

Survey on the Impact of the Global Financial Crisis on Philippine NGOs



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**Caucus of Development NGO Networks
www.code-ngo.org**

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Background:

On February 25, 2009, the Caucus of Development NGO Networks (CODE-NGO) and the Peace & Equity Foundation (PEF) organized a round table discussion with representatives of donor organizations, local grant giving foundations and networks of non-government organizations (NGOs) on the effects of the global economic crisis on their organizations and how the sector can collectively respond to the crisis.

One of the action points recommended during the round table discussion was to get a general sense of the perception and knowledge of NGOs, people's organizations (POs) and cooperatives on the 2008 global financial crisis, on whether or not the financial crisis has affected their programs and operations and how they plan to cope. In relation to this, CODE-NGO conducted a survey in October-November 2009 to assess the impact of the global financial crisis on its partner organizations and affiliates.

Even while the more recent GDP growth figure of 7.3% for the first quarter of 2010 seems to point to a recovering economy from the 2008 global financial crisis, unemployment rate increased to 8% (from 7.5%) in the same period. The poverty situation seems to have worsened even when economic growth is relatively robust. This is because much of the growth captured in this 1Q GDP figure is fueled by growth in the industry and services sectors. The agriculture sector, which employs a third of our workforce and where most of the poorest communities are represented, remain to have negative growth and even increasing rate of unemployment². Further, while preliminary data collected by the Community Based Monitoring System (CBMS) Network in March 2009 reflect a moderate adverse impact of the crisis on households,³ the serious fiscal constraints/budget deficit confronting the government today imply that it will not have enough resources to address the situation at least in the short term. Thus, it is still important to look at the results of this survey and continue monitoring the effects of the crisis. We hope that the results of this survey can serve as guide for recovery and for drawing lessons on coping with future crises.

Objectives:

- 1) To get a general sense of the perception and knowledge of NGOs/POs/co-ops about the global economic crisis and its effects on their operations, specifically:
 - What NGOs/POs/co-ops know about the crisis and its causes
 - effects of the crisis on NGO/PO/co-op operations, i.e. in terms of financials and of management and governance
 - assess how much of these effects are really brought by the global economic crisis (or were these the conditions even prior to the crisis?)
 - coping mechanisms of NGOs/POs/co-ops to respond to the crisis.

¹ Cover photo courtesy of PHILSSA.

² See NEDA highlights agriculture as key to sustain employment, June 24, 2010, http://www.neda.gov.ph/ads/press_releases/pr.asp?ID=1183 and National Income Accounts GNP/GDP Matrices First Quarter 2010 at http://www.neda.gov.ph/econreports_dbs.asp.

³ Yap, Jose, Reyes, Celia and Cuenca, Janet, *Impact of the Global Financial and Economic Crisis on the Philippines*, Discussion Paper Series No. 2009-30 prepared for the UNDP. Philippine Institute for Development Studies: October 2009.

- 2) Share survey findings to members and partner organizations as inputs for their respective responses to the financial crisis.

Methodology:

Given limited resources to conduct this survey, CODE-NGO sent the survey questionnaire by e-mail to all organizations with e-mail addresses in CODE-NGO's mailing list/database of member networks and partner organizations, except for members of NATCCO, AF and PBSP⁴.

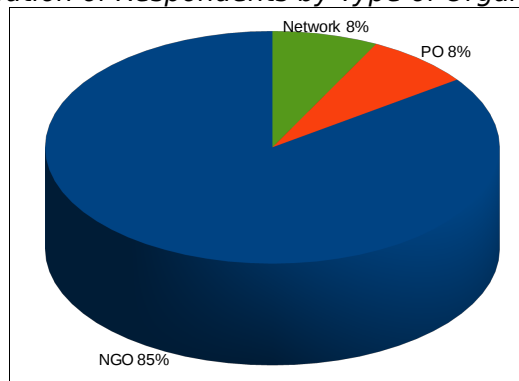
The survey was done from October 26 to November 26, 2009. The questionnaire was sent to a total of 638 e-mail addresses in CODE-NGO's database. Total bounced messages received were 203 (mostly due to inactive accounts, while some report full in-box status), leaving a total of 435 sent messages. E-mail follow-ups were done and raffle prizes were announced to participating organizations to encourage as many participants as possible. At the end of the survey period, a total of 53 accomplished forms were received, or 12% of the total 435 recipients.

Survey Findings

I. Profile of Respondent Organizations

The organizations which participated in the survey are almost exclusively primary or base NGOs, with programs that directly impact communities. A few (7.6%) were people's organizations (POs) and some are NGO networks (7.6%).

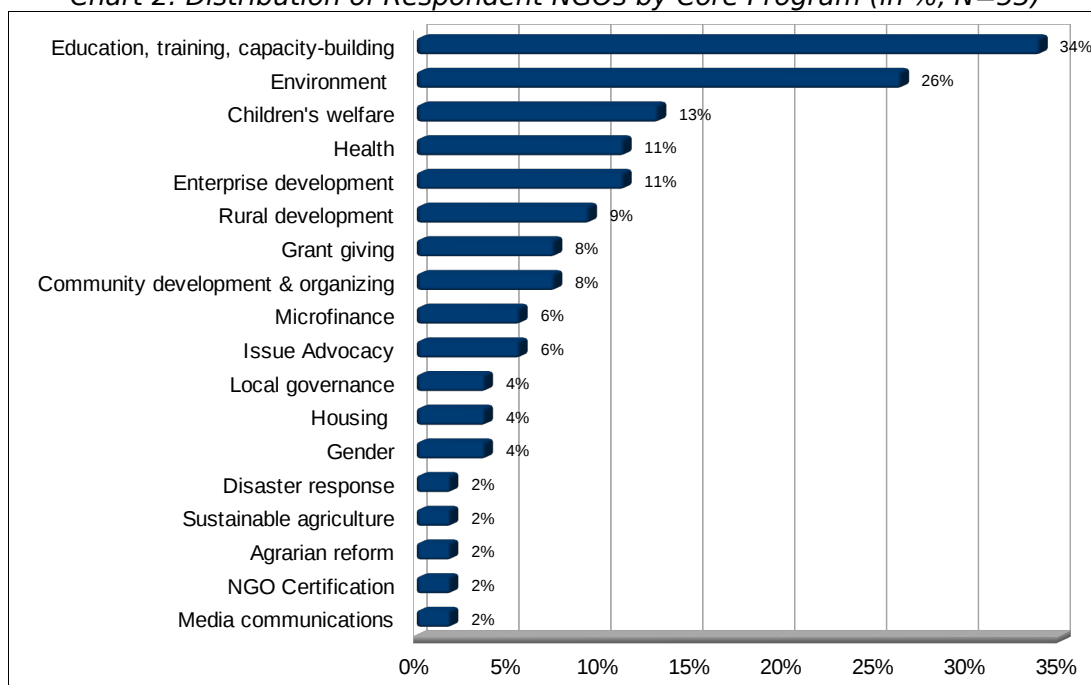
Chart 1. Distribution of Respondents by Type of Organizations (N=53)



The organizations under study are involved in a wide variety of programs. One third (34%) are engaged in education and providing training or capacity building for their partner communities. Many (28%) are also involved in environmental programs (agroforestry, natural resource management, environmental conservation, etc.). The other top responses include children's welfare (13%), health (11%) and enterprise development (11%).

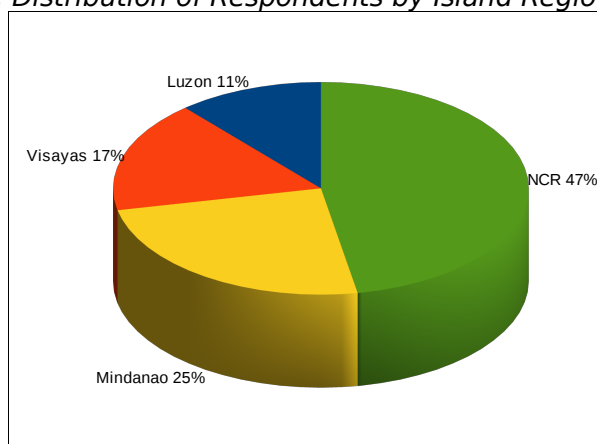
⁴NATCCO affiliates were not included in this survey because NATCCO had previously undertaken a similar survey. PBSP's members were also not included because they are corporations and not NGOs, POs or cooperatives. AF, on the other hand, took care of sending the questionnaire to its own members, and submitting the accomplished forms to the CODE-NGO secretariat.

Chart 2. Distribution of Respondent NGOs by Core Program (in %, N=53)



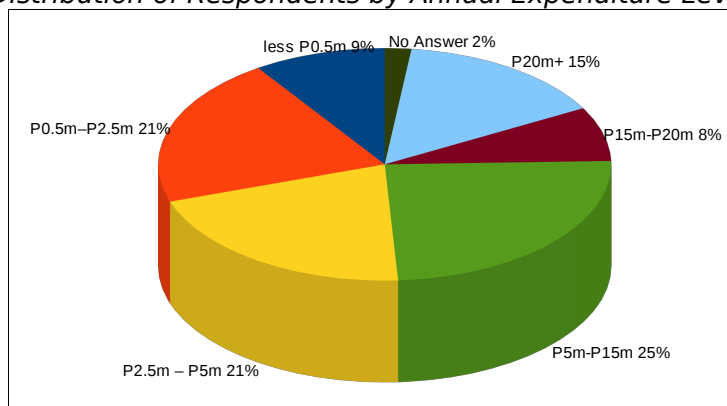
Almost half of the organizations (47%) are based in the National Capital Region (NCR), followed by those in Mindanao (24.5%), in Visayas (17%) and in Luzon (11.3%).

Chart 3. Distribution of Respondents by Island Region (N=53)



In terms of size based on annual expenditure, the respondent organizations are almost evenly distributed across expenditure categories, with 21% spending P0.5M to P2.5M for programs and operations; 21% spending P2.5M to P5M and 24% spending P5M to P15M. 8% spends P15M to P20M; 15% spends more than P20M and only 9% spends less than P0.5M. We have the impression, though, that the number of NGOs with smaller budgets for programs and operations are higher. However, since the survey was conducted through e-mail, the method might be biased towards NGOs with bigger resources, which naturally have better access to internet.

Chart 4. Distribution of Respondents by Annual Expenditure Levels (N=53)



2. Awareness of NGOs About the Global Financial Crisis

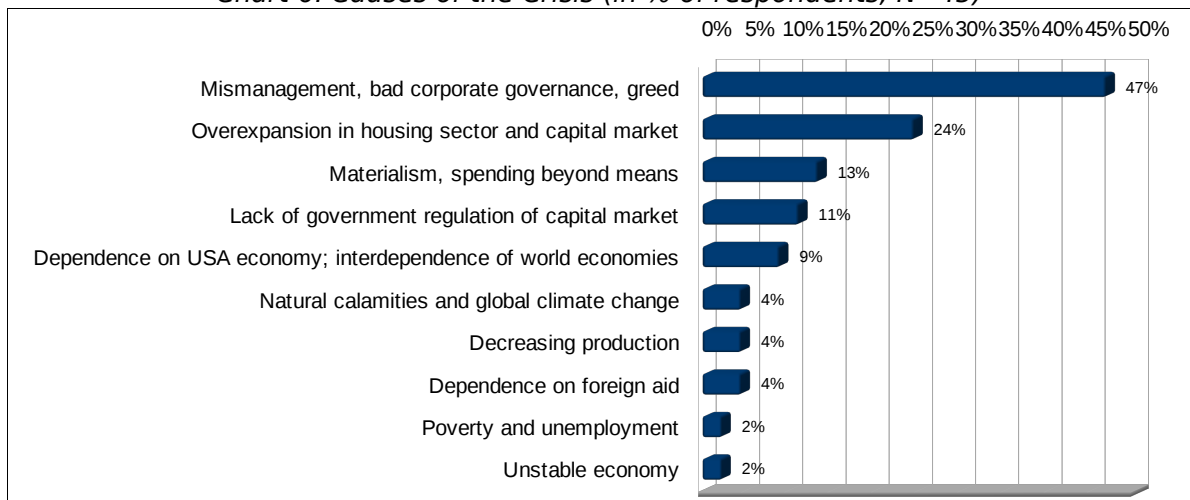
Almost all respondents (98%) said that they have heard about the global financial crisis (except for one organization which had no answer). In terms of what they have heard about the crisis, majority (44%) said that it was brought about by the collapse of global financial institutions that has led to economic recession. Twenty seven percent (27%) relate it to the closure of companies leading to unemployment. While 15% said that it was caused by sub-prime mortgage crisis and bad debts in the housing sector in the U.S.A., which eventually affected other countries including the Philippines.

Chart 5. What NGOs know about the crisis (in % of respondents, N=48)



The respondents were also asked about the causes of the crisis. Almost half (47%) believe that the global economic crisis was caused by mismanagement, bad corporate governance and unsustainable lending practices by banks and financial institutions. Twenty four percent (24%) cited over-expansion in the housing and capital market sectors in the U.S.A., while 13% cited faults on the part of consumers because of materialism or spending beyond their means.

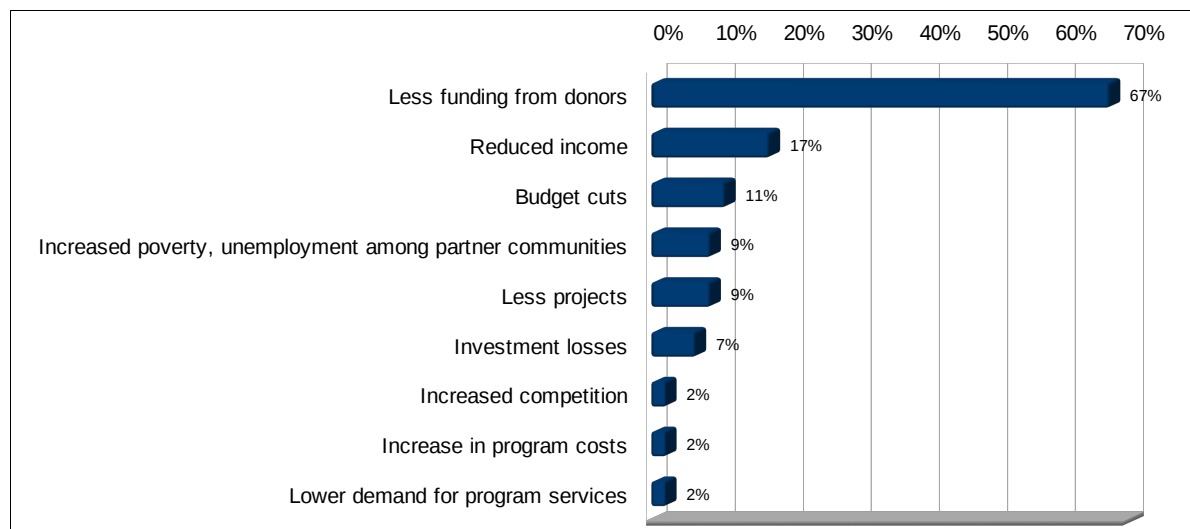
Chart 6. Causes of the Crisis (in % of respondents, N=45)



3. Effects of the Crisis on NGOs

Almost all (96%) of respondent organizations confirmed that their operations were affected by the crisis. Only 3% said they were not affected. When asked how they were affected, majority (67%) of the organizations said they now have less funding from donors – citing that it has become increasingly difficult to access grants, lower fund approvals and that funding partners were also affected and were cutting budget support (even previously committed ones) for their programs. Other NGOs with income-generating projects reported reduction in income (17%) due to lower repayment rate (for those with micro-finance programs) or lower sales. Still some (11%) reported budget cuts in program coverage or have started implementing cost-cutting measures (e.g. less travel, recycling of supplies, reduced staff benefits).

Chart 7. How NGOs are affected by the crisis (in % respondents, N=46)



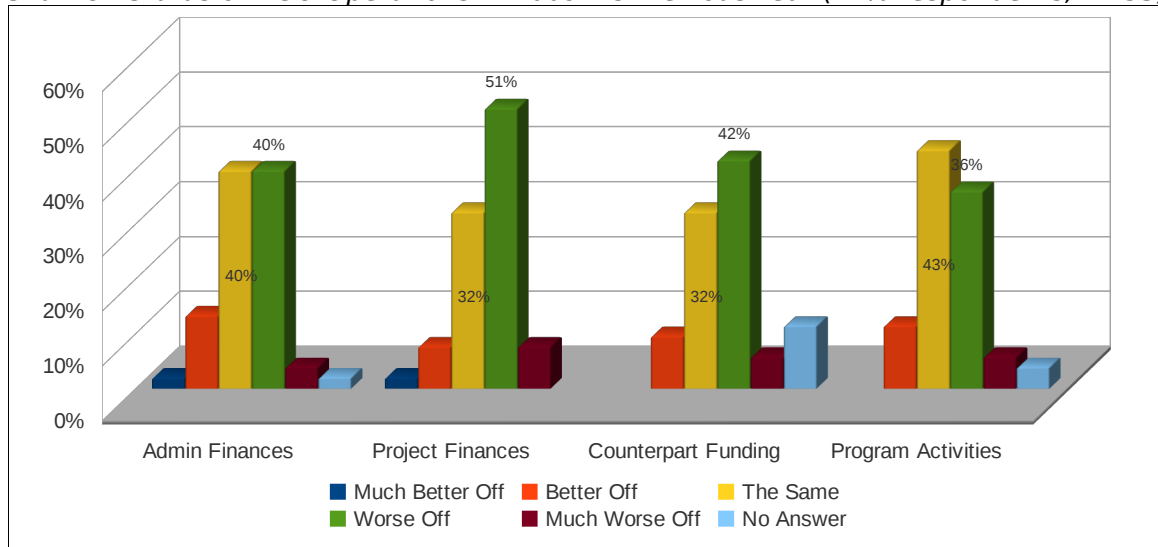
Respondents were also asked about the status of their organizations, on whether they are better off, the same, or worse off in the year of the survey (2009) compared to the previous year, particularly in some areas of their operations. Majority of the NGOs said that their conditions are generally either the same or worse off than in the past year. In terms of administrative finances, 40% of respondents said that their status is the same with last year's, while another 40% said they are worse off.

Project finances were hardest-hit, with a slight majority of NGOs (51%) reporting that they are worse-off in the survey year. This validates earlier related data on the increasing difficulty of getting project fund approvals, budget cuts or postponement of support for NGOs' activities on the part of funders who were themselves affected by the global financial crisis.

It has also become more difficult for many NGOs (42%) to provide counterpart funds for their programs. While there are lesser funding for core programs and project activities, many NGOs could not defer the implementation of their core programs and so had to increase counterpart funding to sustain these activities. In terms of program activities, most (42%) reported that their conditions are the same with that of last year, while another 36% said they were worse-off.

At the extreme, one NGO from the Visayas doing programs for peasant communities reported that they are much worse off in all areas of their operations under study and could not even provide allowances for their volunteers. On the other hand, only one NGO reported that they are much better off in the survey year (2009) because of higher investment returns, resulting in more funds for operations and projects.

Chart 8. Status of NGO Operations in 2009 vis Previous Year (in % respondents, N=53)

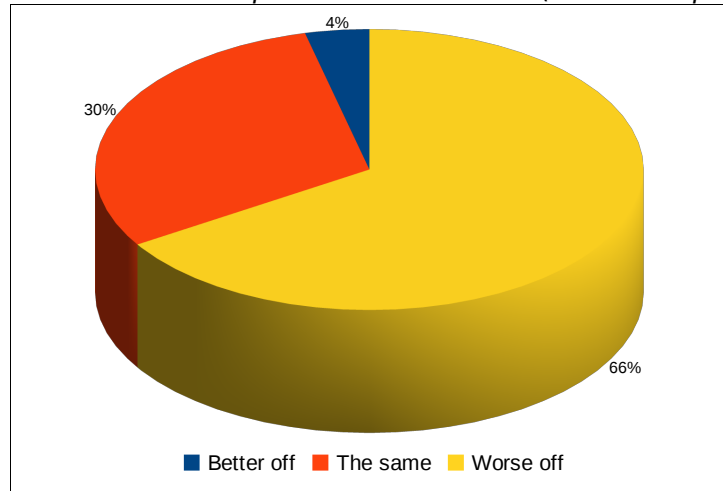


4. Effects of the Crisis on Partner Organizations and Communities

The respondent organizations were also asked about the situation of their partner organizations or the communities they serve. Majority (66%) confirmed that their partner communities are worse off in the survey year compared to last year. Thirty percent (30%) said that their conditions are still the same, while only 4% said they were

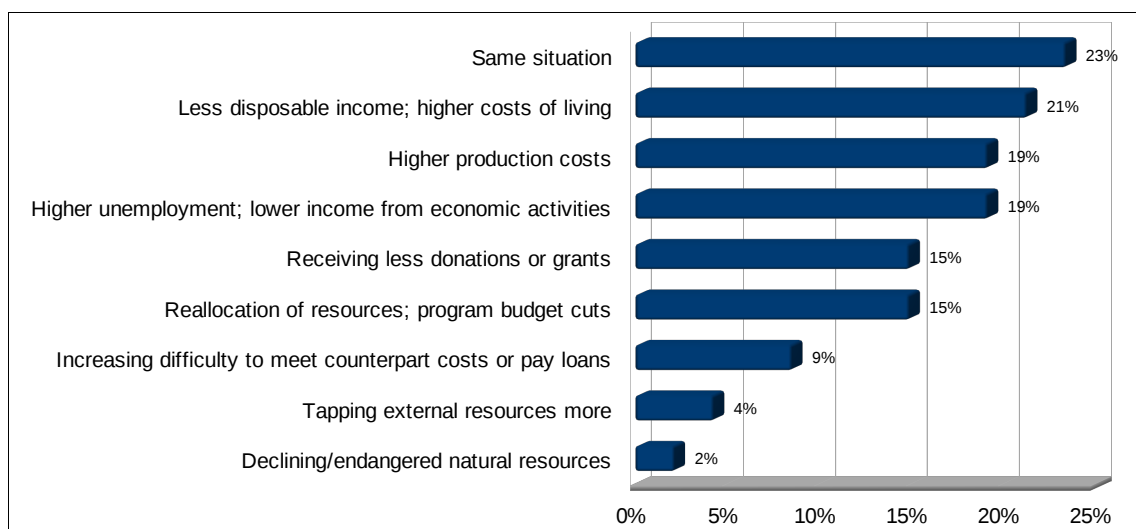
better off. Majority of respondents (74%) believed that these conditions of their partner communities were likewise affected by the crisis.

Chart 9. Situation of the NGOs' partner communities (in % of respondents, N=53)



On the question, “In what ways are your partner communities affected?”, 21% cited higher costs of living or less disposable income for the community members, 19% cited higher production costs (for those involved in farming or informal economic activities), and another 19% cited higher unemployment, less stable income source or lower income from economic activities. For the 23% of respondents who said that the situation of their partner communities has remained the same, this does not necessarily mean good news. For most of them, the same situation as with last year's means that their partner communities have been used to having the same living conditions and limited access to basic services and income opportunities.

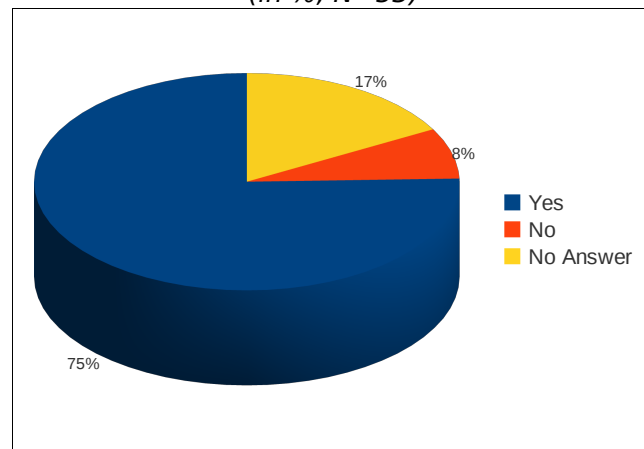
Chart 10. In what ways are the partner communities of NGOs affected by the crisis? (in % of respondents, N=47)



5. NGOs' Responses to the Crisis

Seventy five percent (75%) of respondents said they have employed ways and means to cope with the crisis, while only 8% said they have not made any steps.

*Chart 11. NGOs which employed coping mechanisms to respond to the crisis
(in %, N=53)*



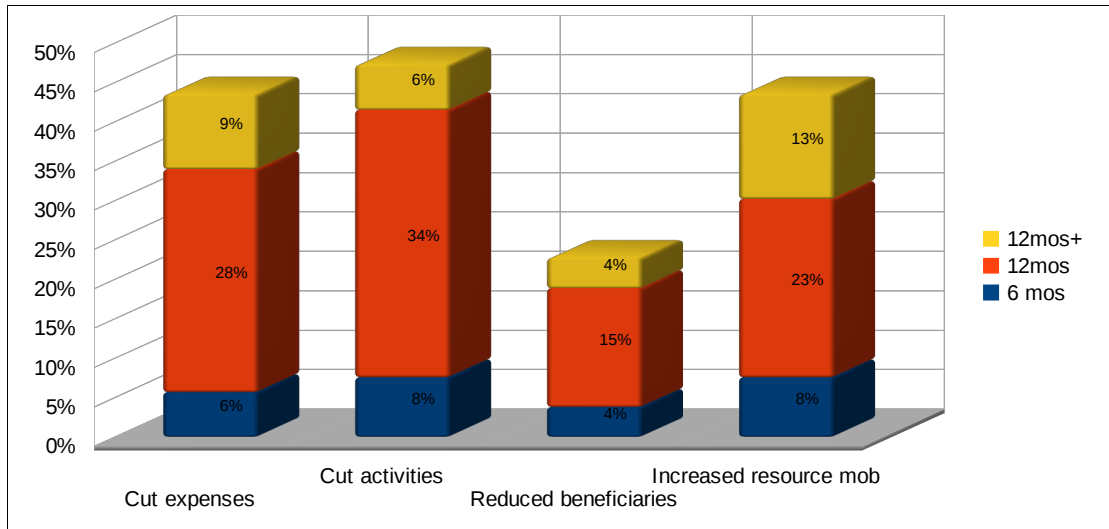
Many respondents (43%) have started to cut their expenses to cope with the crisis. Among the measures mentioned were conserving on office supplies and utilities, cutting down on travel and out-of-town meetings, suspending allowances, and even cutting down on supplies and materials that are used directly for program activities (e.g. trees and planting materials for an NGO that is engaged in agro-forestry).

Around one half of the respondents (47%) also cut down on some activities, particularly board meetings, monitoring and evaluation and staff rest and recreation. Others have reduced the number of training seminars, workshops and scholarship grants they provide.

Another 43% of respondents have also increased their resource mobilization efforts by submitting more funding proposals, exploring to diversify sources of income, and by networking and collaborating more with other organizations so as to share costs on common programs. A fourth of the organizations (23%) have reduced the number of their program beneficiaries.

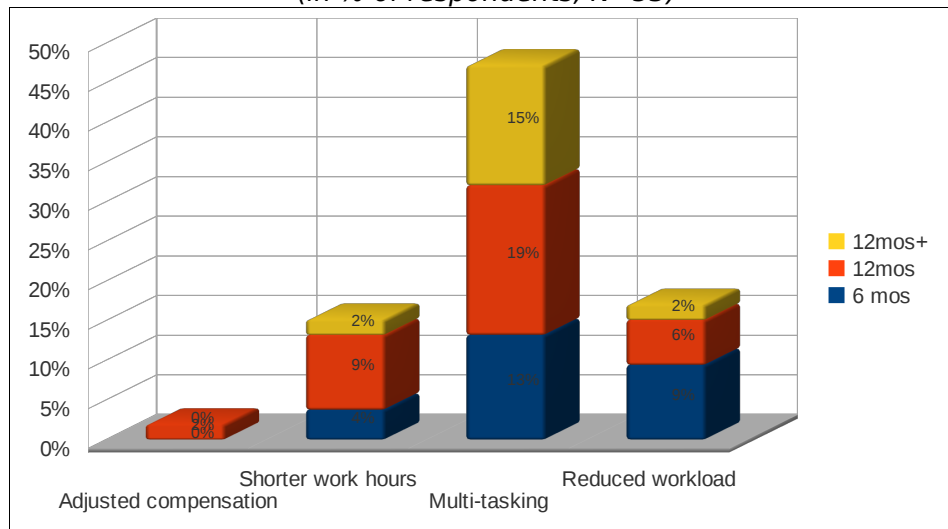
These actions were mostly implemented in the past 12 months.

*Chart 12.1. Coping mechanisms of NGOs to respond to the crisis
(in % of respondents, N=53)*



Almost half of the respondent NGOs (47%) also increased their multi-tasking to reduce operational costs and cope with the crisis. This may mean that their personnel are assuming more responsibilities without additional compensation or that their organizations are taking in additional project activities without hiring additional personnel. A few organizations (15%) have started implementing shorter working hours to cut on utility and other costs or have reduced the workload of their staff (17%) to reduce personnel costs. Only one organization has reduced staff compensation. Most of these actions were again implemented in the past 12 months.

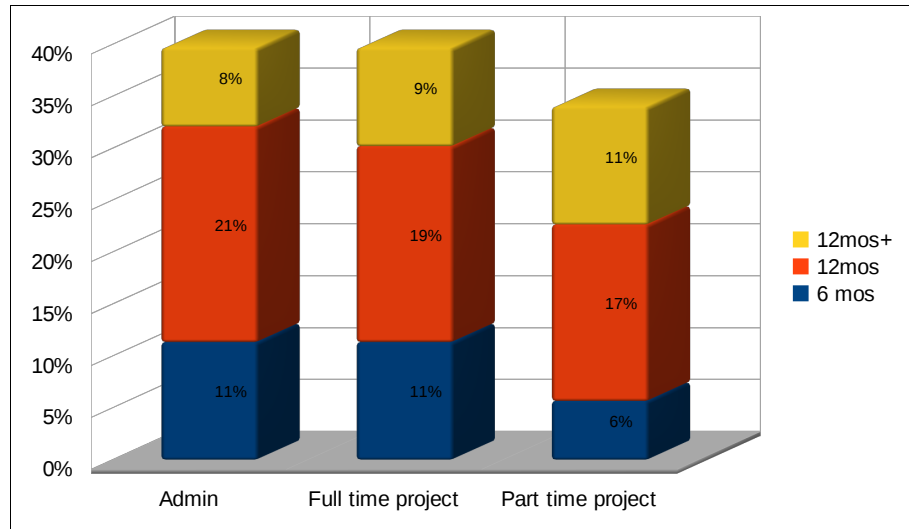
*Chart 12.2. Coping mechanisms of NGOs to respond to the crisis
(in % of respondents, N=53)*



Many NGOs also had to reduce their workforce to be able to cope with the crisis. Forty percent (40%) said they had to let go of some administrative staff. Another 40% said

they had reduced their full-time project staff, while 34% reduced their part-time project staff. The reduction in project staff may also mean that there were no renewals or extension of project staff assignments because of lesser funding approval for projects at this time. Similarly, the reduction in workforce was also done mostly in the past 12 months.

Chart 13. Percent of NGOs that have reduced workforce to respond to the crisis (N=53)

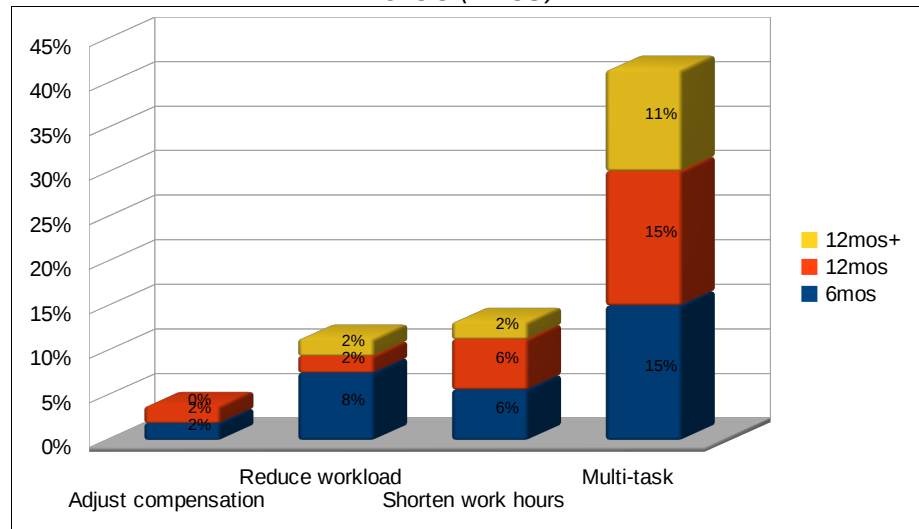


6. Further Expectations and Responses

Majority (70%) of the respondents expect that the effects of the crisis will continue to be felt in the coming months. Thus, 66% intends to further adopt measures to respond to it. The respondents further intend to implement these steps more immediately, or in the next 6 months.

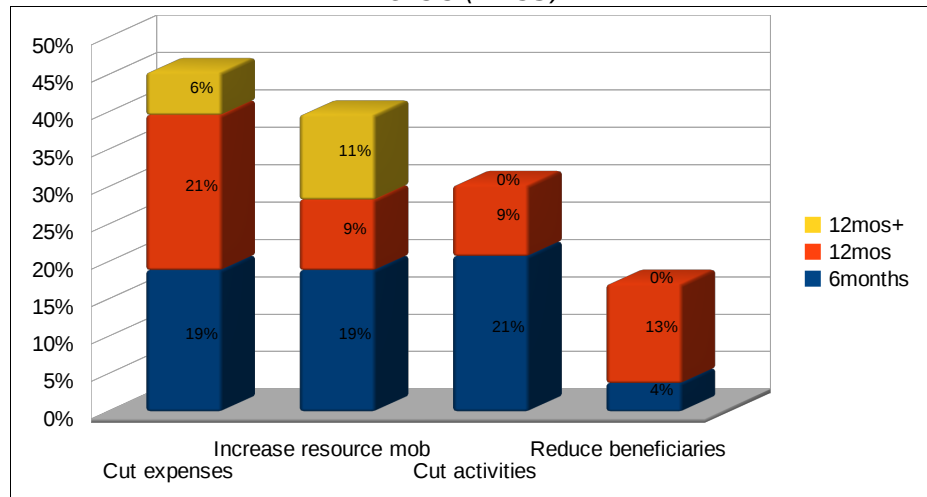
Forty two percent (42%) of respondents further intends to do multi-tasking, or assuming more activities without increasing personnel or staff compensation. Only a few (13%) will shorten working hours and fewer still will reduce workload (11%) or adjust staff compensation (4%).

Chart 14.1. Percent of respondents which intend to adopt measures to cope with the crisis (N=53)



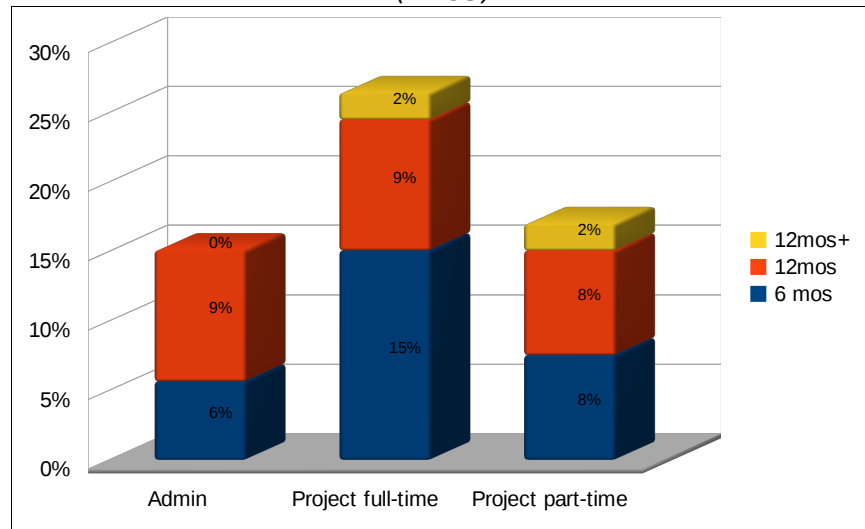
Most respondents (45%) will also continue cutting expenses, further increasing resource mobilization strategies (40%), and cutting down some activities (30%). Some (17%) will reduce program beneficiaries.

Chart 14.2. Percent of respondents which intend to adopt measures to cope with the crisis (N=53)



There will be some NGOs which will also reduce workforce particularly in the next 6 months. Some (26%) will also reduce project full-time staff while a few (17%) will lay-off project part-time staff and administrative staff (15%).

Chart . Percent of respondents which intend to reduce work force to respond to the crisis
(N=53)



Conclusions and Recommendations

Summary and Conclusions

The survey reveals that Philippine NGOs have certainly been affected by the global financial crisis. While only a few NGOs have investments that were directly affected by the financial crisis, majority are heavily dependent on grants from foreign funding institutions, which themselves were affected by the crisis and have re-focused their support programs for NGOs and budget allocations for grants.

While it can be said that the increasing difficulty in accessing grants and resources have been the pre-crisis environment by which Philippine NGOs operate, it is undeniable that the global financial crisis has exacerbated these conditions. In addition to that, the effects of the global environmental crisis as well as the crisis of governance left by the previous administration has seriously undermined the NGO sector's development efforts.

The survey also provides an indirect glimpse into the effects of the crisis on the NGOs' partner communities and people's organizations (POs). NGOs working directly with the poor are saying, insofar as the poor is concerned, they are perpetually in crisis and always at vulnerable conditions. The challenge that NGOs are now confronting about their own sustainability has weakened their capacities to implement programs for the communities who are in need of their services. In the meantime, the NGOs could not afford to leave their partner communities under the same marginalized conditions they are in. The NGOs' facilitative role in empowering and linking the poorest communities to resources, services and income opportunities is more important at this time.

But the Philippine NGO community is known for its resiliency to weather storms. Already, many NGOs are implementing creative means to cope with the crises by reducing costs and increasing revenues in the short-term. Given the current environment, this is also an opportune time for an NGO to look internally and re-define its strategic direction in the longer-term. A key to this is keeping to its core mission and strengthening its linkages

with other NGOs and other sectors in coming up with a coordinated response to the crises.

Recommendations

While our country seems to be on the road to recovery from the global financial crisis, given promising GDP growth figures of 7.3% in Q1 2010, the effects of the global environmental crisis, the crisis of governance left by the previous administration and serious fiscal deficit confronting the government will continue to be felt. Thus, there is a need for the NGO sector to get its acts together for a collective response. The following were some recommendations to cope with these crises, most of them raised by the survey respondents themselves:

1. Find more creative and innovative measures to increase cash flow, diversify income sources other than grants and attain self-sufficiency without drifting away from one's mission. Explore social enterprises, local fund raising, strengthening research and consultancy services, etc. to support the organization's core programs.
2. Strengthen networking and collaboration with other organizations to share costs and harmonize strategies on common programs, avoid duplication and wastage, and share effective coping strategies.
3. Strengthen linkages with other sectors, particularly business and government (which have more resources), to tap counterpart funds for programs and to influence the flow of resources to where they are most needed and would create most impact.
4. Advocate more NGO-friendly donor policies that support NGO/PO/network sustainability efforts.
5. Provide venues for convening various NGO/PO/co-op networks in a national conference to tackle the crisis and engage the new administration for a collective response.
6. For NGOs to continue cutting down on unnecessary expenses and sticking to one's core competencies and programs.
7. Have a safety net available for NGOs in need.
8. Share certain resources and expertise with other NGOs, e.g. several NGOs can outsource bookkeeping services to a common service provider.
9. NGO networks or larger NGOs can map capacities and expertise pool within their networks/ organizations to assist members or smaller NGOs.
10. Every NGO should conduct an organizational assessment to be better prepared for more difficult times, e.g. evaluate whether core programs are still responsive to the needs of the communities served.