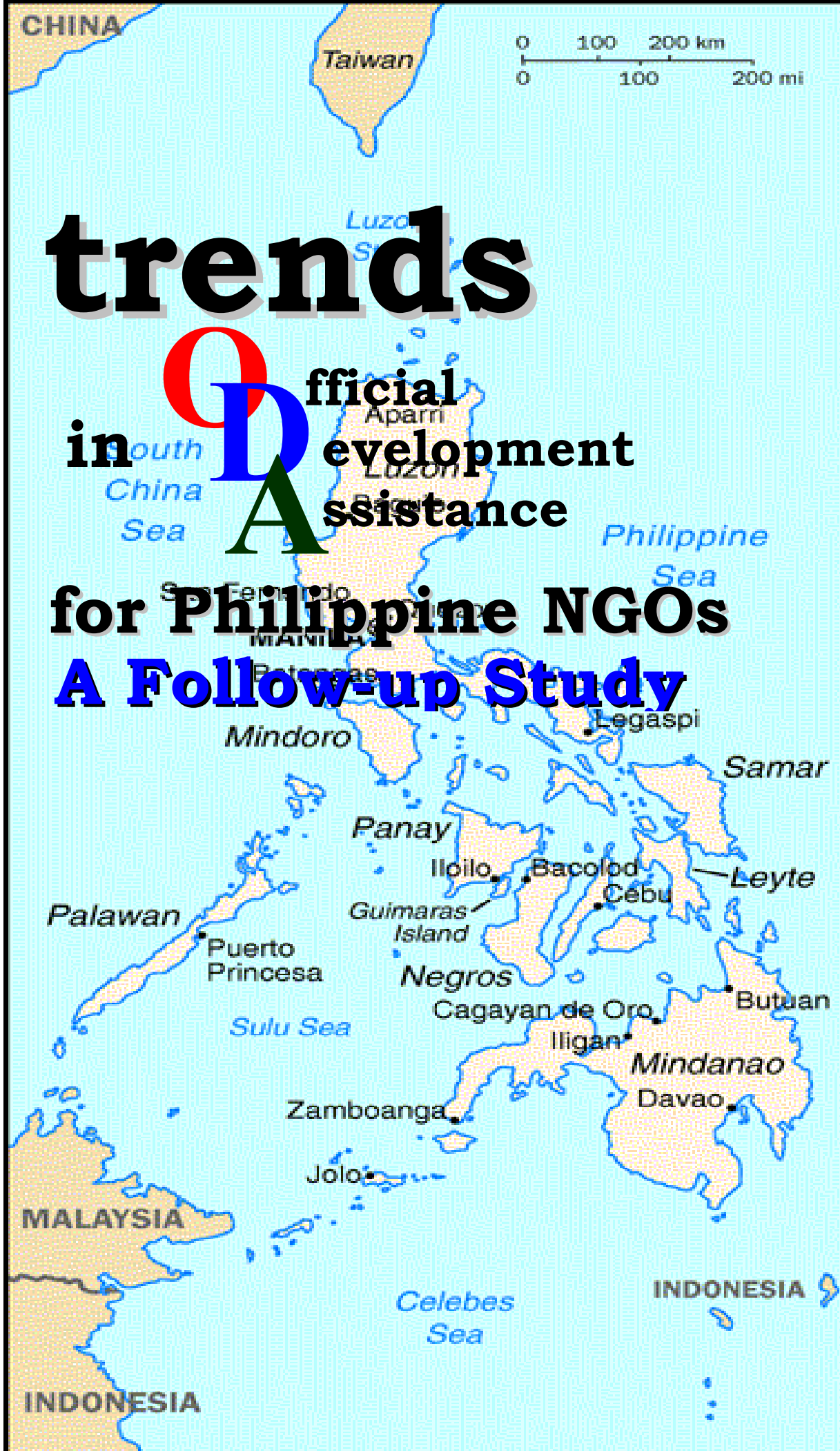


# trends

**Official  
Development  
Assistance**

**for Philippine NGOs  
A Follow-up Study**



**Abstract**

This study looked at general trends in official development assistance (ODA) worldwide and in the Philippines with a specific focus on ODA funding trends for NGOs. It examines the feedback from donors on their relationship with Philippine NGOs, assesses ongoing efforts among NGO fund facilities to collaborate among themselves and presents a number of recommendations for the consideration of the NGO community.

This is a follow up study to the Monograph on Official Development Assistance to the Philippines:1986-1996 which was published in December 1998.

June 2000

Monograph. 60 pages.

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## **Introduction**

Since the post-EDSA period, the development activities of Philippine NGOs have been funded largely through ODA donors, whether directly through donor- or NGO-managed fund facilities or through co-financing schemes involving joint arrangements with local and foreign foundations. Today, however, there is a growing perception that ODA resources are dwindling in absolute terms or being channeled to other purposes.

The objective of this current paper is to update an earlier CODE-NGO study on the status of ODA funding resources and the access of Philippine NGOs to these resources. These studies form part of the advocacy thrust of CODE-NGO on development finance, which seeks to:

- (a) explore opportunities for establishing more NGO-managed funding facilities;
- (b) increase the influence and access of NGOs and POs to ODA and other development funds; and
- (c) keep the Philippines an interesting area for development finance by highlighting innovations and projects unique to Philippine development NGOs.

Data for this current study were gathered through:

- (i) a review of ODA literature from various sources, including the website of the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development;
- (ii) interviews with Philippine-based representatives of eight ODA donors, including, ADB, AusAID, CIDA, EU, Japan, UNDP, USAID and World Bank; and
- (iii) a review of 35 completed questionnaires, the partial results of an ongoing survey by the Association of Foundations of donors to Philippine NGOs. The thirty-five donors programs are classified into foreign foundations (12), government programs (4), donor-managed ODA programs (8), NGO-managed donor programs (4) and Philippine foundations (7). It should be emphasized that the 35 donors included in this study represent only a small proportion of the total number of donors providing funds to Philippine NGOs and their inclusion is intended mainly to identify possible trends in Philippine NGO funding. The list of these 35 donor-respondents is annexed to this study.

The following paper looks at general trends in ODA worldwide and in the Philippines with a specific focus on ODA funding trends for NGOs, examines the feedback from donors on their relationships with Philippine NGOs, assesses ongoing efforts among NGO fund facilities to collaborate among themselves and presents a number of recommendations for the consideration of the Philippine NGO community.

## 1. GENERAL ODA TRENDS

### 1.1 ODA Trends Worldwide:

1.1.1 ODA Levels. Over 90% of the world's Official Development Assistance are provided by the member-countries of the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD).

The decade of the nineties has witnessed the continuing decline in ODA assistance from DAC member countries. According to DAC reports, net ODA fell by 14% in real terms between 1992 and 1995, representing the sharpest drop since the early seventies. In 1996, ODA from DAC member countries decreased even further to \$55 billion, a six percent decline over the \$58.8-billion level in 1995. And in 1997, ODA levels fell once more to \$47 billion, a 15% decline from 1996. In 1998, however, ODA levels rose slightly to \$51.4 billion.

The following table lists the magnitude of ODA commitments of DAC member-countries for the years 1995 and 1998.

**Table 1. ODA Volume of DAC donors, 1995 and 1998 (in US\$ billion)**

	1995	1998	Inc.(Dec.)	% Inc. (Dec.)
Japan	14.49	10.68	(3.81)	(26%)
France	8.44	5.90	(2.54)	(30%)
Germany	7.52	5.59	(1.93)	(26%)
<b>United States</b>	<b>7.37</b>	<b>8.13</b>	<b>0.76</b>	<b>10%</b>
Netherlands	3.22	3.05	(0.17)	(5%)
<b>United Kingdom</b>	<b>3.16</b>	<b>3.84</b>	<b>0.68</b>	<b>21%</b>
Canada	2.07	1.68	(0.39)	(19%)
Sweden	1.70	1.55	(0.15)	(9%)
<b>Denmark</b>	<b>1.62</b>	<b>1.70</b>	<b>0.08</b>	<b>5%</b>
<b>Italy</b>	<b>1.62</b>	<b>2.36</b>	<b>0.74</b>	<b>45%</b>
<b>Spain</b>	<b>1.35</b>	<b>1.38</b>	<b>0.03</b>	<b>2%</b>
<b>Norway</b>	<b>1.24</b>	<b>1.32</b>	<b>0.08</b>	<b>7%</b>
Australia	1.19	1.00	(0.19)	(16%)
Switzerland	1.08	0.89	(0.19)	(18%)
Belgium	1.03	0.88	(0.15)	(15%)
Austria	0.77	0.51	(0.26)	(34%)
<b>Finland</b>	<b>0.39</b>	<b>0.40</b>	<b>0.01</b>	<b>2%</b>
Portugal	0.27	0.26	(0.01)	(4%)
Ireland	0.15	0.21	0.06	37%
<b>New Zealand</b>	<b>0.12</b>	<b>0.13</b>	<b>0.01</b>	<b>8%</b>
<b>Totals ---</b>	<b>58.80</b>	<b>51.44</b>	<b>(7.36)</b>	<b>(13%)</b>

Source: OECD Development Assistance Committee (DAC)

Of the twenty DAC donors listed in the above table, only eight donors (40%) increased their ODA levels from 1995 to 1998. Overall, however, there was a drop of \$7.36- billion (13%) in the magnitude of total ODA from 1995 to 1998.

The largest ODA decreases were registered by Japan (26%), France (30%) and Germany (26%), three of the top four bilateral donors. The fourth largest bilateral donor, the United States of America, registered a 10% increase in 1998 ODA. However, this is because, in 1997, American aid to the world's developing countries had reached a 50-year low at \$6.2 billion.

The continuing decline in ODA has caused alarm among many development organizations, including the United Nations Children's Fund (UNICEF) who has expressed concern that, if the current rate of decline continues, official aid to developing countries is in danger of drying up completely by the year 2015. UNICEF also noted that the year 2015 is, ironically, the deadline set by the OECD for a series of poverty eradication goals to be achieved in partnership with developing countries. These poverty eradication goals include: (i) reducing mortality among infants and children under the age of five by two-thirds; (ii) cutting maternal mortality by three-fourths; (iii) ensuring universal primary education; and (iv) halving the number of people living in income poverty.

**1.1.2 ODA as Percentage of GNP.** In 1970, the United Nations set an ODA target of 0.7 per cent of a donor country's GNP. The following table (*see Table 2 on next page*) presents the ODA commitments of DAC donors as a percentage of their GNP for the years 1992, 1995 and 1998.

While all DAC member-countries have affirmed their commitment to the UN target, the above table shows that, as a percentage of GNP, there has been a consistent pattern of decline in ODA across almost all donor countries. Only four countries – Denmark, Norway, Sweden and the Netherlands – have been able to achieve the UN target. On the other end of the scale, the United States continues to be the world's stingiest nation in terms of total GNP devoted to helping the world's poorest countries. Currently, the US gives only one-tenth of one percent of its GNP as aid to developing countries.

As noted by the Reality of Aid 2000, an independent review of development assistance published by a group of European NGOs, DAC members allowed their aid to suffer a disproportionate share of government spending cuts from 1992-97. Aid fell every year over this period, from roughly a half to a roughly a third of the 0.7% UN target. In real terms, the decline was more than 20%.

And while the decline was halted in 1998 when aid rose by US\$3.2 billion (8.9% in real terms), the NGO report pointed out that total ODA constituted only 0.23% of GNP, even lower than in 1995, when total ODA of DAC members amounted to only 0.27% of their combined GNP. (*Source: The Reality of Aid 2000: An Independent Review of Poverty Reduction and Development Assistance. Randel, Judith, German Tony and Ewing Deborah, Editors. Earthscan Publications, Ltd., London, United Kingdom, 2000.*)

**Table 2. ODA as a Percentage of GNP, 1992, 1995 and 1998**

Country	1992	1995	1998
Denmark	1.02	0.96	0.99
Norway	1.12	0.87	0.91
Sweden	1.03	0.77	0.71
Netherlands	0.85	0.81	0.80
France	0.62	0.55	0.41
Canada	0.46	0.38	0.29
Belgium	0.38	0.38	0.35
Australia	0.36	0.36	0.28
Switzerland	0.45	0.34	0.33
Finland	0.64	0.32	0.32
Austria	0.29	0.33	0.24
Germany	0.35	0.31	0.26
United Kingdom	0.30	0.28	0.27
Japan	0.30	0.28	0.28
Ireland	0.16	0.29	0.31
Portugal	0.36	0.27	0.25
New Zealand	0.26	0.23	0.27
Spain	0.27	0.24	0.25
Italy	0.34	0.15	0.20
United States	0.18	0.10	0.10
<i>Source: OECD Development Assistance Committee (DAC)</i>			

1.1.3 ODA for Social Services. At the World Summit of Social Development in 1995, donors and recipient governments made a commitment to the so-called “20:20 Initiative.” This measure binds donors and recipient governments to allocate 20% of ODA and 20% of the recipient government’s budgets to basic social services (BSS). Commitment to the “20:20 Initiative” was reaffirmed in late 1998 by a number of donors and recipient countries during the anniversary of the World Social Summit in Hanoi.

The following table (*see Table 3 on next page*) shows the proportion of total ODA spent on basic social services by selected bilateral donors. The table shows that not one of the ten listed donors have complied with the “20:20 initiative. Of even greater concern is the fact that, for six of the ten donors, the proportion of ODA spent for basic social services had actually decreased in 1997 compared to 1996.

In fact, actual expenditures are so far below target that the Reality of Aid 2000 report has called these “derisory sums in the face of both the stated commitment of donors to the goals and the enormous need. (*Source: The Reality of Aid 2000: An Independent Review of Poverty Reduction and Development Assistance. Randel, Judith, German Tony and Ewing Deborah, Editors. Earthscan Publications, Ltd., London, United Kingdom, 2000.*)

**Table 3. Proportion of Total ODA Spent on Basic Social Services, Selected Donors**

	Basic	Basic	Water and	Total	Increase
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Donor	Education		Health		Sanitation		Percentages		(Decrease)
	1997	1996	1997	1996	1997	1996	1997	1996	97 vs. 96
Australia	5.6%	0.4%	4.7%	9.1%	2.9%	2.7%	13.2%	12.2%	1.0%
Canada	0.4%	1.2%	0.8%	0.4%	0.7%	2.3%	1.9%	3.9%	(2.0%)
Japan	1.0%	0.2%	0.5%	1.3%	10.5%	10.9%	12.0%	12.4%	(0.4%)
Italy	0.1%	0.3%	0.9%	1.7%	9.4%	4.7%	10.4%	6.7%	3.7%
Norway	3.7%	3.0%	2.2%	2.1%	0.0%	0.7%	5.9%	5.8%	0.1%
United States	1.1%	1.8%	3.3%	5.2%	0.7%	1.6%	5.1%	8.6%	(3.5%)
Germany	2.1%	3.6%	1.8%	1.1%	8.7%	5.5%	12.6%	10.2%	2.4%
Netherlands	0.9%	3.3%	1.7%	2.7%	4.3%	4.3%	6.9%	10.3%	(3.4%)
Spain	1.3%	0.7%	4.7%	4.2%	0.0%	2.8%	6.0%	7.7%	(1.7%)
Sweden	5.1%	4.8%	5.2%	6.4%	1.2%	3.2%	11.5%	14.4%	(2.9)%

*Source: The Reality of Aid 2000: An Independent Review of Poverty Reduction and Development Assistance. Randel, Judith, German Tony and Ewing Deborah, Editors. Earthscan Publications, Ltd., London, United Kingdom, 2000.*

Among the ten donors, Australia had the highest percentage of ODA spent for basic social services in 1997, followed by Germany and Japan. On the other end of the scale, Canada spent the smallest portion of its aid budget on basic social services (less than 2%), followed by the United States.

1.1.4 Outlook for ODA. The following table assesses the outlook for aid among selected bilateral donors, many of whom have provided significant amounts of ODA to the Philippines in the post-EDSA period.

**Table 4. Outlook for ODA, Selected Donors**

Donor	ODA as % of GNP in 1998	Target for ODA	Commercial Interests in ODA*	Outlook
Australia	0.28%	0.7%	21.9%	Despite a large surplus in the 1999/2000 budget, government has failed to increase the aid budget and forward estimates indicate no real growth for the next three years.
Canada	0.29%	0.7%	68.5%	The 1999/2000 budget announced retroactive increases to the 1998/99 budget and a small one-time increase of \$50-million and \$25-million to the 1999/2000 and 2000/2001 ODA budgets. But without similar increases to the 1999/2000 ODA budget in the 2000/01 Federal Budget, ODA for 1999/2000 will be less than 1998/99; the possible diversion of funds for the Kosovo crisis and its aftermath may limit retroactive increases to ODA for this year.
France	0.41%	0.7%	34.5%	Future prospects for French ODA are not hopeful. The current decrease will continue in percentage and volume terms. The government has not given any objective in figures and merely commits itself to maintain a "high level of public aid." It does, however, recognize that current budgetary constraints will be "long -lasting."
Germany	0.26%	0.7%	40%	In 2000, the BMZ budget will be cut by 8.7% compared with the previous year. The medium-term financial plan shows further cuts for the years 2001-03.



**Table 4. Outlook for Overseas Development Assistance, Selected Donors (cont'd).**

Donor	ODA as % of GNP in 1998	Target for ODA	Commercial Interests in ODA*	Outlook
Italy	0.20%	0.7%	54.4%	General trend for Italian ODA is estimated at around 0.15%-0.16% of GNP. However, the Italian government has a long-term intention to raise the amount of ODA to 0.25% of GNP.
Japan	0.28%	0.7%	0%	In 1997, the government decided to cut aid for three years starting 1998 when the aid budget was cut by 10.4%. A second cut scheduled for 1999 has been stopped and instead, the aid budget will be increased by 0.2%. This is because the Japanese government considers that supporting the efforts to revive Asian economies is necessary for the revival of Japan's own economy.
Netherlands	0.80%	0.80%	5.6%	The outlook for ODA will remain at 0.8% of GNP got 1998-2002, the period of the current cabinet.
Norway	0.91%	1.00%	11.5%	Norway maintains the target of increasing development aid to 1% of GNP within the present 4-year period. However, in its 1999 budget proposal, the government declared that the planned increase had to be postponed for one year because of the economic situation.
Spain	0.25%	0.7%	100%	For the first time in five years, there are strong possibilities for increasing ODA volume. The Spanish government is seriously considering two options – a commitment to a 0.35% increase either in 2002 or earlier in 2000.
Sweden	0.71%	1.0%	36%	The actual budget for ODA is expected to increase to 0.73% in 2001.
Switzerland	0.33%	0.4%	7.1%	The Federal Council has never set itself the target of reaching 0.7%, stating only 0.4% by 2000. However, the volume of Swiss ODA has declined since 1994 due to measures to stabilize the federal budget. In 1997, Switzerland spent only 0.32% of GNP compared with 0.34% in 1994. If this trend continues, ODA will drop to 0.29% in 2001.
United Kingdom	0.27%	0.7%	13.9%	The government announced a four-matrixed debt relief and campaign in March 1999 that would reduce Third World debt by \$50 billion through reform of the IMF/World Bank HIPC initiative; increase aid flows to \$60 billion or 0.26% of GNP; challenge NGOs to raise their aid levels to \$1 billion by the end of year 2000; and support the sale of \$1 billion of IMF gold to fund enhanced debt relief.
United States	0.1%	none	71.6%	The US does not consider the 0.7% GNP target to be realistic. Moreover, budget constraints, expected increases in military spending, domestic issues and a continued marginalization of foreign aid by the US congress will prevent any increase in ODA until after the presidential and congressional elections of 2000 and most expect US foreign assistance to decline further.
<i>Note: Commercial interests in ODA refers to the percentage of bilateral aid commitments tied to the purchase of goods and services from the donor country</i>				
<i>Source: The Reality of Aid 2000: An Independent Review of Poverty Reduction and Development Assistance. Randel, Judith, German Tony and Ewing Deborah, Editors. Earthscan Publications, Ltd., London, United Kingdom, 2000.</i>				

Of the donors listed in the above table, only Japan, the largest donor to the Philippines, is likely to increase its aid budget in the near future. Likely increases in Japanese ODA hinge on the continued belief of Japanese government officials that the revival of their own economy is dependent, at least in part, on the revival of other Asian economies. This belief resulted in an actual 0.2% increase of Japanese ODA in 1999 after it had been cut by 10% in 1998.

Australia, on the other hand, is not expected to cut its overall aid budget in the coming years. However, forward estimates indicate no real growth in Australian ODA for the next three years.

Despite this, Australia is considered to be in a better position than the United States, Germany, France and Canada, all of whom are expected to reduce their aid budgets in the coming years due to (mainly) budgetary constraints.

## **1.2 ODA Trends in the Philippines:**

1.2.1 ODA Levels. The following table (*see Table 5 on next page*) lists the ODA donors to the Philippines and their respective contributions from 1986 to 1999.

Over this 14-year period, the Philippines received a total of US\$27.81-billion, a yearly average of approximately US\$2-billion. Three donors - namely, Japan (44%), the World Bank (22%) and ADB (18%) - contributed 84% of this total amount.

The table shows that Japan, historically the Philippines' largest donor, has been contributing an increasing proportion of total ODA to the Philippines, from 33% in 1986-90, to 43% in 1991-95, to 60% in 1998 and finally, to 81% in 1999.

World Bank assistance, on the other hand, has been declining since the early 1990s, reaching a low of 5% of total ODA in 1998, only to increase once more to almost 10% in 1999. In contrast, ADB assistance has been on an upward trend, reaching a high of 23% in 1997, dropping slightly to 22% in 1998 and then decreasing sharply to 4% in 1999.

Assistance from the United States, the fourth largest ODA donor of the Philippines, has also been on a downward trend. From a high of 6.3% of total ODA in 1986-90, US assistance fell to 3.6% in 1997, 1.3% in 1997 and 1.1% in 1998. According to USAID/Manila, the general decline in the budget of USAID worldwide has been caused by domestic pressures to balance the budget and the need to respond to crisis situations in other parts of the world. For example, the dramatic growth in USAID's program in Indonesia, which increased almost five times, from \$20-25 million in 1997 to \$125-million in 1999, has had a severe adverse effect on the agency's aid budget to the Philippines.

**Table 5. ODA to the Philippines by Source, 1986 to 1999 (US\$ millions)**

	Annual Ave. (1986-90)		Annual Ave. (1991-95)		1996		1997		1998		1999		Total (1986-99)	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Japan	598.30	32.6%	900.22	43.2%	540.40	38.7%	1,273.12	48.0%	1,106.01	60.3%	1,889.33	80.9%	12,301.46	44.2%
IBRD/WB	565.54	30.8%	469.26	22.5%	290.00	20.8%	291.40	11.0%	90.00	4.9%	217.00	9.3%	6,062.40	21.8%
ADB	334.50	18.2%	414.12	19.9%	206.60	14.8%	612.00	23.1%	395.70	21.6%	85.00	3.6%	5,042.40	18.1%
USA	115.04	6.3%	115.38	5.5%	50.20	3.6%	34.30	1.3%	19.30	1.1%			1,255.90	4.5%
France	32.54	1.8%	43.08	2.1%	0.40	0.0%	120.60	4.5%					499.10	1.8%
Australia	18.52	1.0%	18.08	0.9%	60.90	4.4%	104.89	4.0%	66.04	3.6%	30.53	1.3%	445.36	1.6%
Germany	33.36	1.8%	38.16	1.8%	27.30	2.0%	16.56	0.6%	12.01	0.7%	15.77	0.7%	429.24	1.5%
EU	7.58	0.4%	38.66	1.9%	47.00	3.4%	16.00	0.6%	14.15	0.8%	1.90	0.1%	310.25	1.1%
Canada	32.70	1.8%	7.68	0.4%	11.00	0.8%	12.05	0.5%	56.90	3.1%	15.51	0.7%	297.36	1.1%
Spain	3.36	0.2%	10.14	0.5%	75.40	5.4%	73.20	2.8%	5.65	0.3%	16.23	0.7%	237.98	0.9%
UN System	15.96	0.9%	9.16	0.4%	13.50	1.0%	25.07	0.9%	18.67	1.0%	19.27	0.8%	202.11	0.7%
U. Kingdom	14.58	0.8%	2.36	0.1%	48.70	3.5%	19.20	0.7%			16.25	0.7%	168.85	0.6%
Italy	19.26	1.1%	4.18	0.2%									117.20	0.4%
Brunei	20.00	1.1%											100.00	0.4%
Netherlands	11.94	0.7%	0.82	0.0%							1.72	0.1%	65.52	0.2%
Denmark	2.96	0.2%	1.84	0.1%			10.40	0.4%			18.00	0.8%	52.40	0.2%
Belgium	1.62	0.1%	1.02	0.0%	1.50	0.1%	24.80	0.9%					39.50	0.1%
Austria							20.00	0.8%	17.40	0.9%			37.40	0.1%
Switzerland	5.34	0.3%	1.44	0.1%									33.90	0.1%
Kuwait									33.20	1.8%			33.20	0.1%
EIB			6.58	0.3%									32.90	0.1%
IFAD					24.60	1.8%							24.60	0.1%
South Korea	0.08	0.0%	1.42	0.1%									7.50	0.0%
N. Zealand	0.54	0.0%	0.32	0.0%			0.58	0.0%			2.12	0.1%	7.00	0.0%
Singapore	0.54	0.0%	0.44	0.0%									4.90	0.0%
Finland											4.31	0.2%	4.31	0.0%
Norway											1.33	0.1%	1.33	0.0%
Sweden			0.12	0.0%									0.60	0.0%
<b>Total</b>	<b>1,834.26</b>	<b>100.0%</b>	<b>2,084.48</b>	<b>100.0%</b>	<b>1,397.50</b>	<b>100.0%</b>	<b>2,654.17</b>	<b>100.0%</b>	<b>1,835.03</b>	<b>100.0%</b>	<b>2,334.27</b>	<b>100.0%</b>	<b>27,814.67</b>	<b>100.0%</b>

*Source: Public Investment Staff, NEDA*

A similar trend may be noted for France, Germany and Canada, three bilateral donors who, together, had provided between 4-5% of total ODA to the Philippines during the ten-year period from 1986 to 1995. In 1996 and 1997, however, the combined contribution of these three donors had dropped to 2.8%. And while their contributions rose to over 3% in 1998, these dropped once more to less than 1.5% in 1999.

In contrast, Australia's ODA contributions to the Philippines have been increasing steadily. From a low 1% of total ODA during the period 1986-95, Australia's assistance increased to an average of 4% of total ODA from 1996 to 1998.

On the other hand, assistance from the European Union has been erratic, averaging less than one-half of one percent of total ODA from 1986 to 1990, increasing to almost 2% of total ODA from 1991 to 1995, almost doubling to 3.4% in 1996 but then, dropping to less than one percent in 1997 and 1998. In 1999, EU assistance to the Philippines was equivalent to only 1.1% of the total ODA to the country.

Over the last three years, UN assistance to the Philippines has been on an upward trend, \$6.3-million in 1997, to \$6.6-million in 1998 and finally, to US\$ 8.4-million in 1999. According to the UNDP Philippine office, however, this upward trend is not likely to continue. The new leadership of UNDP has expressed concern about the capacity of donor governments to meet their commitments to UNDP. Consequently, the resource programming framework (RPF) of UNDP country offices have been reduced from 50% to just 30% of total allocation. The RPF represents the funds that can be programmed directly by the UNDP country office.

1.2.2 Sectoral Priorities of ODA Donor Assistance to the Philippines. The following table (*see Table 6 on following page*) lists the current sectoral priorities of the major ODA donors to the Philippines.

Based on the table, the major priorities of ODA assistance to the Philippines are: (i) poverty reduction; (ii) provision of social services, including health, education, sanitation and water supply; (iii) governance, particularly support for government decentralization; and (iv) environment protection and regeneration.

In terms of a geographic focus, four of the eight donors mentioned that the Mindanao region is a special area of concentration for their assistance.

**Table 6. Stated Sectoral Priorities for ODA Donor Assistance to the Philippines, Selected Donors**

ADB	AusAID	CIDA	EU	JICA	UNDP	USAID	World Bank
1. Poverty reduction & promotion of regional socio-economic equity with special emphasis on Mindanao	Geographic focus: support to peace and development efforts in southern Philippines, particularly Mindanao.	Geographic focus: CIDA focuses on two of the poorest parts of the country, Western Visayas and Mindanao	Geographic focus: The European Union's development cooperation hopes to combat poverty and raise living standards in poorer and more remote areas of the country.	1. Strengthen economic structure for sustainable growth and removal of impediments to growth	1. Supporting capacity development and good governance;	1. Accelerate the economic transformation of Mindanao	1. Address crisis effects and promote economic recovery
2. Social sector development including health, education, sanitation and water supply	Sectoral focus: 1. increasing access to and quality of education;	Sectoral focus: 1. Good governance, human rights, and democracy	poverty and raise living standards in poorer and more remote areas of the country.	2. Mitigate disparities (poverty alleviation and mitigation of regional disparities)	2. sustainable livelihood	2. Establish a more stable and competitive economy	2. Enhance human development and social services for the poor
3. Government decentralization under the LGC	2. promoting effective governance;	2. Private sector development		3. Environmental conservation and disaster management with focus on most susceptible areas	3. The advancement of women	3. Reduce fertility and improve mother and child health	3. Accelerate environmentally sustainable rural development
4. Sustainable natural resource management including conservation activities and air and water pollution regulation	3. improving rural incomes through rural development and community assistance;	3. Basic human needs	Sectoral focus: 1. Sustainable rural development focused on the poorest provinces	4. Human resources development and institution building, including improvements in quality of and access to primary and secondary education, technical and technological education and improved administrative capacity and institution building	4. Protecting and regenerating environmental resources.	4. Improve environmental resource management	4. Promote sustainable urban development and combat urban poverty
5. Capacity building in development administration in key national agencies	4. improving access to basic health services; assistance to vulnerable groups; and maximizing environmental sustainability	4. Women in development	2. Emergency relief				5. Develop infrastructure, particularly in the provinces
		5. Environment					6. Enable expansion of the private sector
		6. Infrastructure services					7. Improve governance and transparency and combat corruption

*Source: Interviews with Donor Representatives*

1.2.3 Sectoral Allocation of ODA. The following table shows the actual percentage allocation of ODA commitments to the Philippines from 1992 to 1999.

**Table 7. Sectoral Allocation of ODA Commitments to the Philippines (1992-99)**

SECTOR	1992	1993	1994	1995	1996	1997	1998	1999	Total
<b>Total ODA Committed for the Year (in US\$ millions)</b>	1,504	1,816	1,927	2,370	1,397	2,654	1,862	463	13,995
<b>Agri-Industrial Development</b>									
Agriculture	10.7%	4.5%	2.4%	12.0%	21.9%	4.0%	7.4%	10.8%	8.4%
Agrarian Reform	0.0%	0.0%	0.0%	0.0%	0.0%	2.8%	0.0%	0.0%	0.5%
Cooperatives	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Environment & Natural Resources	24.2%	6.2%	1.0%	1.2%	6.1%	4.1%	9.8%	23.5%	7.2%
Industry and Trade	0.7%	1.5%	19.7%	7.1%	0.5%	0.7%	0.9%	0.0%	4.5%
Science and Technology	0.0%	0.0%	0.4%	0.0%	0.5%	0.3%	0.0%	0.0%	0.1%
Subtotal --	35.7%	12.2%	23.5%	20.3%	29.0%	11.9%	18.1%	34.3%	20.8%
<b>Human Dev't./Social Services</b>									
Education & Manpower Dev't.	0.0%	0.0%	0.0%	0.0%	0.0%	8.3%	4.8%	5.2%	2.4%
Housing	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Health, Nutrition & Fam. Planning	0.0%	0.0%	0.0%	0.0%	0.0%	5.9%	3.1%	0.0%	1.5%
Social Welfare & Comm. Dev't.	0.0%	0.0%	0.0%	0.0%	0.0%	0.6%	0.2%	0.1%	0.1%
Subtotal --	28.8%	13.8%	4.9%	10.1%	9.0%	14.8%	8.2%	5.4%	12.2%
<b>Infrastructure Development</b>									
Transportation	14.7%	15.5%	20.8%	36.7%	19.7%	28.9%	46.2%	0.0%	26.3%
Water Resources	1.3%	7.2%	6.0%	15.0%	5.7%	15.0%	19.3%	29.5%	11.4%
Energy, Power & Electrification	16.0%	31.1%	38.2%	14.4%	17.9%	22.2%	0.1%	0.3%	19.5%
Communications	0.0%	11.0%	2.9%	1.2%	0.0%	1.9%	0.0%	0.0%	2.4%
Subtotal --	32.0%	64.9%	67.9%	67.4%	43.3%	68.0%	65.5%	29.7%	59.6%
<b>Development Administration</b>	1.9%	5.4%	0.7%	0.6%	12.5%	1.5%	4.0%	29.9%	4.2%
<b>Disaster Mitigation</b>	0.0%	0.0%	0.0%	0.1%	4.9%	0.6%	0.0%	0.0%	0.6%
<b>Integrated Area Development</b>	1.5%	3.7%	3.0%	1.5%	1.2%	3.1%	4.2%	0.6%	2.6%
<b>Others</b>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Public Investment Staff, NEDA

Despite stated donor priorities for poverty reduction and basic social services (*see section 1.2.2*), almost 60% of ODA from 1992-97 has been utilized for infrastructure development, with transportation and energy projects accounting for 45% of total assistance during this period.

On the other hand, agriculture (which includes the anti-poverty programs of agrarian reform and cooperatives) received only 8.4% of total ODA from 1992-97.

Human development and social services received a slightly bigger allocation of 12% of total ODA for the same period. Under the human development sector are projects related to education and manpower development, housing, health and social welfare.

1.2.4 ODA Availment. The following table presents the utilization of ODA by the Philippine government from 1992 to June 1999.

**Table 8. Cumulative ODA Availment, 1992 to June 1999 (US\$ millions)**

Year	No. of Projects	Net Commitment	Scheduled Availment	Actual Availment	Availment Rate (%)
1992	188	10,247	5,497	4,334	78.8%
1993	180	10,048	5,741	4,642	80.9%
1994	174	10,773	5,961	4,671	78.4%
1995	182	12,736	7,256	5,529	76.2%
1996	190	12,128	6,943	5,516	79.4%
1997	187	11,384	7,035	5,230	74.3%
1998	201	11,281	6,881	4,549	66.1%
1999 (June)	181	11,151	6,667	4,207	63.1%

From 1992 to 1996, ODA availment averaged 78%, reaching a high of 81% in 1993 before dropping to a low of 76% in 1995. After 1996, however, ODA utilization has decreased steadily with the availment rate dropping to 74% in 1997, 66% in 1998 and 63% in June of 1999. In December 1999, the availment rate had dropped even further to 62% (*see Table 9*).

In fact, a JICA consultant stated that the decrease in ODA to the Philippines in recent years could be attributed to the low utilization of approved ODA funds and the declining number of requests from the Philippine government. At the same time, the consultant admitted that donors may be realizing that the need for development assistance may be greater in other countries than in the Philippines. (*Interview with Rey Gerona, JICA Consultant, January 13, 2000*)

The following table presents the sectoral utilization of ODA to the Philippines as of December 1999.

**Table 9. Cumulative ODA Availment by Sector, as of December 1999 (US\$ millions)**

SECTOR	No. of Projects	Net Commitment	Actual Availment	Scheduled Availment	Actual Availment	Availment Rate (%)
<b>Infrastructure</b>	<b>130</b>	<b>8,166</b>	<b>3,206</b>	<b>5,285</b>	<b>3,026</b>	<b>57.2</b>
<i>Transportation</i>	<i>43</i>	<i>3,255</i>	<i>1,049</i>	<i>1,979</i>	<i>1,013</i>	<i>51.2</i>
<i>Energy, Power &amp; Electrification</i>	<i>34</i>	<i>2,659</i>	<i>1,461</i>	<i>2,201</i>	<i>1,409</i>	<i>64.0</i>
<i>Water Resources</i>	<i>41</i>	<i>1,844</i>	<i>550</i>	<i>947</i>	<i>503</i>	<i>53.1</i>
<i>Communications</i>	<i>6</i>	<i>132</i>	<i>103</i>	<i>76</i>	<i>50</i>	<i>66.5</i>
<i>Social Infrastructure</i>	<i>6</i>	<i>275</i>	<i>43</i>	<i>82</i>	<i>51</i>	<i>62.1</i>
<b>Agric., Nat.Resources &amp; Agrar. Reform</b>	<b>30</b>	<b>1,551</b>	<b>523</b>	<b>881</b>	<b>731</b>	<b>83.0</b>
<i>Agriculture &amp; Agrarian Reform</i>	<i>15</i>	<i>556</i>	<i>205</i>	<i>227</i>	<i>169</i>	<i>74.4</i>
<i>Environment &amp; Natural Resources</i>	<i>15</i>	<i>995</i>	<i>318</i>	<i>654</i>	<i>562</i>	<i>86.0</i>

**Table 9. Cumulative ODA Availment by Sector, as of Dec. 1999 (US\$ millions) – cont'd.**

SECTOR	No. of Projects	Net Commitment	Actual Availment	Scheduled Availment	Actual Availment	Availment Rate (%)
<b>Human Development</b>	<b>17</b>	<b>592</b>	<b>-</b>	<b>275</b>	<b>111</b>	<b>40.5</b>
<i>Education</i>	<i>6</i>	<i>372</i>		<i>146</i>	<i>50</i>	<i>34.4</i>
<i>Health, Population and Nutrition</i>	<i>7</i>	<i>167</i>		<i>116</i>	<i>54</i>	<i>46.4</i>
<i>Social Services &amp; Community Dev't.</i>	<i>4</i>	<i>54</i>		<i>13</i>	<i>7</i>	<i>57.1</i>
<b>Industry and Services</b>	<b>15</b>	<b>1,085</b>	<b>202</b>	<b>273</b>	<b>187</b>	<b>68.5</b>
<i>Industry, Trade and Tourism</i>	<i>14</i>	<i>1,061</i>	<i>124</i>	<i>249</i>	<i>163</i>	<i>65.5</i>
<i>Science &amp; Technology</i>	<i>1</i>	<i>24</i>	<i>78</i>	<i>24</i>	<i>24</i>	<i>100.0</i>
<b>Development Administration</b>	<b>3</b>	<b>513</b>	<b>218</b>	<b>313</b>	<b>225</b>	<b>72.0</b>
<b>Integrated Area Development</b>	<b>4</b>	<b>103</b>	<b>58</b>	<b>66</b>	<b>60</b>	<b>90.4</b>
<b>Disaster Mitigation</b>	<b>1</b>	<b>33</b>		<b>33</b>	<b>33</b>	<b>100.0</b>
<b>Others</b>	<b>2</b>	<b>201</b>	<b>199</b>	<b>183</b>	<b>152</b>	<b>83.1</b>
<b>TOTAL</b>	<b>202</b>	<b>12243</b>	<b>4,405</b>	<b>7,309</b>	<b>4,525</b>	<b>61.9</b>
<i>Source: NEDA-Project Monitoring Staff</i>						

The above table shows significant slippages in funds utilization for infrastructure projects, which had an overall availment rate of 57%. In money terms, this amounts to the non-utilization of some \$2.26-billion in ODA funds. The bulk of these undisbursed funds (1.76-billion) belong to transportation and energy projects.

The human development sector also incurred slippages with an even lower availment rate of 40%. In money terms, the unutilized funds amount to \$164-million. The bulk of these undisbursed funds (\$96-million) belong to education projects.

It is interesting to note that the agriculture, agrarian reform and natural resources sector had the highest utilization of funds at 83%. This should dispel the concern of certain quarters that such projects often incur delays in implementation, resulting in funds slippages.

## **2. FUNDING TRENDS FOR PHILIPPINE NGOS**

### **2.1 Background:**

During the Marcos era, the bulk of funding support for Philippine NGOs came from their First World counterparts, particularly American, German and Dutch NGOs, through *co-financing schemes*, whereby the funds collected by the northern NGOs from the general public were matched with funds from their respective governments. There was little opportunity for NGOs to gain direct access to ODA funds during this period.

The situation changed dramatically in the post-EDSA era when much of the new ODA pledges were accompanied by donor conditionalities requiring the participation of Philippine NGOs in programming and funds utilization. These conditionalities, which reflect in part the disillusionment of donors with past government efforts at poverty



alleviation, were seen as a recognition of the significant role played by NGOs in the struggle against Marcos and in the people-power movement that brought Corazon Aquino to the Philippine presidency.

The important role of Philippine NGOs in development has been recognized in the Philippine constitution as well as in a number of important laws enacted in the post-EDSA period, including the agrarian reform law and the local government code. However, it is NEDA Board Resolution No. 2 Series of 1989 (an Administrative, rather than a Legislative Act) that defines the overall policy framework for government and NGO relations. The NEDA Resolution has defined three modes for channeling ODA funds to NGOs (*see Table 10 below*).

**Table 10. GOP-Determined Modes of Financing for NGOs**

<p><i><b>Mode 1:</b> Donor governments provide funds directly to local NGOs through their existing NGO facilities windows.</i> Examples here are the Philippine Australian Community Assistance program (PACAP), the small grants facilities for NGOs administered by foreign embassies in the Philippines and the various funding mechanisms supported by CIDA, USAID and Switzerland. In the case of such block grants – whether administered directly by the donor or through a local NGO consortium – it is common practice for NEDA to give a one-time “no objections” response to the full program and amount. Donor agencies are encouraged but not required to coordinate with NEDA for NGO assistance programs that they manage directly.</p>
<p><i><b>Mode 2:</b> Funds are coursed by the donors through the Government for the availment of NGOs.</i> Proposals for funding follow the same procedures adopted for the projects of the public sector. Proposals of NGOs are reviewed, prioritized, and endorsed by the government. Only proposals of accredited NGOs are generally considered for possible ODA funding.</p>
<p><i><b>Mode 3:</b> Foreign NGOs provide funds directly to local NGOs.</i> Philippine government approval is not a prerequisite to donor approval and funding of NGO projects where the donors are foreign NGOs who provide funds directly to local NGOs. In some cases, these funds are provided solely from the community fund raising efforts of these foreign NGOs. In an increasing number of cases, however, these NGO funds are matched with bilateral funds that are actually part of ODA assistance to the Philippines.</p> <p>Technically, Philippine government approval would be required if a portion of the foreign NGO’s financial assistance comes from ODA sources (e.g., “matching funds or co-financing arrangements). However, these co-financing arrangements are difficult to monitor, even by the Philippine offices of bilateral donors, as they emanate from the central headquarters of the donor country. Examples of such arrangements are the Netherlands Co-Financing Program with NGOs, the Australian NGO Cooperation Program, and Canada’s Partnership Branch.</p>
<p><i>Source: NEDA Board Resolution No. 2 Series of 1989. Guidelines for Government Organization and Non-Government Organizations Collaboration.</i></p>

ODA funds for NGOs may also be classified into the two broad categories of *responsive* and *contractual* funding. *Responsive funds* are resources that support activities initiated by the NGOs themselves, together with the participating communities. *Contractual funds*, on the other hand, are provided either by donors or government agencies for NGOs to carry out certain activities that have been pre-determined by the funds holder.

The distinction between these two types of funds is important. When an NGO accepts *responsive funds* from a donor to support a particular project, ownership of the project clearly belongs to the NGO (and the participating community). In this situation, the NGO is acting in accordance with its true nature, which is, in the definition of the World Bank, *a private development organization, entirely or largely independent of government, not created for financial or material gain, who addresses concerns such as social and humanitarian issues of development, individual and community welfare and well-being, disadvantage, poverty and environment and natural resources protection, management and improvement.*

It is an entirely different situation when an NGO accepts *contractual funds*. In this case, the ownership of the project belongs to the funds holder (or its representative) and the NGO is essentially a contractor of services. The NGO then assumes the role of a for-profit, private consulting firm.

## **2.2 Donor Policies in Dealing with NGOs:-**

2.2.1 Official Policy of Cooperation with NGOs. All eight ODA donors interviewed have an official policy of cooperation with non-governmental organizations.

Of the eight donors, USAID has had the longest-running relationship with Philippine NGOs (called PVOs or Private Voluntary Organizations by the agency) and, as a result, has the most sophisticated policy of cooperation. The relationship began in the early 1960s through the Food for Peace program whose commodities were distributed through the Catholic Relief Service (CRS). In 1980, USAID established the PVO Co-Financing Program as its main instrument to deal with NGOs. Since then, each phase of the Co-Financing Program (Co-Fi) has had a term of four to six years.

The thrust of Co-Fi/1, which started in 1980 and ran for the last six years of the Marcos era, was to tap NGOs as an alternative to government in the delivery of basic services. The program worked with groups who were perceived to have the capacity to run programs and manage grants. These were mostly the local branches of North American NGOs, such as CARE, Catholic Relief Services (CRS), and Save the Children.

Co-Fi/2, which began in the mid-1980's, focused on developing indigenous PVOs, such as, Tulay sa Pag-unlad Inc. (TSPI), PBSP, the Ramon Aboitiz Foundation and hundreds of smaller-sized NGOs. Co-Fi/3, which lasted from the late 1980s to the early 1990s, sought to develop intermediary institutions among local NGOs. Intermediary institutions are essentially managers/recipients of USAID block grants who retail these grants to selected sub-grantees. In its initial years, Co-Fi/4 continued the goals of the previous phase to develop intermediary NGOs. In 1995, however, because of a major reorganization within USAID, Co-Fi/4 shifted its focus on assisting coalitions of disadvantaged sectors to participate in the formulation and/or implementation of policies.

Similar to USAID, CIDA's policy of cooperation with Philippine NGOs is found in its country assistance development framework. One of the objectives of the present country framework provides explicitly for the strengthening of NGOs and POs. In addition, one of CIDA's priority areas for assistance to the Philippines – basic human needs – assigns a significant role to Philippine NGOs and Peoples' Organizations.

CIDA is generally acknowledged to have played a significant role in the development of the Philippine NGO movement in the post-EDSA period. Its pioneering work in the establishment of NGO-managed funding mechanisms – e.g., PDAP, PCHRD, DIWATA and others – laid the necessary foundation for the establishment and maintenance of regional and national NGO formations, particularly, CODE-NGO.

The NGO cooperation policies of the other six donors are less specific to Philippine NGOs and are more international in nature. Two of the donors – ADB and UNDP – recently updated their NGO policies in 1998.

The updated UNDP policy stipulates that NGOs can now act as direct contractors of the UNDP Projects. In the context of the Philippines, NGOs can act as direct executing agencies without securing the approval of any government line agency. As a minimum requirement, however, the contracting NGO must have had prior discussions with the sector and the program unit sponsoring the project. One of the first projects under this new scheme is the UNDP-supported Governance Forum, which is being implemented by the Ateneo Center for Social Policy (ACSPPA).

- In April 1998, the ADB Board approved an update of its 1987 Policy on Cooperation with Non-Government Organizations. The 1998 policy framework envisions a broader role for NGOs beyond their traditional cooperation in Bank-related project activities towards involvement in the policy development of the Bank. To address the need for regular policy-level consultation and dialogue between the Bank and NGOs, ADB is considering the establishment of an ADB-NGO Committee, analogous to the World Bank-NGO Committee, which would be structured for the appropriate representation of both the Bank and the broad NGO community in the Region. The Committee is envisioned to function on regional (Asia), sub-regional (South and Southeast Asia) and country levels.

At the same time, the Bank also recognizes the diversity of the NGO sector and therefore, the need to vary modalities of cooperation with NGOs according to the type of NGO, the issue or interest in question, the specific kind of cooperation being considered and the country-specific and other circumstances that exist in each case.

To facilitate closer operational relationships with NGOs, the Bank plans to strengthen its internal capacity for NGO cooperation, through staff training, skill development activities, and other related activities. The Office of Environment and Social Development (OESD) has primary institutional responsibility for the development, implementation and evaluation of policy and practice related to cooperation with NGOs.

Within the European Union, NGOs participate mostly through Co-Finance programs, which require European NGOs to provide up to 50% of project costs with the EU matching this contribution. From 1976 to 1999, the EU provided the total amount of \$1.35-billion in the co-financing of NGO development projects worldwide.

Similarly, Australia's aid program recognizes the important role of NGOs in providing assistance to developing countries. In particular, Australian NGOs serve as vehicles through which the Australian community can be directly involved in helping developing countries and implement grassroots projects. Accordingly, the current Australian NGO Policy Statement has two key priorities, namely: (i) increased community support for aid through NGOs; and (ii) improved demonstration of the development impact of NGO activities. The Committee for Development Cooperation, a joint AusAID-NGO advisory council, serves as the expression of Australian government commitment to strengthening its collaboration with NGOs.

Japan's policy of cooperation with NGOs is drawn from its ODA Charter, which stipulates that the establishment of a subsidy framework through which funds can be provided to subsidize the aid projects of Japanese NGOs. Developing country NGOs may also avail of grant assistance for grassroots projects. The Japanese ODA charter also provides for the creation of an international volunteer subsidy mechanism to pay for the insurance premiums of Japanese volunteers who work overseas on disaster and rescue missions.

The Japanese government collaborates with NGOs because of its recognition of the latter's expertise and experience in working with local communities. At the same time, linkages with NGOs are important because these encourage public participation in debates about ODA. In 1996, the Japanese government initiated a regular meeting of NGO and the Ministry of Foreign Affairs for closer dialogue and collaboration with NGOs on ODA policy and project-related activities.

**2.2.2 Donor Definitions of NGOs.** Many of the ODA donors interviewed limited their definition of NGOs to the latter's non-profit character. The most comprehensive definition of an NGO comes from the World Bank, which states that NGOs are private organizations entirely or largely independent of government that are not created for financial or material gain and address concerns such as social and humanitarian issues of development, individual and community welfare and wellbeing, disadvantage, and poverty, as well as environmental and natural resources protection, management and improvement.

In addition to the above definition, the World Bank also makes a distinction between two types of NGOs:

- Operational NGOs whose primary purpose is the design and implementation of development-related projects. The Bank further classifies operational NGOs into (i) community organizations which have a specific population in a narrow geographic area; (ii) national organizations which operate in individual developing countries; and

- (iii) international organizations which are typically headquartered in developed countries and carry out operations in more than one developing country.
- Advocacy NGOs whose primary purpose is to defend or promote a specific cause and who seek to influence the policies and practices of the Bank.

ADB has essentially adopted the above World Bank definition, although ADB's definition has been expanded to include other self-help groups and people's and community-based organizations formed by or around disadvantaged persons, groups, and communities.

While some donors expressed their concern for the need to make a distinction between legitimate NGOs and consulting firms, there is little progress in this area. In the selection of consultants for project, formal bidding rules, which were formulated with consulting firms in mind, are applied to all bidders, commercial firms and NGOs alike.

In fact, USAID's recently-concluded Enterprise and Community Development (ECD) program may have blurred even more the distinction between NGOs and for-profit organizations. The ECD program, which provided grants to for-profit organizations, was intended to encourage the use of philanthropic funds from the corporate sector to support more sustainable community development efforts (rather than the construction of waiting sheds, basketball courts, etc.). Towards this end, the recipients of the ECD program were meant to utilize the USAID grant to leverage additional funds from their mother companies.

## **2.3 ODA Resources Earmarked for NGOs:**

2.3.1 Responsive Mechanisms for Delivery of ODA to NGOs. Except for the ADB and UNDP, all of the other donors interviewed have funding mechanisms that specifically target NGOs. While UNDP does not have a funding mechanism specifically for NGOs, its new policy allows NGOs to serve as the main contractors of UNDP-supported projects. For this reason a specific NGO funding mechanism may not be necessary.

In the near future, ADB plans the establishment of a facility that will provide financial support to NGOs in its developing member countries. The establishment of this NGO fund facility is consistent with the Bank's 1998 policy of cooperation with NGOs.

At the present time, ADB support to NGOs is provided mainly through RETA (regional technical assistance) grants. The RETA grant is an appropriate funding mechanism for NGOs since these require only concurrence from DMC governments. Because of the regional character of the RETA grant, however, the Bank's assistance is provided to NGOs from different Asian countries.

The World Bank has a number of social fund type projects that award small grants to NGOs and POs. One of these is the World Bank Small Grants Program, which was established in 1983 to promote dialogue and disseminate information about international

development in forums. The program provided \$25,000 in 1998 and \$50,000 in 1999 to Philippine NGOs.

AusAID's 1999 ODA allocation for (both Australian and overseas) NGO is estimated at A\$105.4-million (US\$63.14-million). This allocation, which includes a 7% increase in funding for the Australian NGO Cooperation Program, is equivalent to 6% of the total AusAID budget worldwide.

In the Philippines, PACAP (the Philippines-Australia Community Assistance Program), which has been in operation since 1986, is the main AusAID mechanism that responds to NGO funding needs. PACAP's budget has been increasing in recent years - from US\$1.5-million in 1997, to \$1.0-million in 1998 and to US\$2.4-million in 1999 – and is expected to increase even further in the future.

The European Union does not provide funds directly to Philippine NGOs. Its NGO co-financing facility provides funds to European NGOs who, in turn, cooperate with partners in development countries (such as the Philippines) to implement development projects. European NGOs are required to secure at least 50% of total costs to the project (15% from its own resources, 35% from other sources) with the EU matching this effort up to a maximum of Euro 500,000 (US\$480,000) per project. Since 1976, the EU NGO co-financing program has had an annual budget of Euro 2.5-million (US\$2.4-million) worldwide.

The EU Block Grants program is another mechanism that funds small NGO projects requiring assistance of Euro 15,000 (US\$14,400) or less. The EU also has special thematic budget lines that provide assistance to Third World NGOs. These thematic funds support such issues as prevention of drug abuse, fight against HIV/AIDS, environment and forestry, women's credit, human rights and humanitarian aid and disaster preparedness.

From 1976 to 1999, the EU co-financing facility provided Euro 32-million (US\$30-million) in matching funds for 600 projects. The EU support translates into an average of US\$1.25-million per year and an average contribution of Euro 230,000 (US\$220,000) on a per project basis. Rural development received the bulk of support at 40% of total funds, followed by health (18%), urban poverty (15%), education (14%), support for vulnerable groups (10%) and institutional strengthening (3%).

In the mid-90s, USAID/Manila implemented a new partnership initiative, which called for the allocation of 50% of its ODA budget to overseas and Philippine NGOs and the private sector. This is similar to the informal CIDA policy during the Aquino administration, which allocated Canadian ODA to the Philippines on the basis of a 50-50 split between the Philippine government and NGOs. Unfortunately, neither one of pro-NGO ODA policies are still in force at present.

In previous years, the major funding window for NGOs of USAID was the Co-Financing Program. From 1996-98, the program granted almost \$5-million to Philippine NGOs. The Co-Fi program ended in fiscal year 1999.

CIDA still has a number of mechanisms that fund NGOs, such as the Socio-Economic Development through Cooperatives in the Philippines (SEDCOP), the Canada Fund for Local Initiatives and the Philippines-Canada Development Fund (PCDF). Of the three, only the Canada Fund is exclusively for Philippine NGOs.

SEDCOP is a five-year program with a budget of C\$7.3-million (US\$5-million) whose assistance is focused exclusively on Philippine cooperatives. Of this total budget, the program disbursed C\$ 977,000 (US\$673,000) from October 1998 to April 1999.

The Canada Fund has been operating in the Philippines since the Marcos era. In the mid-90s, the Fund had an annual budget of \$1.0-million. Since 1997, however, its budget has been reduced by 30% to C\$700,000 (US\$482,000) yearly. The reduced size of the fund is due to internal CIDA funding constraints.

Finally, the PCDF has extended a total of P672.12-million (US\$17-million) in grants to Philippine government agencies and NGOs since its inception in 1998.

The Japanese government also has a number of funding mechanisms for Japanese and overseas NGOs. Oldest among these is the Japan Overseas Cooperation Volunteers, which has been in existence for 35 years. The program provides supports requests for Japanese volunteers from recipient governments. Requests are forwarded to the government of Japan through its local embassy in the recipient country.

The Grant Assistance for Grassroots Projects has been in operation for eleven years and puts particular emphasis on poverty alleviation and livelihood improvement as well as other global issues, such as the environment, population, AIDS, and women.

The Community Empowerment Program is a three-year old initiative that provides grant assistance to NGOs, volunteer organizations, non-profit organizations, community organizations, and other private or semi-governmental organizations that implement development programs. Eligible proponents should have had more than 2 years experience in similar activities. The program provided some PhP37-million (\$920,000) to the Philippines in 1998.

A new initiative is the JICA Consignment Programme for NGOs / Local Governments / Academic Institutes, which has been in operation for less than a year. Countries eligible for this program are selected on an annual basis.

**2.3.2 Other Mechanisms for the Provision of ODA to NGOs.** Philippine NGOs also receive additional ODA funding by serving as sub-contractors of government-managed programs funded by bilateral and multilateral donors.

According to the ADB, for example, more than 50% of all the projects assisted by the Bank in 1998 involved NGOs. The Philippines is also one of the countries that has greater degree of NGO involvement in ADB projects. Historically, Philippine NGOs have been involved in agriculture, rural development, micro credit, health and integrated area development projects. In the recent past, however, Philippine NGOs have also been involved in infrastructure projects (specifically road construction) by working with the people affected by these activities.

The other ODA donors - including the European Union, USAID, AusAID, and the World Bank – also mentioned the involvement of Philippine NGOs in social programs or in the capacity-building components of Philippine government bilateral programs.

## **2.4 Process of Selection of NGOs:**

Among the donors interviewed, only USAID had a formal process of registration and accreditation for Philippine NGOs wanting to receive agency grants.

The World Bank has a standardized checklist that outlines the criteria for NGO selection. The checklist takes into consideration such factors as: (i) credibility and legal status, (ii) representativity, (iii) specific competencies, (iv) institutional capacity, (v) proven track record and (vi) relationship with government.

ADB has no specific set of criteria for NGO selection as it works with NGOs within the context of specific projects. In general, however, the bank wishes to work with good, competent, and honest NGOs. To a large extent, the bank is also influenced by the willingness of DMC (developing member country) governments to involve NGOs in development projects.

The PACAP program in Manila has no formal accreditation process for NGOs. However, AusAID headquarters in Canberra is currently revising its accreditation process for NGOs to emphasize criteria related to the capacity of NGOs to deliver quality development outcomes.

Similarly, the Japanese government has no accreditation process for Philippine NGOs. The JICA (the Japanese International Cooperation Agency) office in Manila admitted that it has experienced difficulties in identifying genuine NGOs. Because of these difficulties, the agency has conducted a study to identify legitimate Philippine NGOs. The Japanese Embassy also holds regular meetings with Philippine NGOs. Philippine government agencies undertaking Japanese ODA-funded projects have their own selection process for participant-NGOs.



In terms of accountability requirements, all of the donors mentioned the need for NGOs to submit narrative and financial reports on a regular basis.

UNDP mentioned that its agreement with a contracting NGO includes penalty clauses for non-compliance or non-performance. As a general rule, the agency also conducts monitoring on a quarterly basis, which includes visits and a review of financial reports. There is also an annual project review for ongoing activities. UNDP also conducts an evaluation of all projects with budgets in excess of one million dollars.

In addition, UNDP it audits all projects annually through independent auditors. On the other hand, USAID utilizes an independent financial monitoring contractor that visits proponents on an occasional basis.

Apart from the above requirements, CIDA examines the overall impact of a project on its target beneficiaries to determine its effectiveness. JICA, on the other hand, requires that grant recipients must also be able to demonstrate the sustainability of their projects. JICA continues to monitor and evaluate projects even after phase-out.

## **2.5 Program Areas for Funding:**

**2.5.1 Priority Program Areas of NGO Funding Programs.** The following table (*see Table 9 on following page*) lists the priority program areas of NGO funding programs. Data was drawn from the responses of 35 NGO funding programs to an ongoing survey of the Association of Foundations (AF), a member of CODE-NGO.

Among the seventeen program areas, gender received the highest priority with 63% of all respondents providing funds for gender-related activities. The second most preferred area is livelihood and enterprise, which is supported by 57% of all donor-respondents. Agriculture and agrarian reform was ranked third at 51% of all donors. Two program areas - health and indigenous peoples – were ranked fourth at 43% of all donors.

Gender and development was given first priority by government, donor-managed and NGO-managed ODA programs but was ranked only third by foreign foundations whose first two priorities were sustainable development and environment (83%) and livelihood and enterprise (75%).

**Table 11. Priority Program Areas of NGO Funding Programs**

Donor Type	# of Areas Supported	Reform Agriculture & Agrarian	Arts & Culture	Coop Development	Gender and Development	Health & Nutrition	Human Resources	Indigenous Peoples	Livelihood and Enterprise	Local Governance	Microfinance/Microcredit/	Peace & Human Rights	Population & Development	Science and Technology	Social and Legal Services	Sports & Youth Development	Student and Volunteers	Environment/Sustain. Dev't. and	Urban Dev't. and Housing	Others
Foreign Foundations (12)	17	58%	8%	33%	67%	42%	25%	33%	75%	50%	50%	42%	8%		25%	8%		83%	8%	50%
Government Programs (4)	12	25%		25%	75%	50%		50%	50%	25%	25%		25%	25%		25%		50%		
Donor-Managed ODA Programs (8)	19	50%	13%	38%	75%	63%	75%	63%	50%	25%	38%	50%	50%	25%	38%	25%	25%	63%	50%	38%
NGO-Managed ODA Programs (4)	12	50%		50%	75%		25%	75%	75%	25%	50%	25%		25%				50%		50%
Philippine Foundations (7)	17	57%	14%	14%	29%	43%	14%	14%	29%	14%	43%			29%	29%	43%	14%	57%	14%	43%
<b>Total Respondents (35)</b>		<b>51%</b>	<b>9%</b>	<b>31%</b>	<b>63%</b>	<b>43%</b>	<b>31%</b>	<b>43%</b>	<b>57%</b>	<b>31%</b>	<b>43%</b>	<b>29%</b>	<b>17%</b>	<b>17%</b>	<b>23%</b>	<b>20%</b>	<b>9%</b>	<b>66%</b>	<b>17%</b>	<b>40%</b>

It is interesting to note that donor-managed ODA programs appear to be the most flexible in terms of the number of program areas that they support (19), compared to government and NGO-managed programs (12 each). Both foreign and Philippine foundations are relatively flexible as they support an equal number of program areas (17 each.).

2.5.2 Specific NGO Activities Eligible for Funding. The following table lists the specific activities or projects funded by the 35 respondents to the AF questionnaire.

**Table 12. Specific NGO Activities Funded**

Donor Type	Number Of Activities Supported	Policy Advocacy	Community Organizing	Provision Of Social Services	Scholarships Education, Training,	Institution Building	Medical, Dental & Health Services	Networking and Coalition Building	Project Development & Management	Research & Publications	Resource Mobilization	Others
Foreign Foundations (12)	11	42%	<b>50%</b>	42%	50%	<b>58%</b>	25%	42%	<b>58%</b>	17%	17%	25%
Government Programs (4)	9	50%	50%		25%	<b>75%</b>	25%	25%	50%	50%	50%	
Donor-Managed ODA Program (8)	10	25%	25%	25%	<b>88%</b>	25%	50%	0%	<b>63%</b>	38%	25%	13%
NGO-Managed ODA Program (4)	9	25%	25%		25%	<b>50%</b>		25%	<b>50%</b>	25%	25%	50%
Philippine Foundations (7)	11	43%	29%	43%	<b>57%</b>	<b>57%</b>	29%	43%	29%	14%	29%	43%
<b>Total Respondents (35)</b>		<b>37%</b>	<b>37%</b>	<b>29%</b>	<b>54%</b>	<b>51%</b>	<b>29%</b>	<b>29%</b>	<b>51%</b>	<b>26%</b>	<b>26%</b>	<b>26%</b>

The top three priority activities funded by donors are related to the capacity building of NGOs, namely: education, training and scholarships (54%), institution-building (51%) and project development and management (51%). It is interesting to note, however, that education, training and scholarships received a low ranking from both government and NGO-managed ODA programs.

Health and the provision of social services received a low priority ranking among government programs and NGO-managed ODA programs. This is understandable for government programs that often adopt a narrow sectoral focus. One possible explanation for the low ranking among NGO-managed ODA programs is that these may have been forced to adopt a similar narrow focus in response to donor demands for more visible beneficiary impact.

2.5.3 Beneficiary Groups Receiving Funds. The following table lists the priority beneficiary groups of the donor-respondents of the AF survey.

**Table 13. Priority Beneficiary Groups**

Donor Type	# Of Groups Supported	Farmers	Fisherfolk	Cooperatives	Disabled Persons	Rural Poor	Urban Poor	Indigenous People	Women	Men	Children/ Mother	Teachers/ Students	Employees/ Staff Professionals	School	Micro Entrepreneur	Units Local Gov't	Human Rights Victims	Medical & Health Related	Religious Groups	Disaster Victims	Multi- Sectoral	Communities Agrarian Reform	NGOs
Foreign Foundations (6)	10	67%	50%			17%		67%	50%	17%		33%	33%						17%	17%			
Government Programs (4)	10	25%	25%						25%		25%			25%		50%		25%		25%		25%	50%
Donor-Managed ODA Programs (4)	12	50%	25%		25%		25%	50%	75%		50%	25%			50%	25%	25%	25%					
NGO-Managed ODA Programs (2)	6	100%	100%	50%			50%	100%													50%		
Philippine Foundations (2)	4	100%	50%				50%	50%															
<b>Total Respondents (18)</b>		<b>61%</b>	<b>44%</b>	<b>6%</b>	<b>6%</b>	<b>6%</b>	<b>17%</b>	<b>50%</b>	<b>39%</b>	<b>6%</b>	<b>17%</b>	<b>17%</b>	<b>11%</b>	<b>6%</b>	<b>11%</b>	<b>17%</b>	<b>6%</b>	<b>11%</b>	<b>6%</b>	<b>11%</b>	<b>6%</b>	<b>6%</b>	<b>11%</b>

As expected, farmers (61%), indigenous peoples (50%), fisherfolk (44%) and women (39%) were the top four priority beneficiary groups of the donor-respondents. These priorities indicate a rural bias among the donors, particularly if other (overlapping) beneficiary groups are considered, such as, rural poor and agrarian reform communities.

Conversely, there is little support for urban-based groups, such as, urban poor and microentrepreneurs. There also appears to be limited support for certain vulnerable groups, such as, disabled persons, children and youth, human rights victims and disaster victims.

### 3. DONOR FEEDBACK ON RELATIONSHIPS WITH NGOS

#### 3.1 Problems Encountered by Donors in Working in the Philippines:

The following table lists the major problems encountered by the donor-respondents in working in the Philippines.

**Table 14. Problems Faced by Donors in Working in the Philippines**

Donor Type	# of Problems Identified	Physical Infrastructure	Communications/ Cultural Differences	OrderPeace and	Red TapeGovernment.	Indifference of Gov't Officials	AgenciesLack Of Support From Gov't.	ODADDeclining	Unclear Policy Of Current Administ.	Limited Resources	Inferiority Complex Of Filipinos	BusinessIncreasing Prices /Hard To Do	High Expectations	Resource Mobilization	Land Tenure / Sustainability Of Farms	DonorDifferent Geog. Priorities of Int'l.	Lack Of Creativity	Dollar Fluctuations
Foreign Foundations (5)	8	40%	20%	20%						20%	20%	40%					20%	20%
Government Programs (3)	6		33%	33%	33%	33%	33%								33%			
Donor-Managed ODA Program (2)	5				50%	50%	50%		50%							50%		
NGO-Managed ODA Program (2)	5	50%					50%			50%		50%	50%					
Philippine Foundations (3)	5						33%	33%	33%	33%				33%				
<b>Total Respondents (15)</b>		<b>20%</b>	<b>13%</b>	<b>13%</b>	<b>13%</b>	<b>13%</b>	<b>27%</b>	<b>7%</b>	<b>13%</b>	<b>20%</b>	<b>7%</b>	<b>20%</b>	<b>7%</b>	<b>7%</b>	<b>7%</b>	<b>7%</b>	<b>7%</b>	<b>7%</b>

The biggest problem faced by the donor-respondents working in the Philippines is the lack of support from government agencies. The problem of lack of support assumes even more serious proportions if the related problem of indifference of government officials is

taken into account. This problem was rated first by three of the four donor types (including government funding programs). Only foreign foundations, which have minimal dealings with the Philippine government, gave this problem a low rating.

The second major problem cited by donor-respondents is the lack of physical infrastructure, particularly telecommunications facilities, in many parts of the country. The third major problem relates to the donors' inability to accommodate requests for funds because of decreases in their own funding resources and continuing price increases.

### **3.2 Perceived Donor Benefits of Working with NGOs:**

The eight bilateral and multilateral donors interviewed for this study cited the following benefits of working with Philippine NGOs.

- a) The first major benefit relates to the strong grassroots links and long-term commitment of NGOs to the poor. Because of the NGOs' accessibility to their beneficiaries, they are in a better position to formulate development programs that represent the needs and interests of grassroots communities.
- b) Donors find NGOs to be important partners because they have the flexibility necessary to work at field level. This flexibility enables them to respond immediately to problems and adjust their goals and approaches to the needs of a dynamic field situation.
- c) Donors also place great importance on the ability of NGOs to innovate. As stated by a donor representative, "...one benefit in working with NGOs is the satisfaction of doing things right. It means working on issues of development and democracy, and working for new and responsive systems."
- d) Another major benefit identified by donors revolves around the fact that NGOs are usually smaller organizations with less bureaucratic red tape. This is important in the quick disbursement of funds for project activities.
- e) Donors also pointed to the field-based development expertise of NGOs, particularly in process-oriented approaches to development and participatory methodologies and tools.
- f) Many donors also mentioned that it is easier to give feedback openly to NGOs because of the latter's willingness to receive feedback.
- g) Donors also mentioned the value of government and NGO collaboration, pointing out that NGO links to poor communities extends the reach of government agencies implementing ODA-supported projects directly to poor communities.
- h) Finally, donors pointed to the cost-effectiveness of NGOs in implementing development programs.

### **3.3 Donor Difficulties in Dealing with NGOs:**

Notwithstanding the above benefits, the eight ODA donors also identified the following difficulties in working with Philippine NGOs.

- a) While donors expressed support for the conducive policy environment that has enabled the growth of Philippine NGOs, they stated that this environment has also



resulted in the creation of fly-by-night NGOs, who are sometimes difficult to distinguish from authentic NGOs. Donor experience with fly-by-night NGOs has led to the trend towards more stringent reporting and accountability requirements now imposed by donors on NGOs.

- b) Many donors also pointed to the lack of institutional systems and mechanisms within NGOs. While the flexibility of NGOs is often a strength, it becomes a weakness when NGOs are unable to set long-term directions and plans.
- c) Donors identified resource constraints of Philippine NGOs, e.g., in terms of staffing and counterpart contributions, which prevent them from being fully accountable for their projects.
- d) Donors also complained about the inability of NGOs to make their projects sustainable. Oftentimes NGO proponents request donors for additional funds for extensions or for altogether new funding.
- e) Related to the above, donors pointed out that, for too long, Philippine NGOs have been overly dependent on external funding and have not addressed the issue of the long-term sustainability of their organizations.
- f) Donors also mentioned the occurrence of miscommunication between themselves and the NGOs. Miscommunication takes many forms, among them:
  - Some NGOs are perceived to be overly self-righteous in the way that they view their distinctive role in the development process.
  - NGOs can become highly politicized to the point where they are overly partisan towards a particular ideological or political group. According to some donors, this can strain NGO-donor relations, particularly when NGOs bring up political or controversial issues that are outside of the immediate context of ODA. Conversely, however, other donors bewailed the NGOs' lack of understanding of the broader social or economic context.
  - At times, miscommunication occurs because NGOs are either not knowledgeable or unwilling to adapt to the certain ways of doing things, which are part of the distinctive management style of a particular donor.
- g) Donors also pointed to the NGO tendency towards parochialism, which results in isolation and the lack of inter-organizational communication and coordination among NGOs. Donors also felt that NGOs are reluctant to interface with government and to be open to government input. One donor even mentioned that, in politically sensitive situations (e.g., Muslim Mindanao), getting credit for development efforts is an issue among NGOs, especially if these initiatives were done in tandem with the government.
- h) Finally, donors felt that NGOs have not fully addressed the issue of how to scale up their small-scale interventions to achieve greater impact.

In the following table are twenty-five difficulties of working with Philippine NGOs that were identified by the donor respondents of the AF survey.

**Table 15. Donor Difficulties in Working with NGOs**

Donor Type	Number of Problems Identified	Delayed Report Submission	NGO Involvement in Too Many Projects	Lack Of Strategic Thinking/ Implementation	Need To Improve Project Development Capacity	Need To Improve Management Capacity/Capability	MisallocationFunding	"Dole Out" Mentality	Lack of NGOs in Health Programs	Limited Area Of Operation	SustainabilityLack Of	Issues Depends On Funds Available	Fulfillment Of Requirements By Donee	Organizational Weaknesses	Asset BaseInadequate	Lack of Entrepreneurial Skills	Lack Of Marketing Expertise	Lack of Clear Succession	Lack Of Unity & Cooperation	Presence Of Fictitious Group	Lack of Venue For Sharing of Learnings	Lack Of In-Depth Program Analysis	Lack of Regular Monitoring	Over Dependence on Certain Individuals	Mismanagement Of The Project	Lack of Transparency
Foreign Foundations (9)	12	44%		22%	11%	33%	22%							33%		11%						22%	11%	11%	11%	11%
Government Programs (4)	8	25%		25%		75%			25%	25%	25%			50%		25%						25%				
Donor-Managed ODA Program (4)	4				25%	50%					50%	25%														
NGO-Managed ODA Program (4)	9	25%	25%	50%	25%	50%		25%							25%	25%	25%									
Philippine Foundations (4)	9		25%		25%	25%					25%		25%					25%	25%	25%	25%					

<b>Total Respondents (25)</b>	<b>24%</b>	<b>8%</b>	<b>20%</b>	<b>16%</b>	<b>44%</b>	<b>8%</b>	<b>4%</b>	<b>4%</b>	<b>4%</b>	<b>16%</b>	<b>4%</b>	<b>4%</b>	<b>20%</b>	<b>4%</b>	<b>12%</b>	<b>4%</b>	<b>4%</b>	<b>4%</b>	<b>4%</b>	<b>4%</b>	<b>12%</b>	<b>4%</b>	<b>4%</b>	<b>4%</b>	<b>4%</b>
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It is not surprising to note that the major difficulties listed in the above table are similar to those mentioned by the eight ODA donors interviewed by this study. The number one difficulty involves the need for Philippine NGOs to improve their management. The second most frequently mentioned difficulty is again related to management and involves the delayed submission of reports. The third and fourth difficulties involve the organizational weaknesses of NGOs, particularly, their lack of strategic thinking.

### 3.4 Donor Constraints in Dealing with NGOs:

The ODA donors displayed candidness in expressing the following constraints faced by their institutions in dealing with Philippine NGOs.

- a) One of the most difficult constraints faced by donors is gaining a good understanding of the development situation in the country, including the identification of priorities and best practices in development. Donors often use consultants to get the desired information but, in the end, they have to make judgements internally and sometimes they do not have the right people for these internal assessments.

Because of this limitation, donors often have to rely on quality partnerships with local institutions that are transparent and performance-based.

The same difficulties apply to finding good NGO partners. Donors need to do their homework to better understand NGOs, what they are, what they do, how they operate. This is particularly difficult in the Philippines because there are many different kinds of NGOs with different outlooks and different ways of doing things.

- b) Bilateral donors must also worry about home country constituencies, whether these are the general public or special interest groups, such as the business community or their own NGOs. ODA policy for the recipient country is often strongly influenced by the needs and interests of these home country constituencies. For this reason, it is important for Philippine NGOs to build solidarity links with like-minded groups in the donor country.

However, the establishment of linkages between Philippine and First World NGOs for lobbying purposes is not an assurance that ODA priorities will be automatically aligned with the needs of the recipient country. Obviously, the success of lobby efforts will depend on the relative balance of power between the allies of Philippine NGOs and other interest groups in the donor country.

- c) Related to the above, donors, particularly branch offices of ODA agencies in recipient countries, must deal with the reality of a shrinking aid budget. For various reasons, both external and internal, ODA budgets to certain developing countries, including the Philippines, are being reduced.
- d) Fourth, the corporate culture within an aid agency is predominantly Western. This Western orientation tends towards a “technical perspective”, particularly in the setting of evaluation parameters for projects that may not be fully understood by or acceptable to the Philippine NGO. There is also bureaucratic red tape within the agency, which slows down the releases of funds to project recipients because of stringent procedures and requirements.

- e) Another donor constraint involves changes in existing priorities arising from discussions with the recipient country government and the performances of previously funded country programs.
- f) Finally, a change in leadership of the donor agency and its government represents another constraint in cooperation with NGOs. Changes in leadership translate to changes in perspective. Each time that transitions are made within the donor agency and its own government, adjustments also have to be made in its aid program focus and strategies. Given this reality, it is important to remember that, while there may be supporters of NGOs within donor agencies, it is also common to have cynics within donor agencies who doubt the capacities of NGOs.

### **3.5 Donor Recommendations for the Improvement of NGOs:**

The eight ODA donors interviewed by this study were also asked to recommend measures for Philippine NGOs that would improve their relations with donors.

The following recommendations are grouped into two categories. One category refers to general recommendations for the NGO community as a whole. The second category pertains to specific recommendations for CODE-NGO and similar national-level NGOs or NGO networks.

#### **3.5.1 General Recommendations.**

- a) NGOs should do their homework and find out more about their donors, including their goals, priority areas, funding approaches and others.
- b) NGOs need to formulate long-term visions and strategic plans that go beyond the time periods of the projects that they implement. This will require a more systematic organizational diagnosis (to assess the NGOs' financial and human resource base) and formulation of an organizational development plan as a framework for institution building. One major outcome of this planning effort should be a decision by the NGOs to specialize in particular fields of development where they can excel.
- c) NGOs need to improve their "economic literacy", that is, their understanding of economics and development.
- d) One important step to improving relations between NGOs and donors is by establishing performance standards for NGO development work. Performance standards can be set in many areas, including: (i) expected results and outcomes of training activities, particularly in terms of organizational development objectives; (ii) making clearer distinctions between the needs of communities and the needs of NGOs, as well as the relationship between these two sets of needs; (iii) establishing different types of interventions that are suited to the different levels of readiness among the poor to undertake development activity; and (iv) standards for various types of projects, such as, micro-finance activities.

- e) NGOs must learn to make their projects more sustainable. In part, this will require sharing lessons learned for replication by other groups and serious thinking on how to scale up projects for greater impact.
- f) Finally, in view of shrinking donor funds, NGOs must address the issue of sustainability. NGOs must become more economically self-sufficient so that they can continue their good work in the long-term. This will require more aggressive resource-generation on the part of NGOs.

### 3.5.2 Specific Recommendations to CODE-NGO and National NGOs/Networks.

- a) NGOs should participate more in the programming of ODA at the national and local levels. To do this effectively, they need to study the NEDA structure more carefully and improve their overall relationship with government and, in particular, NEDA.
- b) National-level NGOs or networks should focus on policy research. For example, a CODE-NGO study to assess the different approaches in enterprise development and microfinance would be of real value both for NGOs and donors.
- c) NGOs should initiate communications with donors. Cooperation can be enhanced if there is better understanding on the part of donors about who the NGOs are and what they do as well as greater appreciation on the part of NGOs about ODA. In particular, national networks, such as CODE-NGO, should hold discussions with donors on a regular basis.
- e) The NGO community, as a whole, needs to build its credibility and track record. One important way of doing this is through self-regulation. Self-regulation should be directed towards the two important goals of raising standards and policing the ranks of the NGOs.

## **4. COOPERATION AMONG NGO FUND FACILITIES**

In late 1998, the representatives of eight NGO Fund Facilities held exploratory meetings to update themselves on each other's institutional mandates and common thrusts and determine issues or concerns common to the fund facilities.

The 1998 meetings were convened by CODE-NGO who had earlier conducted two studies on NGO-managed fund mechanisms. The first CODE-NGO study, a manual detailing the background, proposal formats and project appraisal processes of NGO-managed fund mechanisms, became a useful resource for NGOs and POs seeking funds for their activities. The second study assessed NGO-managed fund mechanisms as innovations in development work and explored the challenges of managing these facilities.

The eight NGO Fund Facilities continued to meet in 1999 to share experiences, list the areas where they are currently working, identify gaps and determine opportunities for joint programming. The original group expanded to include bilateral and multilateral funding agencies with a common interest in the programming of ODA funds for Philippine NGOs. The results of their discussions are summarized below (*Table 15*).

**Table 16. Areas of Operation of NGO Fund Facilities**

	<b>AREAS WELL-SERVED</b>	<b>AREAS LESS-SERVED</b>
<b>GEOGRAPHIC</b>	<ul style="list-style-type: none"> <li>• Cordillera Region</li> <li>• Region 2,</li> <li>• Region 5 (Bicol)</li> <li>• Region 6,</li> <li>• Region 7</li> <li>• All the regions of Mindanao, including SZOPAD.</li> </ul>	<ul style="list-style-type: none"> <li>• Region 2,</li> <li>• island provinces of Luzon (mostly in Region 4)</li> <li>• Region 8, including the small islands in the region</li> <li>• CARAGA</li> <li>• Areas perceived to be politically-unstable: Masbate, Saranggani, Lanao, Sultan Kudarat, Abra, Apayao, Surigao Sur, Agusan Norte and Sur</li> <li>• Fifth- and sixth-class municipalities</li> </ul>
<b>SECTORAL</b>	<ul style="list-style-type: none"> <li>• Work is mostly with farmers</li> <li>• There is some work with indigenous peoples</li> <li>• Gender is a cross-cutting concern</li> </ul>	<ul style="list-style-type: none"> <li>• Indigenous peoples</li> <li>• Fisherfolk</li> <li>• Informal (unorganized) sector, especially rural informal sector</li> <li>• Urban poor</li> <li>• Out-of-school (rural) youth</li> </ul>
<b>THEMATIC</b>	<ul style="list-style-type: none"> <li>• Strong on enterprise development, especially microfinance</li> <li>• Some policy advocacy done at various levels and with varying degrees of success</li> <li>• Bias is for sustainable integrated area development (SIAD)</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental rehabilitation. There is almost no support for reforestation and rehabilitation of coastal areas</li> <li>• Little support for brown environment issues (pollution and urban environmental issues)</li> <li>• Little support for social services</li> <li>• Minimal support for capability building for organization management. Support is now merely built into project budgets.</li> <li>• No support for advocacy and conflict resolution.</li> </ul>

An analysis of the above table presents a number of gaps and opportunities in sectoral, geographic and thematic terms. One notable sectoral gap is the lack of funding for communities of indigenous peoples, who are CADC (Certificates of Ancestral Domain Claim) beneficiaries of thousands of hectares, to be able to control and manage these vast tracts of land. Apparently, the same situation exists in government where allocations for indigenous groups are being subjected to a tug-of-war between government offices.

Another sectoral gap is the lack of funding for youth. Despite having one of the youngest populations in Asia, there is very little funding in the Philippines for youth-oriented projects. This conclusion is also supported by the findings of the AF survey (*please refer to Section 2.4.3*).

In geographic terms, some regions have received a disproportionate share of resources, while other regions have been neglected. A major conclusion that surfaced during the discussions was the lack of NGOs and POs in the areas that are not well served. This brings up the need to develop expertise and sophistication in community organizing in these less-served areas.

In terms of capability issues, there is much room for improvement in enterprise development. Related to this, a great deal of work also needs to be done to address the issue of medium and long-term financial sustainability for the NGO and PO partners of the fund facilities.

A third capability area would be the development of skills in mediation and resolution of resource conflicts. There is a need for new conflict resolution strategies, not only to settle disputes between the rich and poor but even among the poor themselves. Related to this, additional support is required to build up advocacy skills, both at the local and national government levels.

At the same time, there is a continuing challenge for agricultural technology that will not only improve productivity but will also be accessible to poor communities and will give added value to traditional agricultural commodities.

Fund facilities also need to document success stories of their funding partners and disseminate these to a wider audience. This also raises the issue of scaling-up the operations of successful projects and encouraging their replication in other areas.

Despite the above gaps, there is a great deal of common ground among the NGO Fund Facilities who share common development objectives, common partners and common geographical and sectoral concerns.

These commonalities provide opportunities for a “consortium approach” in project design, model building and addressing common issues and concerns. The “consortium approach” can result in investments in joint ventures among the Fund Facilities themselves and, in the future, even co-financing schemes with the private sector.



Joint advocacy (with other interest groups such as NEDA and the LGUs) is another opportunity for collaboration that can result in additional funds leveraged from government line agencies.

Finally, fund facilities can share numerous learning opportunities, such as training exchanges, apprenticeships, documentation of good projects and development of standards. In addition, there are also opportunities for improving performance through the development of standards among fund facilities on project appraisal, monitoring and evaluation.

## **5. RECOMMENDATIONS ON FUTURE POSITIONING OF NGOS**

In the light of the above inputs, the following are recommended for the consideration of the Philippine NGO community in general, and in particular, for national NGO networks such as CODE-NGO and its members.

### **A. Maintain a Continuing Dialogue with Donors.**

A continuing dialogue would benefit both NGOs and donors in a number of ways, including:

- 1. National NGO networks – such as CODE-NGO and its members - can assist donors in identifying and developing partnerships with competent and trustworthy Philippine NGOs, a traditionally a major difficulty of donors.***

This can be achieved through the newly established PCNC (Philippine Council for NGO Certification). The PCNC is a private, voluntary, non-stock, non-profit corporation whose main function is to certify non-profit organizations that meet established minimum criteria for financial management and accountability in their service to underprivileged Filipinos. Its six founding members include (i) the Association of Foundations, (ii) the Bishops-Businessmen's Conference for Human Development, (iii) the League of Corporate Foundations, (iv) the National Council of Social Development Foundations, (v) the Philippine Business for Social Progress and (vi) CODE-NGO.

The PCNC is a general response to the concern raised about the rapid expansion of NGOs in the past decade and the ability of the government to regulate these organizations and ensure that the resources channeled to them are actually being used for their declared goals and activities.

PCNC represents the NGO community's effort to establish a self-regulatory mechanism that could certify to the legitimacy, accountability and transparency of NGOs, especially those receiving donations from individuals or corporations in the Philippines. Only PCNC-certified NGOs can have the status of a donee institution:

donations to a PCNC-certified NGO can be deducted from the donor's income tax and exempted from the donee's tax, subject to certain conditions.

2. ***A continuing dialogue with donors will facilitate NGO advocacy for increased allocations of ODA funds for social services.***

This is particularly important, given the increased poverty brought about by Asian crisis. According to World Bank estimates, the number of poor people in the Philippines increased by 665,000 to 27.915-million poor people in 1998, compared to 27.274 million in 1997. Even before the crisis, however, many previous studies had already pointed to the neglect of social services by previous administrations.

For example, Manasan and Llanto have pointed out that "health, education and other social development projects accounted for only 11.4% of total ODA disbursements in 1991. This relatively low allocation was due to the donors' preference for other areas of assistance, a manifestation of the government's failure to push for the social sector in its negotiations, and official reluctance to use official loans to fund human development projects." In the same study, the two researchers also concluded that members of Congress tend to focus on quick-impact, high-visibility, district-specific projects, and mostly physical infrastructure. (*Financing Social Programs in the Philippines: Public Policy and Budget Restructuring*. Rosario B. Manasan and Gilberto M. Llanto. *Philippine Human Development Report*. United Nations Development Programme. 1994.)

The above is supported by a 1997 study of Monsod, who found that, despite its Social Reform Agenda (SRA) Program, the Ramos administration's expenditures on social services have been inadequate. According to Monsod, "the country's human expenditure ratio has not moved from a range of around one-third of the prescribed international norm. Likewise, its delivery on the '20/20 compact' remains at half (of) what was promised." (*Social Reform: Do-able But Not Done?* Toby C. Monsod. September 1997)

It should also be pointed out that NGO advocacy for increased funding for social services can find common ground with donors and government, both of whom have already recognized the need to accelerate the poor availment rate (40% in December 1999) of approved ODA funds for the human development sector.

3. ***NGO can negotiate with donors for increased allocations of ODA responsive funds for Philippine NGOs.***

In recent years, there has been a decrease in responsive funds for Philippine NGOs and, conversely, an increase in subcontracting funds for NGOs. In large part, the decrease in responsive funds has been due to the closure of the American Co-Financing Program and a number of the CIDA-supported NGO funding mechanisms.

CODE-NGO and other national NGO networks should advocate for an increased allocation of responsive funds for NGOs from ODA donors. There is sufficient justification for this advocacy position. First, responsive funds that support projects

initiated by NGOs and POs may be considered as “research and development (R&D) funds.” It should be pointed out that the anti-poverty programs now being implemented by governments and supported by bilateral donors - primary health care, community organizing, microfinance and others - were once innovative projects of NGOs and POs that were supported by responsive funding mechanisms. Seen in this light, responsive fund mechanisms support innovation in development work.

Second, support for NGO-initiated activities can be viewed as support for the growth of civil society as a whole. Support for civil society, especially for community-based organizations, is now considered as a legitimate objective of development assistance, particularly in the light of the governance and democratization goals of ODA donors.

B, Build NGO Capacity.

1. ***NGO networks should strengthen initiatives in support of the capacity-building efforts of individual Philippine NGOs.***

To a large extent, capacity building must be the responsibility of individual NGOs. Philippine NGOs need to exert even greater effort in addressing the organizational weaknesses that have been identified above. These weaknesses include: the lack of a strategic vision and long-term plans, a limited funding base that is overly-dependent on external donor funds and inadequate organizational systems and procedures.

At the same time, NGO networks, such as CODE-NGO, can undertake strategic initiatives to support individual capacity-building efforts. Two recently launched activities – the PCNC and the Successor Generation Project – should be pursued and given greater emphasis. The PCNC, which functions to certify to the legitimacy, accountability and transparency of NGOs, especially those receiving donations from individuals or corporations in the Philippines, will clearly play a strategic role in building NGO capacity to meet donor standards. Similarly, the Successor Generation project, which seeks to train a new generation of NGO leaders, is also a strategic intervention for the future of the Philippine NGO community.

While these programs can eventually be operated on a self-sustaining basis, they require start-up funds. Together with its allied networks, CODE-NGOs should prepare funding proposals for submission to sympathetic ODA donors.

2. ***Because of the emerging importance of government as a major source of NGO funding, the subcontracting capacity of NGOs must be strengthened.***

To improve procurement systems for ODA projects, the World Bank has contracted the Asian Institute of Management (AIM) to conduct a training course for middle- and upper-level managers of national government agencies.

As an initial step in strengthening NGO subcontracting capacity, CODE-NGO and its member-networks should negotiate with the World Bank and AIM for the inclusion

of NGO representatives to this training course. The NGO representatives selected to participate in the course should have had prior experience in implementing government contracts supported by ODA funds.

Upon graduation from the AIM course, these NGO representatives can form a task force that will study government procurement procedures, pinpoint the major difficulties experienced by NGOs in contracts with government and make recommendations.

3. ***NGO networks should develop programs to build up NGO fund-raising capabilities.***

It is possible for ODA donors to support such programs. In fact, the Asian Development Bank has recently approved a regional technical assistance (RETA) grant that seeks to provide capacity building support to non-government organizations in the area of financial resource mobilization.

The project responds to the need of NGOs for financial sustainability and is intended to develop NGO capacity to identify funding sources and effectively pursue resources that are available. In parallel, the project will also develop NGO capacity for the effective management of financial resources obtained. The RETA covers six developing member countries of the ADB, namely, Bangladesh, India, Indonesia, Pakistan, Philippines and Thailand.

C. Conduct Further Studies on Key Concerns.

1. ***CODE-NGO should conduct a comprehensive study on the experience of Philippine NGOs in subcontracting relationships with government agencies.***

This study is important, not only because of the increase in NGO subcontracting funds in recent years but more importantly, in the light of anecdotal evidence that, in a number of instances, subcontracting relationships have not been as fruitful as initially expected.

According to Quizon, for example, in cases where NGOs are subcontracted only for specific project components and are subjected to rigid control, their tendency is either to: (a) withdraw at a later stage from the project, or (b) engage in varied forms of self-selection, that is by participating in the project based on other interests, such as, funding, contacts, etc.

2. ***CODE-NGO should proceed with the next phase of its Development Finance Advocacy Program. This involves an assessment of the “demand and supply” for development funds or, specifically, the gap in financial resources that will required by NGOs and the Philippine government over the next five years to implement planned poverty-reduction programs.***

This assessment will include, among others:

- The major directions and programs of Philippine NGOs in the new millennium and their funding requirements.
- Trends, directions, modalities and estimated magnitudes of ODA and other funding resources for NGOs in the new millennium.
- Commonalities and differences between donor directions and NGO programs.
- The estimated magnitude of financing gaps for NGO programs.
- The major anti-poverty programs of the Philippine government, the lead agencies responsible for their implementation and the development finance resources available for these programs. The magnitude of the financing gaps for GOP anti-poverty programs.
- The status of GOP funding for human development based on the UNDP HDI framework.
- The extent of similarity and/or complementation between NGO programs and GOP anti-poverty strategies.
- Trends, directions, modalities, requirements and projected magnitudes of funding resources for NGOs from GOP sources.

To complement the above assessment, CODE-NGO should negotiate with World Bank, ADB and other ODA donors regarding a possible monitoring role for the NGO network of ongoing projects funded by the above agencies.

In order to focus the scope of monitoring and make civil society intervention more effective, only projects in the areas of basic social services (i.e., health, education, shelter) and productivity improvement (i.e., asset reform programs – agrarian reform, fisheries reform urban land reform and ancestral domain – and agriculture) will be monitored. These are program areas where there is existing competence and continuing involvement among NGOs and POs, particularly among the members of CODE-NGO. The projects to be monitored will be selected using the policy agenda for poverty reduction and sustainable development currently being formulated by CODE-NGO.

## **Annex: List of AF Survey Donor Respondents**

### Foreign Foundations (12)

Philippine-German Development Foundation, Inc.	PhilGerFund
Asian Community Trust	ACT
Catholic Relief Services	CRS
ASMAE-The Friends of Sr. Emmanuelle	ASMAE
Ford Foundation	FORD
Helvettas Philippines	HELVETTAS
Sasakawa Peace Foundation	SPF
Friedrich-Naumann Stiftung	FNS
Toyota Motors Phils. Foundation, Inc.	TMPY
The Asia Foundation	TAF
Oikocredit-Ecumenical Development Coop. Society	EDCS-OIKO
Inter Church Organization for Development Cooperation	ICCO

### Government Funding Programs (4)

Community Health Service-Department of Health	CHS-DOH
Support to Asset Reform through the Comprehensive Agrarian Reform Program & Development of Indigenous Communities	SARDIC
Philippine Charity Sweepstakes Office	PCSO
DENR-Special Project	DENR

### Donor-Managed ODA Programs (8)

Canada Fund for Local Initiatives	Canada Fund
Japan International Cooperation Agency	JICA
Embassy of Japan in the Republic of the Philippines	Embassy of Japan
United Nations Children's Fund	UNICEF
Consuelo Zobel Alger Foundation	CZAF
UNDP-Global Environment Facility-Small Grants Programme	UNDP-GEF
Korea International Cooperation Agency	KOICA
United Nations Educational Scientific and Cultural Organization	UNESCO

### NGO-Managed ODA Programs (4)

Foundation for the Philippine Environment	FPE
Philippine Development Assistance Programme	PDAP
Canada Assisted Community Enterprise Development.	CACEDI
Foundation for Sustainable Society, Inc.	FSSI

### Philippine Foundations (7)

Philippine Agrarian Reform for National Development	PARFUND
Metrobank Foundation, Inc.	METROBANK
ABS-CBN Foundation	ABS-CBN
Children and Youth Foundation of the Philippines	CYFP
Philippine Business for Social Progress	PBSP
Ramon Aboitiz Foundation	RAFI
United Coconut Planters Bank Foundation	UCPB