its member-NGOs that had received Canadian development assistance funding. As discussed in the next section, audit findings from the Whitelist Project led to the actual removal of negligent members from the CODE-NGO organizational roster.

CODE-NGO is currently working on the operationalization of the Code of Conduct to properly enforce the code's provisions among its members. It has established a Commission on Internal Reform Initiatives (CIRI) to work on formulating indicators and sanctions that will give the Code of Conduct “teeth”. At present CIRI is circulating among CODE-NGO members a draft document regarding

proposed specific sanctions to be imposed among members who violate the Code of Conduct. When the internal consultation is completed, ratification and implementation of these indicators and sanctions will follow. On another note, CODE-NGO has recently decided to encourage all its members to seek PCNC certification as one concrete and positive way of complying with the Code of Conduct.

Whitelist Project (1997) ¹⁴

In 1997, with the support of the Philippines-Canada Human Resource Development program (PCHRD), CODE-NGO undertook the Whitelist Project, which aimed to promote greater accountability and responsibility among development NGOs with regard to the use of development resources. Specifically, the project sought to establish a list of 89 organizations which had accessed PCHRD assistance for various projects but which had— at the close of PCHRD’s operation in 1996—failed to comply with substantive reportorial and/or financial requirements.

Under this project, 29 organizations were able to fulfill their obligations within the grace period specified by CODE-NGO, and were thus removed from the list of negligent grantees. However, sixty organizations failed to make appropriate restitution. The names of these 60 NGOs were included in a list that was subsequently distributed to donor and government agencies.

The Whitelist Project report was circulated but did not intend to make any judgment about the trustworthiness of organizations in the list. It merely identified organizations that were negligent in particular PCHRD programs, and left the decision of how to interpret this information to the reader. However, for negligent organizations that were members of CODE-NGO, that was not the end of the matter. In the process of implementing the Whitelist Project, CODE-NGO’s regional and national ethics committees found substantive grounds to remove two member networks, as well as 11 individual NGOs, from its organizational roster.

Such action upon erring NGOs and POs was a first within the development community. Many felt that it was a welcome change in a culture that had tended to be “forgiving” in such matters, and that was perceived to be excessively dependent on private and amicable settlements for violations of project agreements. Through the Whitelist Project, a large segment of the NGO community was thus able to demonstrate its ability to exact from its member organizations greater responsibility and accountability for their performance.

¹⁴ <http://www.codengo.org>

NGO has been found to meet the minimum criteria for certification, the board grants a one-year, a three-year or a five-year certification to the organization, and informs the Bureau of Internal Revenue (BIR). The BIR then issues to the organization a certification of its donee institution status.

The major criteria in PCNC’s evaluation for certification focus strongly on the NGO’s governance mechanisms and practices, including mission and goals, resources, program implementation and evaluation, and planning for the future. Current application fees for certification are ten-thousand pesos (P10,000) or approximately US\$220. These cover all expenses including transportation and accommodation costs of the evaluation team during the on-site validation visits.

Performance to Date¹⁶

After three years of operation, the PCNC has received 998 applications for certification. Of these, 593 NGOs are in the process of completing the application requirements and 405 have been evaluated.

Status of Application Evaluation

STATUS	NUMBER
Certified	317
Denied	50
Deferred	32
For Board Deliberation	6
Total Number of Organizations Evaluated	405

Types and Number of Certification Issued

TYPE OF CERTIFICATION	NUMBER ISSUED
Five-Year	105
Three-Year	156
One-Year	56
Total	317

¹⁶ The figures are as of July 2003.

Issues and Challenges

The establishment of the PCNC certification system has been hailed as a path-breaking step in NGO self-regulation, and as a reflection of the sector’s maturity. Nevertheless, the system is in its infancy, and is facing important issues and challenges, some of which are briefly presented here:

Requirements: Small NGOs are intimidated by the documents that must be submitted just to be eligible for evaluation, e.g. strategic plans, operations manuals, annual reports, etc., and they are thus quite reluctant to apply. They need assistance in meeting the pre-evaluation requirements. In some cases, these small NGOs are also hard put to produce the P10,000 (\$220) processing fee. Even for many of those NGOs who file their applications, meeting the PCNC documentation requirements involves investment of time and money to really set up their operations and financial management systems. Thus there is a fairly long lag time between an NGO’s filing of its application and the start of the actual PCNC evaluation.

Evaluation Criteria and Standards: Since NGOs vary widely in their scale of operations, working experience, and resources (financial and human), there is a need to develop evaluation indicators that take these organizational variances into account. Evaluators also need to further harmonize and calibrate their standards so that their assessments are perceived to be realistic and evenhanded.

PCNC Operations and Capacity: There is a growing concern about increasing PCNC’s processing capacity, in anticipation of a growing demand for certification. This concern has taken on greater urgency since the recent decisions of both CODE-NGO and Association of Foundations (AF) to target 100% PCNC certification for their members (combined membership of the two networks is almost 3,000 NGOs) over the next three to seven years. Related to this, the long-term financial sustainability of PCNC is a priority concern that the PCNC board must urgently address.

Different Accrediting Institutions: Aside from the PCNC, there are several government bodies that currently do some form of accreditation/certification for their partner NGOs. The possibility of integrating the different certification systems has been raised, in order to reduce the time and effort that NGOs have to put into similar requirements and processes. A committee representing the PCNC and all the concerned government agencies has determined that an integrated system is not necessary or feasible at this time, but that certain common/similar requirements can be harmonized without jeopardizing the integrity and independence of any of the individual accreditation systems. The harmonization work is ongoing.



THE WAY FORWARD

Continuing Debates and Dialogues

Self-regulation: *Are our existing initiatives for NGO self-regulation good enough? Should the government regulate the NGO sector more?*

Most NGOs believe that regulation can best be assumed by the sector itself. Regulating NGOs through more government rules and policies is seen as a curtailment of NGO independence and flexibility. Others have taken a “wait-and-see” stance, waiting for the Code of Conduct to be enforced and for the PCNC to weed out the unprofessional NGOs. The SEC’s current position is that self-regulation is the more pragmatic approach to take with NGOs. Given the size and complexity of the NGO sector as well as its own resource constraints (in terms of budgets, staff, and systems) they acknowledge that SEC cannot effectively oversee both the for-profit and the nonprofit sectors. But others in government, concerned about the increasing number of “pseudo-NGOs” and other issues, do not share this view. The issue of whether government should play a bigger role in regulating NGOs thus remains unresolved, for now.

Strengthening Board Governance: *How can NGO Boards be held accountable for their organization’s performance?*

There is widespread agreement among those interviewed for this paper that NGO board members must be given full and proper orientation on their roles, responsibilities and collective accountabilities, and that this should now be made a standard operating procedure in all NGOs. But this is obviously not enough to ensure that board members take their accountabilities seriously, especially since they are all unpaid volunteers. How to provide a compelling trigger for boards to take their governance role more seriously? A novel strategy has been suggested: increase public demand for accountability, through mechanisms of public disclosure. NGOs need to be asked to regularly report on their operations and accomplishments to the people/groups they are supposedly serving. This public demand for accountability will become increasingly important with traditional donor funds dwindling, and NGOs now looking for indigenous fund sources. This public reporting could be led by the board chairman, limited to the circle of constituencies covered or served by the NGO, and done in an “Ulat sa Bayan” (“Disclosure to the People”) type of assembly (a practice popularized by former President Fidel Ramos).



Submission of Annual Reports

- Networks will require all member NGOs to produce annual reports and make these available publicly.
- Government agencies, i.e. SEC and BIR, will be requested to provide networks with the list of their member NGOs that are not filing required reports. These agencies will be requested to set and impose penalties for non-compliance.
- International and local donors will also be requested to enjoin their grantees to make their annual reports available publicly.

Establishment of Financial Management Standards and a common service facility

- The Philippine Institute of Certified Public Accountants (PICPA) will be requested to help develop a set of accounting standards suited to nonprofit organizations, and these will be adopted by NGOs.
- A common service facility (CSF) that will service small NGOs will be established, allowing them to benefit from economies of scale, and meet PCNC and other governance standards as well. This CSF will provide financial management services to small NGOs whose limited funds may not be able to support full-time finance staff.

Board and Management Development

- There is a need to design and implement training programs specifically aimed at board development. Networks will be encouraged to have their member NGOs attend these training programs.
- Good practices will be disseminated and exchange of information among networks will be encouraged. An information portal for information dissemination will be developed.

Public Monitoring

- A “Bantay NGO” (“NGO-Watch”) should be developed to check on delinquent NGOs and use rapid-communication means, e.g. texting, telephone hotlines, to report these cases.

ANNEX

LIST OF INTERVIEWEES

Abad, Henedina,

*Dean, Ateneo School of Governance,
Ateneo de Manila University*

Amatong, Juanita,

*Undersecretary, Department of
Finance*

Bacani, Senen,

*Head of Agricultural Cooperative and
Former Secretary of Department of
Agriculture*

Carino, Ledivina,

*Dean, National College for Public
Administration and Governance,
University of the Philippines*

David, Karina,

*Chairperson, Civil Service
Commission,
former Chairperson of CODE-NGO UP*

Del Rosario, Ramon,

*Chair, PHINMA & Board Member,
Philippine Business for Social
Progress (PBSP)*

Doyo, Ceres,

Journalist, Philippine Daily Inquirer

Garilao, Ernesto,

*Professor, Asian Institute of
Management and
former head of Philippine Business
for Social Progress (PBSP)*

Guevarra, Milwida M.,

*Program Officer, Ford Foundation,
Former Undersecretary of
Department of Finance*

Ignacio, Mary Ann,

*Adviser, Partnership for Philippine
Support Service Agencies (PHILSSA)*

Lopez, Divina Luz,

*CSO Consultant of Philippine-Canada
Local Government Support Program
(LGSP) and former National
Coordinator of Philippine Partnership
for the Development of Human
Resources in Rural Areas (PhiDDRa)*

Olivan, Adolfo L.,

*Businessman and NGO Leader in
Naga City*

Pagsanghan, Joel,

*National Coordinator, Caucus of
Development NGO Networks
(CODE-NGO)*

Panadero, Austere A.,

*Assistant Secretary for
Administration and Human Resource
Development, Department of Interior
and Local Government*

Poblador, Joselia,

*Commissioner, Securities & Exchange
Commission (SEC)*

Reyes, Marissa,

*President, Association of Foundations
(AF)*

Rixhon, Felicitas,

*Program Director, Consuelo
Foundation Philippines*

Robredo, Jesse,

City Mayor of Naga City

Rood, Steven,

*Country Representative, Asia
Foundation*

Soledad, Felicidad,

*Executive Director, Philippine Council
for NGO Certification (PCNC)*

Songco, Danilo,

*Board Director, Development Bank of
the Philippines (DBP),
former National Coordinator of
CODE-NGO*

Tolentino, Ma. Aurora F.,

*Executive Director, Asia Pacific
Philanthropy Consortium (APPC).*

Tan, Jr., Bienvenido,

*Chair, Salome Tan Foundation,
former Ambassador to Germany*

Tungpalan, Rolando,

*Assistant Director General,
National Economic Development
Authority (NEDA)*

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