

# Doing Good and Being Good: Aspects of Development NGO Governance in the Philippines<sup>1</sup>

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## **Good Governance as a Key Development Issue**

Good governance is a strategic factor for sustainable human development. For the past two decades, mainstream economists have been pushing for market reforms like trade liberalization and privatization to foster greater competition and to enhance growth in many developing economies. While economic growth and development have accelerated in certain areas of the global economy, i.e. East Asia, sustained human development remains an elusive dream for many countries in the third world. While market reforms are indeed important, there are other key problems confronting the developing nations – corruption, ineffective bureaucracy, rent seeking, patronage politics, authoritarianism, etc. All these issues redound to weak

and ineffective governance which continue to plague the said countries. Today, aside from market reforms, various sectors of society including multi-lateral and bilateral aid agencies call for governance and institutional reforms so that sustain-

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able human development can be achieved.

In many ways, governance has always been a key development issue. Governance is broadly defined as “an exercise of political, economic and administrative authority to manage a nation’s affairs”(UNDP 1997). Furthermore, governance transcends the state and includes both the private sector and civil society. However, most recent studies on governance focus on the public and corporate sectors, examining both institutions from the lens of transparency, accountability, participation, efficiency, equity, sustainability, legitimacy and integrity – all important characteristics of good governance (World Bank 2000 and UNDP 1997).

In the case of the Philippines, current literature on public sector governance has focused on topics that include decentralization, corruption, fiscal management and civil society participation. There are also emerging studies on corporate governance highlighting pressing concerns that include ownership and market concentration, autocratic decision-making processes and transparency and accountability in private enterprises (Saldana 2000 and World Bank 2000). However, published material on the governance of civil society organizations in the Philippines is relatively scant except for those related to sustainability and strategic management (Quizon et al. 1989, Alegre 1996, Aldaba et al. 2000). At the international level, there is now a growing literature on governance and accountability of non-government organizations (NGOs). A more recent article analyzed the publicized incidents of alleged wrongdoing of NGOs all over the world (Gibelman and Gelman 2001).

The civil society sector in the Philippines consists of organizations that lie between the state and the market. They are neither government institutions nor businesses and private enterprises. Legally speaking, these groups compose what the Securities and Exchange Commission classifies as the non-stock, non-profit

organizations in the Philippines<sup>2</sup>. NGOs are a sub-category of civil society organizations and include civic organizations, charitable institutions and foundations, faith-based organizations and grassroots and community associations. Among these NGOs are “development NGOs” which are estimated to number around 3,000-5,000, most of which are members of the Caucus of Development NGO Networks (CODE-NGO), the largest coalition of development NGOs in the country today. Development NGOs are typically middle-class based organizations providing various services (e.g. training, community organization, health and livelihood, etc.) directly to grassroots communities and other marginalized groups (Aldaba 1993). Academics studying development NGOs refer to these institutions as social development agencies or private voluntary development organizations<sup>3</sup>.

### **Characteristics of Good Governance: A Development NGO Perspective**

Development NGO governance for the purpose of this paper is defined as the processes and structures by which these organizations try to fulfill their vision and mission towards the promotion of social and human development. These would encompass management and personnel practices, financial management and reporting, networking and partnership arrangements and project and program implementation. Development NGO praxis<sup>4</sup> characterizes good governance by the following:

- *Social Development and Public Service as Key Mission*: Development NGOs are guided by a vision and mission towards societal good, particularly social and human development.
- *Transparency and Accountability*: Constituents and stakeholders of the NGOs must be well defined and there should be clear lines of accountability in terms of structure; there is also full disclosure of sources and uses of funds; open information on the NGO's major programs, activities and projects.
- *Participatory Management and Decision Making Processes*: Staff members of development NGOs actively participate in the management of the

organization as a clear manifestation of organizational democracy and empowerment.

- *Effective and Efficient Implementation of Programs and Projects:* The development NGO is able to optimize use of limited resources but at the same time is able to successfully achieve goals and objectives in an effective manner.
- *Participatory and Consultative Processes in Program and Project Implementation:* People empowerment by development NGOs must mean they are serious in making communities and target groups participate in their programs and projects from design and implementation to final evaluation:
  - *Sound Financial Policies and Financial Sustainability:* Like other organizations, development NGOs must have sound financial and accounting practices and at the same time be able to sustain themselves to continue their mission.
  - *Sound Staff Development Policies:* Development NGOs must be able to adequately address training and human resource needs of their personnel.
  - *Effective Networking and Partnership:* Having diverse publics, development NGOs must be able to successfully relate to government, the corporate sector, other NGOs and key stakeholders in the fulfillment of their work and mission.

For sure, not all development NGOs will be able to meet the above criteria. However, these are the key aspects of governance that eventually will indicate whether an NGO is serious in promoting good governance in its own turf.

### **Aspects of Philippine Development NGO Governance: Some Empirical Evidence**

This section tries to examine recent survey data that may empirically support aspects of good governance by development NGOs in the Philippines. The CODE-NGO through one of its members, the Association of Foundations (AF), embarked on a Mega Databank Project which aimed to develop a base of information to

strengthen collaboration among member NGOs and to provide donors information on the nature and scope of their operations (Tuano 2001). This CODE-NGO-AF Survey is the primary source of data for this study. A supplementary source is a smaller survey by PHILSSA, another CODE-NGO organization. This was conducted to generate and update information on the different aspects of member organizations' lives which shall serve as bases for developing concrete plans and programs to fulfill their corresponding mandates<sup>5</sup>. There were 762 NGO respondents in the CODE-NGO-AF survey and 33 in the PHILSSA survey.

A caveat in this study though is that the surveys themselves were not done to elicit responses to cover such practices. Thus, the following consist of still limited observations and analyses in relation to the entire development NGO community.

### **Sectors and Areas of Work: Public Interest and Social Development**

Good governance starts with the appropriate mission for the NGO community. The development NGOs in the country are involved in activities and programs that promote social and human development. These projects and programs also respond to the needs of marginalized groups and sectors. The following data from the CODE-NGO-AF survey confirms this.

#### *The Nature of Work*

The nature of work of NGO respondents primarily involves education, training and human resource development, 77.1 percent, and community development, 56.4 percent. Other activities the respondents are involved in include sustainable development and the environment, 45.7 percent, health and nutrition, 43.5 percent, enterprise and livelihood development, 43.4 percent, gender and development, 40.2 percent, social services, 35.4 percent, microcredit and microfinance, 31.3 percent, and cooperative development, 30.9 percent. For a more complete picture, see the Table 1.

**TABLE 1. Frequency Count of Respondents, By Scope and Nature of Work**

<b>Scope and Nature of Work</b>	<b>Count</b>	<b>Percent</b>
Agrarian Reform and Rural Development	140	18.3
Arts and Culture	94	12.3
Cooperative Development	236	30.9
Gender and Development	307	40.2
Health and Nutrition	332	43.5
Education, Training and Human Resource Development	588	77.1
Community Development	434	53.9
Enterprise Development and Livelihood	331	43.4
Microcredit/ Microfinance	240	31.3
Peace and Development	148	19.4
Labor Organizing	23	3.0
Science and Technology	62	8.1
Social Services	270	35.4
Legal Services	98	12.8
Student and Volunteer Formation	144	18.9
Sustainable Development & Environment	349	45.7
Urban Poor and Social Housing	94	12.3

*Percent does not add up to 100 because of multiple responses*

*Source: CODE-NGO-AF Survey 2001*

### *Programs and Activities*

With regard to programs and activities<sup>6</sup>, the majority of the respondents report that their strengths are in education and training, 81.5 percent; advocacy, 62.4 percent; networking, 56.0 percent; community organizing, 55.2 percent; and capability and institution building, 53.7 percent. Other core competencies include livelihood, 44.2 percent; project management, 37.6 percent; research, publication and documentation, 36.0 percent; resource mobilization, 29.2 percent; medical and health services, 26.6 percent; counseling, 26.1 percent; sustainable integrated area devel-

opment, 25.3 percent; consulting services, 25.7 percent; and lending, financing and grants, 23.1 percent.

**TABLE 2. Frequency Count of Respondents, By Competency/ Specific Activities**

<b>Competence/ Activities</b>	<b>Count</b>	<b>Percent</b>
Advocacy	476	62.4
Community Organizing	421	55.2
Consulting Services	196	25.7
Education and Training	622	81.5
Capacity and Institution Building	410	53.7
Medical, Health and Dental	203	26.6
Networking	427	56.0
Project Management	287	37.6
Research, Publications and Policy	275	36.0
Resource Mobilization	220	28.8
Livelihood	337	44.2
Lending	176	23.7
Counseling	199	26.1
Sectoral Organizing	133	17.4
Sustainable Integrated Area Development.	193	25.3
Technology Transfer	143	18.7

*Percent does not add up to 100 because of multiple responses*

*Source: CODE-NGO-AF Survey, 2001*

### ***Marginalized Sectors Reached***

The following data establish a fact that many development NGOs deal with the marginalized sectors of society. According to the CODE-NGO-AF Survey, the majority of respondents are involved with the women's sector, 56.4 percent, and youth and children, 56.9 percent. Other sectors that are being served by the respon-

dents are peasants, 34.5 percent; urban poor, 32.9 percent; indigenous communities, 29.9 percent; and fisherfolk, 29.1 percent.

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**TABLE 3. Frequency Count of Respondents, By Sectors Reached**

<b>Marginalized Sector</b>	<b>Count</b>	<b>Percent</b>
Elderly	85	11.1
Fisherfolk	222	29.1
Indigenous Peoples	228	29.9
Labor	101	13.2
Peasants	263	34.5
Persons with Disability	55	7.2
Urban Poor	251	32.9
Veterans	25	3.3
Victims of Calamities and Disasters	129	16.9
Women	430	53.4
Youth and Children	434	56.9

*Percent does not add up to 100 because of multiple responses*

*Source: CODE-NGO-AF Survey, 2001*

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## Transparency and Accountability

### *Accreditation with the Securities and Exchange Commission (SEC)*

Development NGOs must have a legal personality in order to be able to transact “business” in a legitimate way. Contracts are valid only if the parties involved are legitimate organizations. NGOs cannot open bank accounts without being registered with an appropriate government agency<sup>7</sup>. Most of the respondents of the CODE-NGO-AF Survey, i.e. nine in ten, are registered with the Securities and Exchange Commission (SEC), the government agency involved with the registration of private entities.

*Financial Practices*

Good governance requires that financial reports be regularly audited, both internally and externally. Two-thirds of respondents reported that they are regularly audited. What is noteworthy is that this number is increasing (67.1 percent in 1996, 69.7 percent in 1997 and 73.8 percent in 1998). In terms of financial policies and practices, more than four of five respondents have written financial policies, and almost nine of ten have books of accounts, have bank accounts that require at least two check signatories and have yearly planning sessions.

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**TABLE 4. Frequency Count of Respondents, By Presence of Financial Policies**

<b>Respondents with</b>	<b>Frequency</b>	<b>Percent</b>
Written Financial Policies	630	82.6
Books of Accounts	681	89.3
Two Signatories	666	87.3
Yearly Planning	659	85.6
Bank Accounts	689	90.3

*Total respondents: 762*

*Source: CODE-NGO-AF Survey, 2001*

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While implementation is also important with regard to financial policies, the data suggest that an increasing number of NGOs have now improved their financial and accounting systems. However, a significant number (12-18%) still needs to improve financial accountability.

*Annual Reports to the Securities and Exchange Commission*

While a high percentage of NGOs are registered with the SEC, less than half fulfill the requirements for annual reporting in the years 1997 and 1998. These reports are indicative of how the NGOs operate, particularly in terms of financial management. However, many NGOs complain about their difficulty in meeting

the reporting requirements as these would entail additional expenditures from their meager resources. The following table summarizes the number and percentage of those reporting to the SEC.

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**TABLE 5: NGOs Reporting and not Reporting to the SEC**

Year	Reported	Not Reported	N/A, Others	Total
1997	353 (46.3%)	298 (39.1%)	111 (14.6%)	762 (100%)
1998	366 (48.0%)	293 (38.5%)	103 (13.5%)	762 (100%)

*Total respondents: 762*

*Source: CODE-NGO-AF Survey, 2001*

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In terms of location, there is a higher percentage of NGOs reporting in the National Capital Region<sup>8</sup>, probably because the main office of the SEC is in Manila. Other characteristics of those which tend to report are a) 'old' and 'very old' NGOs, b) NGOs with large and medium expenditure sizes, c) NGOs with big staff sizes.

### Self-Regulation by the Development NGO Community

Interesting developments in the community include the various initiatives toward self-regulation. This is important as the development NGOs realize the importance of good governance in their work. Two major facets of this self-regulation have emerged in the last decade.

#### *The Covenant on Philippine Development*

This document containing a vision of genuine development, key development principles to live by and a code of ethics was ratified by the membership of CODE-NGO in December 1991. Most of the development principles are based on the United Nations Right to Development. Until the present, this document is the

main guide of most of the members of CODE-NGO and was amended in the last Congress held in November 2001. The CODE-NGO, as a response to this document, has activated a committee called Committee on Internal Reform Initiatives (CIRI) to give flesh to the code of ethics and to scrutinize issues related to the said part of the document. As of this writing, only two NGOs have been sanctioned by the network because of violations of its Code of Ethics<sup>9</sup>.

### *The Philippine Council for NGO Certification*

When the details of the proposed Comprehensive Tax Reform Program (CTRP) were released to the business and NGO community in the mid-1990's, leaders of both sectors realized the detrimental effect of eliminating tax incentives for corporate donors and receiving NGOs. During one of the hearings on the CTRP, it was suggested that there be a joint public-NGO sector partnership to establish a regulatory body for NGOs that receive donor funding. In 1995, CODE-NGO together with the Association of Foundations, the League of Corporate Foundations, the Philippine Business for Social Progress, the Bishop Businessmen Conference and the National Council for Social Development founded the Philippine Council for NGO Certification (PCNC).

PCNC was registered with the SEC as a non-stock, non-profit organization on January 29, 1997. In early 1998, after the CTRP was signed into law a year before, an agreement was signed between the PCNC and the Department of Finance naming the PCNC as the sole body to establish and operationalize a system of accreditation to determine the qualification of domestic corporations and NGOs for accreditation as donee institutions. The word "sole" was deleted in the Implementing Rules and Regulations though no other agency was given authority during that time. A Bureau of Internal Revenue<sup>10</sup> representative was also made to sit in the PCNC board. These and other PCNC responsibilities were eventually reflected in Revenue Regulations 13-98, adopted on Dec. 10, 1998. The PCNC was publicly launched on February 5, 1999.

To be eligible for certification by the PCNC, NGOs must meet the following minimum requirements:

- be registered/accredited with the appropriate government institution,
- have an operating organizational structure,
- have a track record of development programs for identified clientele,
- have operating and accounting systems in place and working,
- have audited financial statements for the past two years.

Newly established NGOs may also apply and may be given certification only for a year. However, slightly different criteria for evaluation will be used. There is also a P10,000.00 application fee. The areas to be assessed by a team of three selected evaluators include:

- Vision, mission, goals of the NGO
- Over-all Governance
- Administration
- Program Operations
- Financial Management
- Networking

The board of PCNC may approve or disapprove the recommendation of the evaluators for the certification of the NGO concerned. According to the PCNC target when they started operations, they hope to certify 300 NGOs at the end of this year. As of the middle of 2002, 184 NGOs have been certified.

The following are criticisms and observations on the PCNC (PCNC undated):

- There is bias against small NGOs because of the very high application fees and stringent requirements.
- There should be additional services which can be offered to NGOs like tax exemption for the NGO itself.
- The PCNC itself is not financially sustainable as it is also dependent on donor grants in its early years of operation.
- There can still be improvement in the evaluation tools as some indicators are still largely subjective and contingent on the biases of the evaluators.

## Effective and Efficient Implementation of Programs and Projects

The indicators of this aspect of governance can only be successfully measured at the specific NGO level. Evaluation of this area will also entail an analysis of the cost structures (e.g. cost per beneficiary, cost per trained person) of the NGO over time or as compared to a similar NGO. These types of evaluation regarding the optimal use of resources by the NGOs are rare in the Philippines. Most types of evaluation are focused on whether the target clientele is reached, on the development impact of the project on beneficiaries, or on whether the sectors targeted are involved in project design and implementation. The data gathered in the survey will only give us an indication of the size of planned budgets and expenditures of development NGOs.

### *Expenditures and budgets*

Planned budgets of respondent NGOs are higher than their actual expenditures. The median budgets of the respondents were P 2.35 million in 1996, P 2.81 million in 1997 and P2.71 million in 1998 while actual median expenditures were P 2.26 million, P 2.45 million and P2.28 million, respectively. This may mean that development NGOs are relatively prudent in terms of spending as they avoid possible deficits. NGOs have very limited access to credit and the means for repayment may not be attractive for mainstream financial institutions.

Note that the mean budgets and expenditures are significantly higher than their median counterparts as shown above. This means that their budgets and expenditures observations are biased towards the smaller ranges, particularly those lower than three million pesos. The mean and median budgets and expenditures increased from 1997 to 1998 but decreased from 1998 to 1999, probably the effect of the East Asian crisis which peaked in 1998.

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**TABLE 6. Descriptive Statistics of Budgets and Expenditures of Respondents, 1997- 1999**

	Mean	Median	Mode
Budget 1997	7,102,570.13	2,356,685.00	2,000,000.00
Budget 1998	7,560,104.94	2,810,836.42	3,000,000.00
Budget 1999	7,812,634.85	2,712,321.51	1,500,000.00
Expense 1997	7,164,646.51	2,264,664.94	300,000.00
Expense 1998	7,615,172.68	2,444,350.00	200,000.00
Expense 1999	7,389,108.58	2,288,816.00	200,000.00

*Note: In Philippine pesos. Budgets are the planned expenditures of NGO respondents and do not correspond to the income that they have received.*

*Source: CODE-NGO-AF Survey, 2001*

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The total sum of budgets and expenditures ranged between P 2.7 billion and P3.7 billion during this period. According to Tuano (2001), this would indicate that development NGO activity in the country is significant and that the amount is more than one and a half times the budget of the Department of Social Welfare and Development (DSWD) for 1999. He adds that assuming the sum is at least 25 percent (a low estimate) of all development NGO activity, then the development NGO community contributes at least 0.4 percent of total gross domestic product (GDP) in the Philippines and equal to 2.2 percent of national government expenditures.

### Financial sustainability

One major indicator of good governance is the ability of an NGO to maintain financial viability. NGOs need to do a lot of fund raising and income generation to become sustainable. With donor funding becoming more limited and competitive, the challenge of financial sustainability has become very real for NGOs. According to the CODE-NGO-AF Survey, less than half of the NGO respondents (47.8 percent) are financially sustainable. Around a third of the number (30.3 percent) are

not sure of financial stability, while a small but significant number (13.2 percent) are not stable at all. The PHILSSA survey shows some 70% of their membership being financially stable. The sample size here may be small and self-selection bias larger compared to the latter survey<sup>11</sup>.

Tuano (2001) observes that the differences in median budgets and expenditures of those that are financially stable, not financially stable and unsure of their financial status are significant. The 1999 median budgets and expenditures of those that are financially stable are P 4.02 million and P 3.20 million, respectively. Those that are not stable and unsure are P1.63 million and P 1.60 million, and P 2.00 million and P 1.54 million respectively. He adds that more stable NGOs have larger staff size (6-7) as compared to the unsustainable ones (0-1).

According to type of organization, the following NGOs are relatively more sustainable: corporate foundations, 67.0 percent; memorial foundations, 64.3 percent; and fund-raising mechanisms/institutions, 52.8 percent. Those with the smallest proportion that answered positively are consortia, 10.0 percent; Church-based NGOs, 33.6 percent; networks, 35.6 percent; and religious institutions, 33.6 percent. It is obvious that the former group has stable sources of income (i.e. corporate funds or endowment funds). However, it is surprising that religious institutions are relatively “unsustainable”. A recent study<sup>12</sup> on philanthropy and individual giving showed that Filipinos give more to religious groups. Tolentino and Caccam (2001) note that Catholic Groups like El Shaddai and Couples for Christ are able to raise P100-200 million per year and that the Archdiocese of Manila gets almost half a billion a year.

A recent study showed that Filipinos give more to religious groups.

### *Sources of Grants and Financial Assistance*

From the survey, development NGOs have varied sources of funding. However, one notes that total funding from foreign-donor grants is equivalent to 40% of development NGOs' total funding in 1999. It must also be highlighted that fund raising campaigns contribute a miniscule 0.1%.

The proportion of total income from internally generated sources (including membership dues, earned income and fees, endowment and fundraising activities) is just a quarter (25.7 percent) of revenues of respondents.

### Effective Networking and Partnerships

The CODE-NGO-AF survey data show that roughly more than eight of ten are affiliated with local networks while only a third of the respondents (37.4 percent) are directly linked with international networks and institutions. Sixteen networks were involved in the aforementioned survey.

**TABLE 7. Indicative Proportion of Sources of Funds, 1997- 1999**

Sources of Funds	1997	1998	1999
Membership Fees	1.8%	1.7%	2.0%
Earned Fees	17.3%	16.2%	15.4%
Bilateral Grants	5.7%	10.1%	10.3%
Multilateral Grants	2.2%	2.0%	3.0%
Foreign Foundation Grants	21.1%	23.4%	24.5%
Local Private Grants	4.0%	3.0%	2.8%
Church Grants	2.6%	3.0%	3.2%
Government Grants	3.7%	3.4%	4.3%
Endowment	8.5%	7.7%	7.3%
Loans from Government	0.1%	0.2%	0.0% <sup>1</sup>
Loans from Conduits	0.1%	0.2%	1.1%
Loans from Private Sector	0.1%	0.0%	0.3%
Fundraising Programs	0.8%	0.9%	0.1%
Donations	19.9%	19.2%	16.1%
Other Income	11.8%	9.0%	8.7%

*Note: The sources of funds are calculated from the reported expenditures (not actual income levels which were not asked in the survey) and the reported percentage coming from each source of funds. Thus these percentages are highly indicative and do not represent the actual proportions of resources coming from each fund source (Tuano, 2001).*

Networks may be regional (as given by some of the above) or issue-based (e.g. Corporate Network for Disaster Response, Asia Caucus, etc.). Networking has

been one of the comparative advantages of Philippine development NGOs. Many find networking important in terms of contact building (for possible partners), for sharing information and resources for training, research and advocacy, bargaining with donors or government, etc. Networking and partnerships enable NGOs to utilize their resources more efficiently and effectively while being able to have a bigger voice at the local, national and international levels.

## Personnel and Staff Development

Another aspect of good governance is how the NGO treats its staff members in regard to wages and other benefits plus their training and human resource needs. In addition, another important area is whether there are participatory processes in decision-making. The available data are only for the former while we can only cite anecdotal evidence for the latter.

### *Characteristics of NGO staff*

A total of 13,677 paid and volunteer staff were employed in 1998 and 15,014 staff were employed in 1999 among NGO respondents that participated in the survey. Tuano (2001) assumes that these figures comprised 25 percent of the entire workforce in the development NGO sector and estimates that in 1998-1999, they comprised 0.17-.19 percent of national employment and 1.02-1.07 percent of employment in the community and private services sector<sup>13</sup>. Most staff members of the development NGOs surveyed were likely full-time rather than part-time and paid rather than volunteer. Females also outnumbered males, 53 to 45%.

According to the PHILSSA Survey, the regularization of the staff members increased from 60% in 1994 to 71% in 2000. Volunteer staff decreased from 29% in 1994 to only 11% in 2000. Another interesting finding of the PHILSSA survey is that female staff member proportion increased from 57% in 1994 to 68% in 2000. This verifies the trend in the wider survey. The PHILSSA survey also shows that most staff members are relatively young, belonging to the 21-30 years bracket (45%) and 31-40 years bracket (34%).

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**Table 8. Employment Status of Heads (Executive Directors) and Aggregate Staff, In Percent to Total**

<b>Status</b>	<b>Heads</b>	<b>Aggregate</b>
Full-Time	72.3	62.1
Part-Time	21.8	31.9
Paid	n. a.	63.6
Volunteer	n. a.	36.4
Males	45.1	37.8
Females	52.9	62.2

Source: CODE-NGO-AF Survey, 2001

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It is also noticeable that NGO staff members are college degree holders. Among executive directors, many have postgraduate degrees (7.6 percent have doctoral degrees and 38.7 percent have Master's degrees) while more than a third have college degrees (35.4 percent). Among all the staff in the sample of respondents, 14.8 percent have postgraduate degrees. Thus, NGO personnel have a higher level of education than the average levels among the Philippine population. (Tuano 2001)

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**TABLE 9. Education Status of Heads and Staff, In Percent**

<b>Education Status</b>	<b>Heads</b>	<b>Aggregate</b>
With Postgraduate Degree	46.3	14.8
- of which: have Ph. D. degree/ education	7.6	2.2
have M. A. degree/ education	38.7	12.6
With College Degree	81.7	74.7

Source: CODE-NGO-AF Survey, 2001

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### *Salaries and Benefits*

NGO workers receive pay below that of the private sector and probably on a par with the government sector. "Psychic income" compensates for the mentioned

wage gap. The PHILSSA survey gives us an indication of how much NGO workers actually receive in terms of salaries and benefits<sup>14</sup>. The results show that majority of Executive Directors across geographical locations receive monthly salaries of P14,000.00 and below, with 50% of these getting P10,000.00 and below<sup>15</sup>. The CODE-NGO-AF Survey gives a range of P 13,500.00 to P 21,000.00. For program staff members of PHILSSA, salary rates range from P6,000.00 to 12,000.00, where the bulk is found between P 6,000.00 and P 10,000.00. There are also some staff members who receive salary rates below the mandated minimum wage.

What is noticeable though is that the disparity in the wages of the director and the low ranking staff is quite small. In terms of benefits, majority of those NGOs surveyed give the legally mandated benefits such as vacation and sick leaves, 13<sup>th</sup> month pay, SSS and PHILHEALTH contribution, etc. In terms of training and staff development, these are often hindered by the NGO's lack of resources and the staff's lack of time or too heavy workload. The PHILSSA members' situation may be indicative of the typical NGO in the Philippines. However, in the CODE-NGO-AF survey, the salary rates are higher in corporate and memorial foundations because of their bigger resources.

### **Current and Key Governance Issues in the Development NGO Community**

#### **The Need for Greater Transparency and Accountability**

Given the data above, it is important to observe that Philippine development NGOs have initiated moves to improve their transparency and accountability. The PCNC effort is laudable but it must encourage more NGOs and donors to use the system. Foreign donors and even some local ones still rely on the recommendations of existing partners or network in trying to evaluate new NGO applicants for funding. The proposed gross income taxation<sup>16</sup> for corporations may also render the tax incentives to the prospective donors useless.

There is some anecdotal evidence of NGO corruption occurring in the country. However, to date, there are few examples publicized in print media, with most being "alleged" cases of NGO misdeeds<sup>17</sup>. There are of course a number of fly by

night NGOs reported by studies, cornering government funds for specific projects (e.g. tree planting). Gibelman and Gelman (2001) enumerate certain types of NGO misdeeds that became public scandals in various parts of the world – embezzlement, forgery, fraud, theft, misuse of funds, skimming and disappearing donations, sexual harassment, etc. The list looks familiar and the anecdotes on NGO corruption in the Philippines involve similar cases<sup>18</sup>. Gibelman and Gelman attribute these events to “governance failure,” which includes:

- failure of supervision and oversight,
- improper delegation of authority,
- lack of turnover of board members,
- failure to institute internal controls,
- absence of “check and balance mechanisms,” and
- isolation of board members from staff, programs and clients.

In the Philippine case, many NGOs have non-working or inactive boards. Board meetings are very infrequent. The executive director typically has wide authority over many issues especially if he or she is also the founder of the organization. Internal controls are sometimes not institutionalized as work and other activities are typically based on “trust”. In particular, financial management structures are weak as will be discussed in more detail below. In order to avoid the occurrence of scams and scandals, NGOs must have a structure where roles, responsibilities and accountabilities are clear and where internal controls and checks and balances are built-in. In addition, work incentives (i.e. salary rates) are oftentimes inappropriate to the actual work being done.

### **Financial Management and Sustainability**

Another perennial problem of development NGOs is their dependence on donor grants. Very few NGOs are able to generate their own funding for operations. Only relatively big ones and those with endowments are able to become financially sustainable. A host of other issues relate to this failure to generate own funds – the ability to craft programs independently of donors, the ability to give reasonable

wage rates to staff members or even to sustain programs and projects in the communities.

However, a more basic issue is financial management. The very low incidence of NGOs submitting financial reports to the SEC is alarming although businesses are also notorious for not doing so. However, because development NGOs are by nature public interest organizations, they need to be more transparent and accountable. In addition, because they have multi-stakeholder constituencies, they need to establish various mechanisms to inform and report to these various groups. However, whether internal or external, informal or formal mechanisms are established to “regulate” NGOs, the beneficiaries of a more transparent and accountable NGO include the NGO itself and its stakeholders, especially the community. This is because the NGO’s credibility enables it to access more resources which in turn can be used for the benefit of its constituencies. Sustainability thus has a prerequisite – good financial management and transparency.

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While the survey data show that most development NGOs have existing financial policies, the question of effective implementation remains. There are still no comprehensive studies assessing the financial management capabilities of development NGOs since this will require massive data gathering. One possibility is to standardize financial reporting by development NGOs. This is currently being initiated among cooperatives in the country. Many NGOs also fail to appreciate the importance of being entrepreneurial in the sense of creating “profits” or surpluses for the organization. Some donors do not appreciate the creativity of NGOs in generating savings as they require NGOs to spend the entire programmed budget by the end of the fiscal or calendar year.

## Community Empowerment

Another important issue is related to how development NGOs are able to nurture community and people’s organizations they have helped establish. Despite long organizing experiences among NGOs, there are many failed attempts to make such

organizations autonomous and self-reliant. When NGOs leave their area of work, these organizations also fade away. People's organizations criticize NGOs because the sharing in terms of grant money for projects is usually tilted in favor of the NGO since the latter plays the role of the conduit.<sup>19</sup> This is an important governance issue as the NGO's effort to make people's organizations sustainable becomes suspect. At the same time, its commitment to genuine community empowerment will always be challenged if its partner organizations remain dependent on it.

This difficulty in effecting community empowerment can be gleaned from the trend which shows that organizing is ranked only fourth in terms of primary activity for development NGOs, next to networking, advocacy and training. Few development NGO workers are able to sustain community organizing work. Most would rather take up advocacy, research or the management of economic projects as they grow older in the organization. NGOs need to partner with strong people's organizations that have the comparative advantage in community organizing rather than themselves being engaged in such activity.

### Staff Turnover

Another key problem that NGOs confront is the high turnover among staff and their inability to sustain the commitment of the relatively more senior staff. These people leave the NGO in search of jobs that will give them more appropriate rewards, both financial and non-financial. Staff continuity is important for the sustained relevance of the organization and for maintaining a certain quality of service to its target clientele. NGOs typically associate this problem with the lack of resources. However, there are alternative ways of handling personnel turnover given resource constraints. For example, many NGOs are now resorting to part-time and flexible (i.e. contractual or work at home arrangements) employment as they allow more senior people to earn incomes in other endeavors or organizations. The drawback however, is that the full time workforce becomes relatively young and inexperienced.

In terms of wage and benefits, the PHILSSA study mentions the concept of "NGO rate" which is below the market wage. Turnover becomes inevitable as NGO workers age. Having families to feed, NGO workers look for greener pastures. This "NGO rate" must be adjusted to become more attuned to a simple but

comfortable middle class lifestyle. Without this salary adjustment, high turnover rates will continue to plague the NGO community. Some workers themselves comment that it is illogical for NGO workers to live below the poverty line and become “totally immersed with the poor and marginalized sectors”.

### **The Relevance of Good Governance Among Development NGOs**

Why do development NGOs need to practice good governance? Basically because of the following major reasons:

- Development NGOs are key and strategic organizations that promote good governance in all sectors of society. Thus, they should be models themselves; if not, they will lose their credibility as advocacy groups.
- Development NGOs are important for the preservation of democratic space and democracy as a whole. As civil society actors, development NGOs must be able to properly fulfill their roles and justify the space available to them. Bad governance attracts government intervention in their affairs.
- Development NGOs are venues for the practice of “citizenship” among the people. A citizen needs to have some sense of commitment to the nation and society. Development NGOs are important mechanisms especially for the middle class to participate in the process of building a democratic society.
- An increasing number of people depend on NGOs for their livelihood. As estimated in the survey, the sector contributes in terms of employment. Bad governance may throw these people out of their jobs.
- A large number of citizens depend on them for services rendered like training, credit programs, health and other social services.

A citizen needs commitment to the nation and society.

Good governance advocacy is not only meant for government and the corporate sector. Because development NGOs have charitable and noble missions, good governance must be a practice at all times. “Doing good must always be matched by being good”.

**NOTES**

- 1 Most of the data used in the study were culled from Tuano (2001) who processed the data from the CODE-NGO-AF Survey. Another source was the PHILSSA Survey. The author wishes to thank Randy Tuano for all the tables used, Marissa Reyes, Dan Songco and Oman Jiao of CODE-NGO and AF and Jing Karaos of PHILSSA for allowing the author to use data from their respective institutions.
- 2 As of June 2002, there are around 152, 535 non-stock, non-profit organizations in the country.
- 3 The organizations classified as NGOs are so diverse that it is possible to have one NGO belonging to two or more categories (e.g. a faith based group like the National Secretariat for Social Action is also a development NGO).
- 4 These are my observations based on my over twenty years experience working with development NGOs.
- 5 PHILSSA did a similar survey in 1994.
- 6 In the survey, these are referred to as “core competencies” by NGOs (Tuano 2001)
- 7 It is possible to open only personal or joint accounts, not organizational accounts.
- 8 This is basically Metro-Manila.
- 9 Even CODE-NGO was subjected to criticism by sectors in the NGO community when it was able to negotiate a deal concerning the sale of government bonds worth billions of pesos known as the Peace and Equity Bonds. CODE-NGO notes that this was an innovative way to raise funds for poverty alleviation projects but critics accused them of “rent-seeking,” as the network was closely aligned with the Arroyo administration.
- 10 The government’s tax collection agency.
- 11 Most probably, those that are able to respond to the survey are the ones that are relatively stable. Those which are not simply ignored the survey.
- 12 *Investing in Ourselves* by the Ventures for Fund Raising.
- 13 The comparable figures are: a) Total employment: 31.3 million (1998), 32.0 million (1999); b) Community, social and personal services sector employment: 5.6 million (1998), 5.9 million (1999).
- 14 The CODE-NGO-AF survey also has data on salaries and benefits but it did not publish such data in the public report.
- 15 The exchange rate is around 53 pesos to one US dollar.
- 16 A fixed rate will be charged to the firm depending on its profit level.
- 17 *Newsbreak*, a magazine, reported on the cases of the World Bank funded NIPAs and the Philippine Children’s Fund of America. The ERAP-Muslim Youth Foundation was also alleged to be the conduit for channeling gambling pay-offs to former President Estrada.
- 18 Examples include an NGO utilizing funds for purposes outside those approved by the donor, or an NGO engaged in “double funding” which means that the same project and amount are funded and reported to two different donors. There are also cases of embezzlement that have occurred at various levels – from executive director level to financial officers to ordinary staff members.
- 19 The NGO has the capability to write proposals and negotiate with donors.

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**Data:**

CODE-NGO & Association of Foundations, NGO Project Survey, 2001

PHILSSA NGO Salaries and Benefits Survey, 2001