Guidebook on the Basics of NGO Governance

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Message

This guidebook is our special project celebrating PCNC's work with the NGO community. We offer this guidebook as our heartfelt gratitude to so many generous people, including PCNC's evaluators, who have enriched our certification work over the years. In particular, we reach out to the small NGOs who are still setting up their organization without thought of certification as an opportunity in the future. We hope this guidebook proves useful to them.

Specifically, we thank colleagues for their guidance: Florinda Lacanlalay on financial management and audit; Veronica Ester Mendoza on program operations and networking; Fr. Anton Pascual on Board governance; Norman Jiao also on Board governance and networking; and Danilo Songco who guided us from the start and up to the content editing of the draft. We acknowledge the advice of many others interviewed personally and through email, including NGO representatives we met during the Learning Events conducted in 2006 as well as the validation workshops in 2007.

We thank the organizations who shared various materials that enriched this guidebook: the Asia Pacific Philanthropy Consortium (APPC) led by Aurora Tolentino and the League of NGO Accountants for Development (LEAD) led by Eribert Padilla who produced the manual, *Accounting Guide for Nonprofits*. For

FELICIDAD IMPERIAL–SOLEDAD
Executive Director
Philippine Council for NGO Certification
Manila, June 2008

Message

Non-government organizations (NGOs) play a key role in the development process. They are renowned for their innovation; their dedication to public service, especially for marginalized and vulnerable groups; and their advocacy on key social and economic issues.

The World Bank has developed active engagements with NGOs across the world through policy dialogue and operational cooperation on a range of development topics, especially those related to poverty reduction and sustainable development. In the Philippines, which is widely regarded as one of the leading countries in terms of the resilience and contribution of NGOs to the development process, the Bank, working in partnership with local and international partners, has supported many activities focused on strengthening civil society groups and organizations to participate more actively and effectively in development activities.

Despite these efforts, there are new challenges confronting the NGO sector. As global philanthropic contributions continue to grow, donors expect greater transparency and accountability in the use of funds and the overall operations of NGOs. The Philippines Council for NGO Certification (PCNC) provides an invaluable service in helping NGOs to assess, and if necessary, improve their internal governance and management arrangements, and in certifying NGOs that meet specified standards.

And the Bank, through the support of the Japan Social Development Fund, is pleased to contribute to the on-going efforts of PCNC to strengthen its operations.

Yet the requirements for meeting full PCNC certification are not appropriate for all sizes of NGOs. Feedback from smaller, more community-based NGOs, highlighted the need for simpler, more straightforward information. It therefore gives me great pleasure to present to you this informative and highly accessible guidebook on the principles of good governance and management in the operations of NGOs. We hope that the Guidebook will become a tool for broader dissemination of the key principles and elements of good governance and accountability promoted by PCNC among smaller or newer NGOs, especially the community-based organizations or peoples' organizations.

While the guidebook is especially targeted at smaller NGOs, we hope that public organizations of all sizes will find the straight-forward language and clear presentation of topics such as developing a mission statement, establishing a functioning board, effective financial management, and networking helpful in assessing their own performance.

I would like to congratulate PCNC for this important accomplishment and recognize the leadership of Ms. Fely Soledad, Executive Director of the PCNC, the Board of PCNC for their active support of this initiative, and the entire team who contributed to the preparation of the Guidebook.

Maraming salamat po!

(Sgd.) Bert Hofman
Country Director For Philippines
World Bank

Acronyms

AF	Association of Foundations
APPC	Asia Pacific Philanthropy Consortium
BIR	Bureau of Internal Revenue
BBC	Bishops–Businessmen's Conference for Human Development
BOA	Board of Accountancy
CBO	Community-based Organization
CODE NGO	Caucus of Development NGO Networks
CTRP	Comprehensive Tax Reform Program
DSWD	Department of Social Welfare and Development
E.D.	Executive Director

F/S	Financial Statements	PCNC	Philippine Council for NGO Certification
LDCs	Local Development Councils	PEF	Peace and Equity Foundation or (Peace Equity Access for Community Empowerment Foundation)
LEAD	League of NGO Accountants for Development, Inc.		
NCSDF	National Council for Social Development Foundations	PHILSSA	Partnership of Philippine Support Service Agencies
NGO	Non-government Organization	PAGIBIG Fund	Home Development and Mutual Fund
M&E	Monitoring and Evaluation	PhilHealth	Philippine Health Insurance Corporation
MOA	Memorandum of Agreement	SEC	Securities and Exchange Commission
MRASI	Management Reporting and Accounting Systems Installation	SSS	Social Security System
		VMG	Vision, Mission, Goals
PBSP	Philippine Business for Social Progress	WB–JSDF	World Bank–Japan Social Development Fund

How to Use This Book

This guidebook was written to support NGOs learning how to become better-governed and managed organizations. Specifically, we considered the needs of small and newly formed NGOs in presenting the basics of NGO governance. In the following section, we offer a brief description of the small NGO in the Philippine context.

We suggest that the Board, Executive Director or the chief manager be the ones to read this. As you go over the five NGO "performance areas" presented here, you could compare and contrast your own experiences. Consider how to apply the guidelines according to your NGO's local context, unique situations, and your project initiatives. Take down notes and questions! Your notes will be good references as you try out new ideas or improve certain practices in your NGO over time.

As small and newly formed NGOs read this book, some basics may seem inappropriate or not applicable to the development stage of the NGO. Nonetheless, the basics should be seen as a template of governance. As the NGO grows, following the template will make more sense. A good foundation of the basics will build an effective, sustainable organization!

For example, among the guidelines are the need to install systems and procedures in the newly formed organization. These are not meant to bureaucratize the operations of an NGO. Sufficient systems and procedures should rather enhance the creativity, flexibility and responsiveness that are strengths of an NGO. Find out also how other NGOs have found the right balance.

In summary, the five performance areas are:
➤ Vision, Mission, Goals
➤ Governance (Board and top management)
➤ Financial Management and Administration
➤ Program Operations
➤ Partnering and Networking

Each area is presented with the following:
➤ Definition of terms
➤ Examples and diagrams to explain concepts
➤ How to's (includes weblinks to more information available in the Internet)
➤ Tips or valuable lessons from current practice
➤ True-to-Life Experiences from other NGOs
➤ Question and Answer (Q and A) about common issues

➤ "Applying what you learned" closes every section and serves as a review. It also enumerates the organizational documents you need for each of the five performance areas.

Finally, there is an Annex where you can refer to for longer explanations or more detailed diagrams.

The guidebook is not strictly a "how to" guide. It does not aim to recommend certain tools among the numerous tools made widely available to NGOs by local and international organizations. The selected tools in the guidebook serve to illustrate, and to encourage you to study other tools through links to website references. This is one way that NGOs could "connect" with other NGOs and resource holders to learn more about governance styles that work. We encourage you to check out these links online. If you do not have access to the Internet, you could also refer to printed materials from other NGOs or networks of NGOs who often have a collection of training materials. Many NGOs are open to sharing their learning materials; you just have to ask!

We hope you will find the guidebook immediately useful.

Overview

The focus of the guidebook is on small and newly formed NGOs. We describe briefly these NGOs according to PCNC's experience with them over the years.

Small NGOs are known to be very close to the communities they serve. They are clear about their purpose and pursue their goals with dedication. This is their distinctive capacity! There are numerous small NGOs, for example, dedicated to helping support the out-of-school youth, orphanages, women's income-generating projects, and community health activities. There are also NGOs that exist only at *fiesta* time, once a year, to raise awareness for a public cause or to solicit some donations for church projects. Small NGOs work closely with community-

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WHAT IS AN NGO?

NGO defined according to 5 "structural-operational" features:
- Organized (may be formal and informal)
- Private (not part of the State)
- Not profit-distributing
- Self-governing
- Voluntary (membership in NGOs is not compulsory)

(Sourced from the Global Civil Society, 2003)

based organizations like parent-teacher associations, community credit associations and cooperatives. But they are different from CBOs in that they do not work for their own benefit.

Small and newly formed NGOs are led by a Board composed of family and friends, with the founder taking on major tasks in the Board and/or as top manager. In this guidebook, we focus on those NGOs that are already formally registered with the Securities and Exchange Commission or the Department of Social Welfare and Development. They are those registered with a stated purpose or mission, or a complete statement of vision, mission, goals. They have formally named their Board and officers and identified initial activities.

Project focus. Small NGOs often implement only one or two projects limited to a geographic area. Their staffing, financial management and administrative systems are project-focused. Staff size ranges from two to ten regular staff, led by an Executive Director or head. To give an idea of the average annual expense budget of the small NGO, PCNC's questionnaires revealed a wide range, from P 100,000 to P 2 million. Much of this budget is reserved for projects, while a very limited amount covers operating expense. Because of limited salary budgets, volunteers make up the human resource in the small NGO.

How NGOs evolve. A fuller description of NGOs in the formation stage is provided by the Philippine Business for Social Progress (See Annex i). The stages of growth of an NGO

or a People's Organization are instructive on how NGOs and POs move from formation stage to consolidation and to institutionalization.

Challenges. What are the challenges for small and newly formed NGOs? PCNC learned that while they may have a specific purpose or mission, the target clientele may not be specified. They may register their NGO with proper government agencies and name Board members, but beyond incorporation, they do not know that the Board must meet regularly, elect officers, and raise funds. They may have staff but without the skills to do the necessary tasks. Simple bookkeeping is also a new area for learning, as well as proper cash handling. Projects that are implemented may have beneficiaries that include the Board and family.

Thus, for many small and newly formed NGOs, the basics of good governance are still to be learned. They only need to have access to learning materials and some coaching.

The Philippine Council for NGO Certification and the Benefits of Certification

The guidebook is PCNC's contribution to support small NGOs who are interested to grow in serving their mission. It is also PCNC's hope that these NGOs will eventually want certification as donee institutions, i.e., institutions whose donors can

enjoy deductability of donations from their taxable income and exemption from donor's tax.

Since 1998, PCNC, a non-stock, non-profit corporation, has been authorized by the Philippine Government (DOF–BIR) to certify non-government organizations for donee institution status. Today, many small NGOs who attend PCNC's learning activities express the desire to be evaluated according to the specific standards for certification. They cite two motivations: one, to be better, more effective organizations and two, to meet the requirements of potential donor partners who ask of them to go through the exercise of PCNC certification.

PCNC exists to promote good governance manifested in professionalism, accountability and transparency within the NGO sector in the Philippines. The evaluation process itself is beneficial as it provides the applicant NGO the opportunity to assess its organizational strengths and improve its weak points. A certification from PCNC identifies the NGO as one in good standing, with its "house in order." Because of the credibility of the certification process, over time, funding agencies and partners have considered certified NGOs in their choice of organizations to support.

The Guidebook on the Basics of NGO Governance proceeds in five chapters according to the five "performance areas" for NGOs. Key messages are at the beginning of each chapter and for your quick reference, are outlined below.

1 Vision, Mission, Goals

Vision, Mission and Goals identify the organization.

1.a VMG gives the NGO direction. It defines one's commitment to social change.

1.b VMG serves as the basis for planning one's actions or programs.

1.c VMG helps to track and measure one's progress.

1.d A shared VMG among members makes an organization stable and effective.

2 Governance

A well-governed organization is an effective organization.

2.a A Board governs as the highest authority of an organization. Acting as a group, the Board leads the organization towards achieving its mission.

2.b A Board has the responsibility and highest level of accountability for the NGO. In a registered corporation, the Board is legally accountable for the organization.

2.c Governance and management are distinct and separate functions. The Board and the Executive Director have distinct roles, providing for a sufficient system of checks and balances.

2.d A Board works in close partnership with the Executive Director to lead the organization effectively.

3 Financial Management and Administration

An effective organization manages its resources.

3.a FINANCIAL MANAGEMENT

3.a.1 Funds for the public good are entrusted to organizations that can account for them and show proper usage.

3.a.2 Proper records and proper reports guide you forward. Accounting, budgeting and audit go together with your program plans.

3.a.3 Internal controls allow you to do funds generation with confidence. Donors give when financial systems of an NGO are set up and working.

3.b MANAGEMENT OF PEOPLE AND OTHER ASSETS

3.b.1 Develop the capacity of the NGO to respond to the community needs identified.

3.b.2 Earn the benefits of good administration—accreditation with local government units, the interest of donors and partners.

4 Program Operations

The effective organization manages programs for results.

4.a Program Operations tie up the various activities to achieve your VMG.

4.b Every program has an implementation cycle.

4.b.1 Begin by assessing the needs or problem to be addressed. Develop a work and financial plan for responding to needs.

4.b.2 Implement the plan with discipline.

4.b.3 Monitor the progress of operations.

4.b.4 Review and evaluate results.

5 Partnering and Networking

Effective organizations partner and network with a purpose.

5.a Partnering and networking allow the NGO to do more with its limited resources.

5.b Networking can communicate your cause to the public. Be heard with a loud voice.

5.c You can tap information, contacts, training, and expertise from others in the network.

5.d Get best practice information from your network. Aim for standards in NGO work.

Performance Areas for NGOs

1. Vision, Mission, Goals
2. Governance
3. Financial Management and Administration
4. Program Operations
5. Partnering and Networking

1 Vision Mission Goals

Vision, Mission and Goals identify the organization.

1.a Vision, mission and goals give the NGO direction. It defines one's commitment to social change.

Small and newly formed NGOs often express their purpose in terms of:
- ➤ a need in the community to which it can respond
- ➤ a specific group in the community that it can serve

For example, one NGO stated its purpose as: "To augment the learning resources of public schools through the establishment of a Community Library that can be used by children of Barangay Marilag Project 4, Quezon City."

Why develop a VMG when there is already a purpose? Because vision, mission and goals express the organization's purpose relating it to the long term and not just the short term. VMG is a clearer, fuller statement that enables the NGO to aim for social change and, over time, to attract partners with similar vision and mission.

What is Vision? Vision expresses the future direction and aspirations of the NGO for an idealistic society, whether or not these can come true. Vision also speaks of the beliefs and values of the NGO.
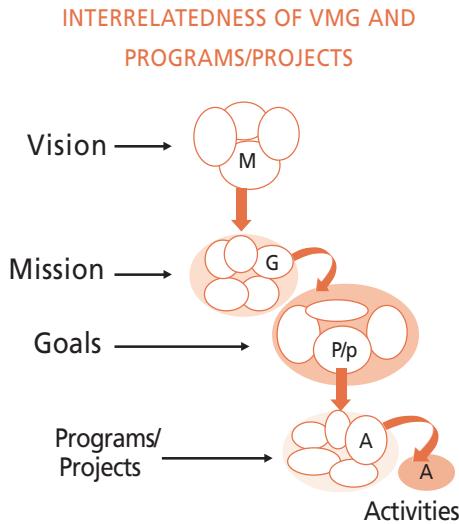
What is Mission? Mission defines the scope of work to benefit a specific group in the community. The "purpose" stated by the NGO above is already a mission statement.

What are Goals? Goals are the results to be seen after an agreed period of time. Goals should be specific and measurable, so that the members of the organization are clear about what must come about because of their work.

Over time, goals move the organization closer to achieving the mission and vision.

1.b Vision, mission and goals serve as the basis for planning one's actions or programs.

From the first experience of implementing a project, an NGO moves on to other projects. Always using its VMG to define its courses of action, an NGO evolves a long-term plan. This is a three to five year plan how to achieve its VMG through carefully determined projects. It should be a simple enough plan that everyone can understand and follow! (See Annex i.)

Vision ⟶

M

Mission ⟶

G

Goals ⟶

P/p

Programs/
Projects ⟶

A

A

Activities

It is important to state your vision and mission in general terms, and state your goals with realistic, concrete targets. Stating your VMG this way will make it stable over time.

1.c Vision, mission and goals help to track and measure the NGO's progress.

Ask yourself from time to time: Why are we doing this project? Does it serve a public good?

A well-stated VMG shows if an organiza-tion is working toward serving the public good, and making a positive difference in the lives of communities in need. VMG provides you a measure of your progress!

Revisit vision and mission periodically.

WHAT IS THE PUBLIC GOOD?

As an NGO serves communities with an expressed need, they must work toward serving the public good.

A **public good** is a good where one person's use does not reduce the amount available for others and where once the good is provided then no one can be excluded from using the good (Varian 1992).

www.learningtogive.org/papers

When to revisit the vision and mission statements?
- ✔ When there is a question whether the need identified by the founders or incorporators still exists
- ✔ When the first need or purpose is not the same as the need presently addressed
- ✔ When other needs have been added to the first, as demanded by the changing environment
- ✗ When there is funding made available but not for your stated VMG. Then an NGO should not change its purpose just to get the funding.

What about evaluating the goals? Do this more regularly than vision and mission evaluation, depending on how realistic they remain as actionable targets, given the changing environment.

1.d A shared VMG among members makes an organization stable and effective.

Can your VMG be articulated by the Board, staff, volunteers, even the community that you serve?

The process of arriving at your VMG must be participatory!

Draft the VMG and pass around the document. Let the group review and finalize the VMG statement.

A written VMG is a powerful motivational tool for everyone involved, including new people in the organization. It bonds people as working teams, exercising shared values. It makes the organization effective.

Why should the community served also know your VMG?
➤ to be able to participate in the project activities
➤ to benefit fully from the project
➤ to know also the defined limits of the NGO and the project, and not to expect what is beyond the project goals

MISSION IMPOSSIBLE:
When an NGO organizes a community but does not empower it to decide for itself.

A religious group drew its mission to help the poor among its community to be able to implement livelihood programs for themselves. The religious group assigned a community organizer to help them set their own goals and initiate project activities which the religious group funded. In time, there formed a community-based organization (CBO). The parent NGO assisted them to formally register with the government. With their new identity, the CBO tried to source funds from interested donors for their livelihood programs. The religious group, however, did not allow this, insisting that the CBO limit their activities to what the religious group could fund. The CBO was seen to be their "project." The community organizer felt caught in-between and could not resolve the differences between the CBO and its parent organization. The CBO bided its time and eventually gained independence when the religious group had to leave their area.

Sharing your VMG is often work in progress with project partners.

Children have become frequent visitors of the Barangay Hall in Project 4, Quezon City since the "Barangay Marilag Reading Center" opened its doors in the summer of 2006. The project was started by the NGO, Progresibong Edukasyon tungo sa Kapayapaan at Kaunlaran, Inc. to meet the literacy needs of poor children. The project had the support of the Barangay Captain who offered unused office space in the Barangay Hall and subsidy for the cost of telephone and electricity. The project also received donations from the Quezon City Library. The NGO, the Barangay, and Quezon City Library sealed their agreements in a Memorandum of Agreement (MOA).

When a new Barangay Captain was elected in 2007, he approved of the Reading Center but disagreed that the Barangay should continue subsidizing the cost of utilities. The Barangay Captain disregarded the MOA and even asked the NGO to move the Reading Center out of the Barangay Hall.

The NGO approached the parents in the community to convince the Barangay Captain of the worthiness of the project, for the sake of all the children already patronizing the Center. The Barangay Official agreed to meet with the community to listen. In the end, the Barangay Official allowed the NGO to continue the Reading Center project.

Sharing your VMG is often work in progress with project partners. Your community is the strongest advocate for your project!

Applying What You Learned

Organizational documents that indicate your organization's VMG will include:
- ➤ Articles of Incorporation
- ➤ Brochure
- ➤ Annual Report (annual General Information Sheet) to the Securities and Exchange Commission.
- ➤ Some NGOs have a Constitution that articulates the VMG.

Ask yourself, given the above documents:
- ➤ Is the VMG (purpose) of the organization clear?
- ➤ Are there clearly identified clientele and needs to be responded to?
- ➤ Is the VMG clearly understood by the Board, staff, volunteers and beneficiaries?
- ➤ Do current programs lead you back to your VMG?
- ➤ Is there a clear indication of direction towards a public good?

2 Governance

A well-governed organization is an effective organization.

KEY MESSAGES:

2.a A Board governs as the highest authority of an organization. Acting as a group, the Board leads the organization towards achieving its mission.

2.b A Board has the responsibility and highest level of accountability for the NGO. In a registered corporation, the Board is legally accountable for the organization.

2.c Governance and management are distinct and separate functions. The Board and the Executive Director have distinct roles, providing for a sufficient system of checks and balances.

2.d A Board works in close partnership with the Executive Director to lead the organization effectively.

A good Board ensures the consistency of your programs with vision, mission and goals.

2.a A Board governs as the highest authority. Acting as a group, the Board leads the organization towards achieving its mission.

Why have a Board in the first place? Some organizations start without a Board and manage their work simply as good friends off on a mission! But if they grow and obtain public funds to use in their work, then a Board becomes important to hold accountability for the organization.

Small and newly formed NGOs can have the most passionate Boards. Acting as a group, they are purpose-driven and close to the people they serve.

They also feel challenged to learn about NGO governance and Board performance. What is governance? What are the roles and responsibilities of the Board?

Governance is the way the organization formulates and implements

policies guiding the conduct of its mission and the attainment of its goals.

The Board's main role and responsibility is to ensure that the organization is doing what it set out to do. Sufficient controls and checks and balances are put in place. These help to keep the organization's focus on serving its target clientele, and not personal interests or selfish gains.

2.b A Board has the responsibility and highest level of account-ability for the NGO. In a registered corporation, the Board is legally accountable for the organization.

To whom is the Board accountable for its actions and non-action?
  ➤ To the clients or beneficiary groups that are the reason for the NGO's existence.

➤ To outsiders who support the organization, including community and individual donors.
➤ To its own staff and volunteers, for the way the Board governs.

Because the Board has a critical role, select your Board carefully! To start, ask yourselves, what will each of the friends or Board members contribute to the work of the NGO?

Assess each other's knowledge and skills in relation to serving the VMG (or purpose) of your organization. One popular way of assessing qualifications is to look at the 4 T's needed from a Board—Time/Trust, Talent, and Treasure. It is important to have a mix of Board skills and talents in the area of work or "specialization" of the NGO.

The end result of your assessment and selection process is a functional or "working" Board, one willing to meet regularly to get the work done!

The assessment will also guide the selection of your Board officers. Who can serve well as the Chair, the Vice Chair, the Corporate Secretary and the Treasurer?

The Chair is the leader of the Board. The Chair calls the meetings to order; the Chair works closely with the Executive Director; and the Chair represents the NGO to the public.

Individual Board members all have the duty to attend Board meetings regularly, participate actively in Board activities, and uphold the interests of the organization above personal and other organizations' interests.

A Board member is a volunteer and serves without pay. Laws actually prohibit a Board member from receiving any form of compensation. A Board is in contrast to an Executive Director who works as an employee of the organization and on fulltime basis. The E.D. thus receives compensation.

>>> weblinks: **www.boardsource.org** (Duties of Board Officers, Terms of Office)
www.afonline.org (for information about its "Building Successful Boards" training)

2.c Governance and management are distinct and separate functions. The Board and the Executive Director have distinct roles, providing for a sufficient system of checks and balances.

The Board focuses on governance with a long view, ensuring consistency of programs with VMG. The Executive Director orchestrates the functioning of the entire organization from day-to-day.

The Executive Director is the Board's only employee. The Executive Director manages the staff and volunteers.

As a rule, the Executive Director exercises authority from the Board as a group. Individual Board members or individual officers cannot lend authority to the E.D., unless the Board as a group has authorized it.

Ensure that the Board sets a policy on conflict of interest covering the Board and staff, including volunteers.

Write down the policy on conflict of interest for your organization. It is for the guidance of everyone involved.

>>> weblink: **www.pcnc.com.ph** (Sample Policy on Conflict of Interest)

2.d A Board works in close partnership with the Executive Director to lead the organization effectively.

The Board engages in policy making while the E.D. implements the policies and other Board directives.

What is an Executive Director accountable for? The E.D. is accountable for making all the parts of the NGO come together in an acceptable whole.

As the NGO grows and develops systems and procedures, the E.D. should ensure these are written down and compiled (or "manualized" for more established NGOs). So that as people come and go in the organization, the systems and procedures remain in place and give due guidance.

Policies for financial management and administration should be likewise compiled and approved by the Board.

3 M's according to Edgar Comeros

(former Executive Director of the Visayas Cooperative Development Center and Training Center [VICTO] and a Ninoy Aquino Fellow)

An E.D must consider the **3 Ms:**

Managing the Vision

The E.D. should know, project and think through the vision, and be able to project that to the staff.

Managing the Board of Directors

The E.D. must inform the Board on their role and responsibilities, and provide them with correct, timely, relevant and appropriate information, plus of course the E.D.'s own opinion.

Mainstreaming stakeholders

The NGO's reason for being is the people. They are the stakeholders, not just members. All plans and activities start and end with them. By mainstreaming the people in the NGO operations, the staff are better able to identify their needs and thereby provide better service.

Source: MEMO publication by CODE–NGO, Ed. Al Alegre, 1999.

Applying What You Learned

Documents that indicate your organization's governance practices will include:

➤ Articles of Incorporation & By-laws

➤ Minutes of Board Meetings

➤ Reports to the Securities and Exchange Commission

➤ Proceedings of Elections of the Board

➤ Checklist of Board Resolutions

➤ Policy on Conflict of Interest

Ask yourself, given the above documents:

➤ Does our Board engage in defining vision, mission and goals?

➤ Does our Board set policies, pertaining to both administration and management?

➤ Does our Board meet regularly and document meetings properly?

➤ Do actual practices give meaning to the Constitution and By-laws?

➤ Are there clear criteria/processes for Board selection/election?

➤ Is there a true spirit of a volunteer Board?

➤ Is there a clear line separating governing and implementing functions, showing that Board members are not implementors?

➤ Is there a clearly written policy on conflict of interest?

3 Financial Management and Administration

KEY MESSAGES:

3.a Financial Management

3.a.1 Funds for the public good are entrusted to organizations that can account for them and show proper usage.

3.a.2 Proper records and proper reports guide you forward. Accounting, budgeting and audit go together with your program plans.

3.a.3 Internal controls allow you to do funds generation with confidence. Donors give when financial systems of an NGO are set up and working.

You cannot pursue your mission without money! Optimize financial resources so that programs can run.

An effective organization manages its resources.

3.a FINANCIAL MANAGEMENT

3.a.1 Funds for the public good are entrusted to organizations that can account for them and show proper usage.

An NGO is a steward or a caretaker of financial resources intended for the public good. It therefore has responsibilities that include being accountable for the funds, being transparent in disclosing how it has used the funds, and in planning the best use of the funds to meet one's vision-mission.

WHAT IS FINANCIAL MANAGEMENT?

Financial management involves the acquisition, handling and control of the funds of the organization. Adequate internal control mechanisms and checks and balances are put in place to ensure that these funds are optimized for the pursuit of the NGO's stated mission.

WHAT ARE ITS GOALS?

The goals are:
1. To secure resources for achieving your declared mission
2. To plan the use of financial resources
3. To channel resources efficiently and effectively.
4. To report how the resources were used, to whom given and for what activities
5. To comply with the government's requirements (legal and regulatory) to show that the funds were used for the public good

When a newly formed NGO draws its plan of activities, it also draws up its budget. Because as you plan, you also estimate the costs involved and how to source funds for these costs. Financial management thus starts from day 1 of an NGO's life, not with audit period as some NGOs have mistakenly thought!

3.a.2 Proper records and proper reports guide the organization forward. Accounting, budgeting and audit go together with your program plans.

Accounting starts with recording all transactions properly.

Small and newly formed NGOs will need to have bank account records and books of accounts (cash receipts and cash disbursements books, a general ledger and a general journal).

HOW TO USE ACCOUNTING TOOLS:

1. **Bank account records—** The organization opens and maintains a bank account under its name. The bank account records will show deposits and withdrawals.

   As the small NGO grows, it may receive donor grants that require you to report on its usage periodically. It is better to open a separate bank account for the grant. To combine the grant with the main account is confusing.

2. **Cash receipts and cash disbursements books—** Track money that goes in and out using cash receipts and cash disbursements books.

   Issue receipts for cash and checks received. These should be official receipts registered with the Bureau of Internal Revenue (BIR).

   (Check out tools at Accounting Guide for Nonprofits 2006 in these websites: **www.pcnc.com.ph** and **www.asiapacificphilanthropy.org**. See Downloadable Documents.)

The basic tools will ensure you can account for the funds received in behalf of the organization. Proper recording will also show you are transparent in handling the funds.

>>> weblink: **www.pef.ph/downloads2.php** (Other accounting tools with the Peace and Equity Foundation)
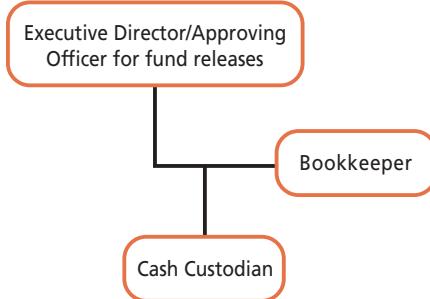
SOURCE DOCUMENTS:

All transactions should be properly documented.

Transaction	Document	Journal
For CASH RECEIVED	Official Receipt with bank–validated deposit slip	Cash Receipts Book
For CASH DISBURSED	Cash Voucher and supporting documents	Cash Disbursements Book
For other transactions	Journal Voucher	General Journal

(APPC Accounting Guide for Nonprofits 2006)

Executive Director/Approving Officer for fund releases

Bookkeeper

Cash Custodian

Delegate clearly the lines of authority and accountability among staff assigned with accounting. The approving officer for fund releases is different from the bookkeeper and the cash custodian. The bookkeeper is also different from the cash custodian.

Because newly formed NGOs have just a few staff, the compatible tasks can be shared. Look for ways how volunteers can designate time for some tasks. The challenge is to ensure that the assigned person diligently attends to the tasks.

Learn to prepare and use a BUDGET.

A budget is a list of what you need to spend to be able to do your work. It is a "plan of action in monetary terms."

It must be a realistic budget. How much do you have to spend for projects, for operating costs? Where will you source the funds?

TIP:

A PCNC evaluator advised: "...Budgeting should coincide with the plan and when outputs need to be delivered...For instance, if one project can finish the output in six months, then the budget should cover the six-month period."

The budget must provide for audit expenses.

The Board must review and approve the budget!

Learn to prepare and present financial statements.

Financial Statements (F/S) are a summary of the financial operation of the organization. F/S should be prepared and presented regularly to the Board.

To practice making F/S, a sample funds flow and documentation may be done also.

>>> weblink: **www.fieldstonealliance.org** (Four Essential Finance Reports in Nonprofit Stewardship: A Better Way to Lead Your Mission-Based Organization by Peter Brinckerhoff)

As your organization grows, the F/S will be increasingly useful to the management, the Board, and government-regulating agencies to:
- ➤ see how the organization is financially efficient
- ➤ compare one period with earlier periods of financial performance
- ➤ plan future course of action accordingly

Learn about the conduct of an annual <u>audit.</u>

Small NGOs should have an audit or at least an "independent examination" of financial accounts.

As your organization grows, it will need a proper audit, when all records and books should be made readily available to the auditor. Auditors expect that records of programs and projects should have been kept 5 years after end of project.

The annual audit is made by an independent Certified Public Accountant (CPA) accredited by the BIR and the Board of Accountancy (BOA).

An audit will entail some expense, and must be budgeted for.

Write down policies and procedures relevant to accounting and basic internal control.

The policies will guide all transactions.

WHAT IS AN AUDIT?

An **audit** is a review of your financial statements for the purpose of providing independent confirmation of the financial picture of your organisation. The auditor will express the opinion that the accounts give a 'true and fair' view. The auditors should also review the Board's report. The Board's report should answer the questions: What is the NGO trying to do ? How is it going about it? Has it achieved its objectives during the year ? What are its plans for the future? The auditor should also identify the NGO's areas of vulnerability or weakness, or areas for improvement.

An independent examination is less rigorous than an audit. It can be carried out by anyone who the trustees reasonably believe has the ability and practical experience to examine the accounts.

(Condensed from The National Council for Voluntary Organizations, <u>www.ncvo-vol.org.uk</u>)

The policies will guide the audit process, which should be held yearly to coincide with closing and opening of fiscal years.

3.a.3 Internal controls allow you to do funds generation with confidence. Donors give when financial systems of an NGO are set up and working.

Donors will give to causes they believe in.

Make a clear pitch for your cause and approach the right donor.

>>> weblink: **www.civicus.org** (Writing a Funding Proposal, from the CIVICUS Toolkit. See Resources and Services)

Deploy your Board to raise funds.

Many Board members of NGOs do not know that fund raising is one of their important jobs. The Board as the caretaker of your mission, must lead in resource generation. The Executive Director and other staff should assist the Board in doing the research and prospecting donors, preparing the letters of solicitation, following up the meetings of the Board with prospective donors.

Have a resource generation plan.

As your organization develops some sources of funds, you can think of these as your "traditional" sources. Then think as well of "other" sources when you do your resource generation plan:

➤ Could you tap individual giving from the public at large, including perhaps overseas Filipinos whose generosity is well-known?

➤ Could you join in annual NGO awards with cash prizes, like the World Bank's Panibagong Paraan (Innovation in the Marketplace competition) and foreign entities' awards like the Business-in-Development network?

➤ Could you earn fees for your services?

In all these, the idea is to diversify your fund sources from your traditional ones. Why? Because relying always on your traditional sources of funds is not a reliable strategy. Funders change their minds, or shift their budgets to other causes, communities or NGOs!

>>> weblink: **www.civicus.org** (Developing a Financing Strategy, from the CIVICUS Toolkit)

Applying What You Learned

Documents that indicate your organization's financial management practices will include:

➤ Books of Accounts, Bank Account Documents
➤ Audited Financial Statements (including Notes to F/S)
➤ Budget
➤ Audit Reports
➤ Documents on Financial Policies and/or guidelines
➤ Annual Information/Income Tax Returns
➤ Resource Generation Plan

Ask yourself, given the above documents:

➤ Is the approving officer for disbursements different from the bookkeeper and the cash custodian?
➤ Does the organization maintain a bank account?
➤ Is the organization maintaining a general ledger, general journal, cash receipts book and cash disbursements book?
➤ Are there written policies and procedures that follow accepted principles of accounting and control?

NOTES

Applying What You Learned

➤ Do administrative expenses exceed 30% of donations received and of total expenses for the taxable year? Expenses should not exceed 30% cap, and for DSWD-registered organizations, 25% cap.

➤ Is there an annual budget?

➤ Are there sufficient funds to maintain current operations?

➤ Is there a plan for generating resources?

KEY MESSAGES:

3.b Management of People and other Assets

3.b.1 Develop the capacity of the NGO to respond to the community needs identified.

3.b.2 Earn the benefits of good administration—accreditation with local government units, the interest of donors and partners.

Administration is about using your people "power" and other resources wisely to accomplish your mission!

Administration means running or managing the organization from day to day. In particular, it refers to the management of finances, staff and volunteers, office premises, and transportation facility. These are all the resources of the NGO:

➤ Human   ➤ Logistical
➤ Physical   ➤ Financial

Small NGOs start with having just human resources, usually distinguished by the skills and driving spirit of volunteers. In time, as organizational resources grow, administrative systems are developed.

The underlying principle and assumption in administration is when an NGO responds to a need in society, it cannot do so only with a vision and mission. The NGO also needs an organized structure to be able to act capably, with systems and procedures to be functional.

3.b.1 Develop the capacity of the NGO to respond to the community needs identified.

People in the organization are its best resource.

From the Board, to managers, to staff and volunteers, manage the human resource to foster the commitment to your mission.

How can a leader effectively manage the staff and volunteers?

➤ Build your team! Overall, aim to create a culture within the organization that is happy with its work from day-to-day, conscious of contributing positively to society. Build your team by engaging people in growing the organization, soliciting their participation in planning processes, ensuring constant communication, and observing clear labor policies. An organization should live out the values it espouses in its mission.

➤ Forge a social contract between the NGO and the staff and volunteers. Having an organizational culture as described above is highly motivating. A leader can then muster people's spirit of volunteerism and self-worth, motivating people to look beyond financial gains of their work.

>>> weblink: **www.philssa.org.ph** (Example of organizational culture)

Ensure that responsibilities are understood by everyone in the organization.

Staff and volunteers need to understand what is expected of them. Can individual staff explain his or her functions? …and how these functions relate with other functions in a workflow?

These functions and their descriptions should be written down. Then it becomes a useful document that can be referred to…

➤ As a basis for the staff's contract

These are the processes of how decisions get carried out, and how there is answerability for the results of such decisions.

➤ As a basis for the evaluation of performance and recognition of merit or case for dismissal
➤ When the work has to be turned over to another
➤ During orientation of new staff

Observe lines of authority and accountability as clearly defined.

Because staff and volunteers have different responsibilities within an organization, there will be people with more authority and accountability than others.

Develop clear policies on personnel, including volunteers. Develop policies on the use of physical and logistical resources.
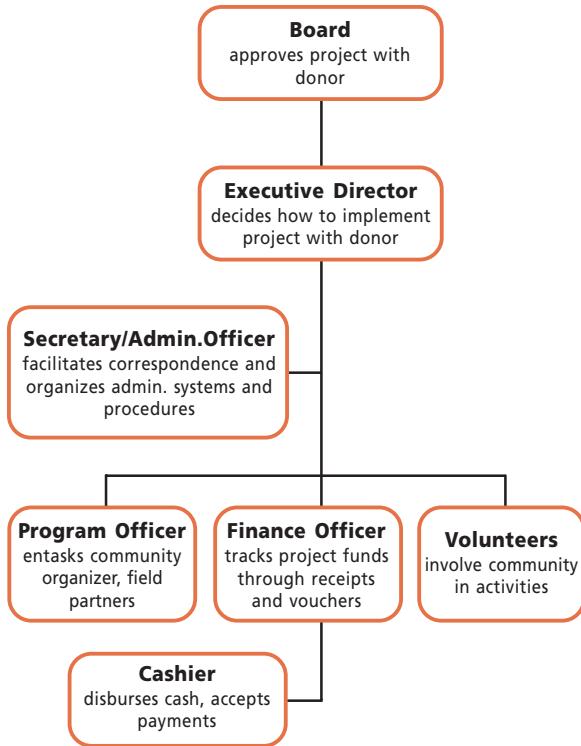
Written policies ensure that rules do not change arbitrarily, unfairly. Written policies also ensure uniformity and consistency of practice.

Policies or guidelines about personnel exist to create a motivated, skilled and dedicated team. These policies cover recruitment, placement and continuous training.

Small and newly formed NGOs often handle volunteers. Some have actually more volunteers than staff. Check out the tools on how to manage volunteers.

>>> weblinks: **www.vsobahaginan.org.ph** (The Volunteer Service

Board
approves project with donor

Executive Director
decides how to implement project with donor

Secretary/Admin.Officer
facilitates correspondence and organizes admin. systems and procedures

Program Officer
entasks community organizer, field partners

Finance Officer
tracks project funds through receipts and vouchers

Volunteers
involve community in activities

Cashier
disburses cash, accepts payments

Organization–Bahaginan)
www.jvpfi.org (Jesuit Volunteers Philippines)
www.worldvolunteerweb.org (World Volunteer Web–United Nations Volunteers)

Another example of a policy for personnel is about staff wages and benefits. These need to be in compliance with the laws.

>>> weblinks: **www.dole.gov.ph**
www.sss.gov.ph
www.pagibigfund.gov.ph
(Government agencies concerned with labor)

There should also be a policy on the prudent use of logistical and physical resources of an NGO.

3.b.2 Earn the benefits of good administration—accreditation with local government units, the interest of donors and partners.

A well-run NGO gains in many ways:

➤ Accreditation with Local Government Units.

Good administration systems enable an NGO to pass the accreditation process of LGUs, especially when it comes to the identification and selection of NGO representatives in its "Local Special Bodies" (e.g. Local Development Council, Fisheries and Agricultural Resources Management Council, etc.). Once accredited, NGOs may access funding opportunities through LGUs and national government agencies.

>>> weblink: **www.afonline.org** (A listing of resources for NGOs
[2007], published by the Association of Foundations)

➤ Interested donors and partners.

Good administrative systems assure donors and partners how well the NGO is organized, planned, controlled and led.

Applying What You Learned

Documents that indicate your organization's administration practices will include:

➤ A list of functions of personnel

➤ Documentation of personnel policies

➤ Job Description of staff

➤ Employment Contract

➤ Program Activities Report with Financial Report

➤ Workflow or Organizational Chart

Ask yourself, given the above documents:

➤ Are there clear policies on personnel?

➤ Are the responsibilities and job description of the staff clearly defined?

➤ Is there a sufficient number of staff to perform the necessary tasks (even if volunteers or seconded)?

➤ Are there sufficient facilities for staff to work well?

➤ Is there a procedure for managing conflict within the organization? Can staff and volunteers express themselves freely?

➤ Does the organization provide law-mandated wages and benefits?

4 Program Operations

The effective organization manages programs for results.

The organization that shows results is able to expand programs or develop a new undertaking in pursuit of the mission.

4.a Programs tie up the various activities to achieve your VMG.

Programs are vehicles for action that realize an organization's vision, mission, goals. Without programs implemented, an organization cannot claim to exist.
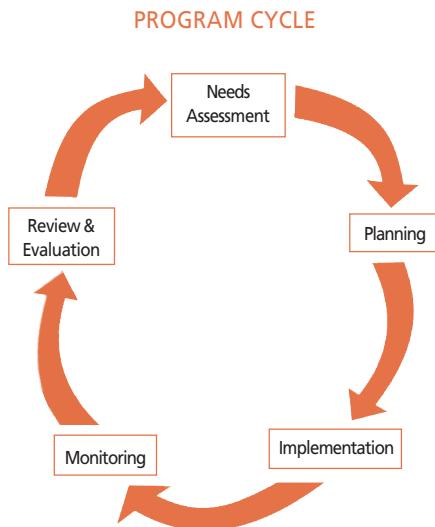
Program operations follow a cycle:
➤ Needs assessment
➤ Planning
➤ Implementation
➤ Monitoring
➤ Review and Evaluation of Results

WHAT ARE PROGRAM OPERATIONS?

Program operations refer to managing the processes:
• planning and development
• implementation
• monitoring and evaluation of the program

4.b **Every program has an implementation cycle.**

4.b.1 **Begin by assessing the needs to be addressed. Develop a work and financial plan to respond to the needs.**

There is a process of identifying and understanding the needs in a community or society. The process involves the people who want to resolve the problem, the 'stakeholders' of the program. They are the community affected by the problem, the people who serve the community (local government, church), and those who provide resources to the community.

Community or stakeholders' consultation is one important way of assessing needs. The process enables the NGO to get an idea of the social dynamics that operate within the community.

Area mapping is another process that is involved in needs assessment.

HOW TO ASSESS THE NEEDS:

- What do you need to know? Whose views and experiences would be relevant?
- Who takes decision about the work?
- Who will be expected to act on the decisions?
- Who could benefit from the experience of analyzing the problems?
- Whose active support is essential for the success of the program?
- Who has the right to be involved?
- Who is likely to be threatened by the possibility of changes to the program?

The work and financial plan is developed as a day-to-day guide for the NGO. This means putting together activities and budgets to meet program aims and objectives.

What are program aims and objectives? Aims are long-term goals. Objectives are more specific targets that are measurable.

In the work plan, the NGO details what to do, how to do it, who are involved, when things will happen (schedule), what resources to input, including people, money and facilities, and results or outputs to measure.

4.b.2   Implement the plan with discipline.

Deploy staff and volunteers who have the right skills to do the job. Working teams can produce coordinated action.

Note that a program's financial plan is different from the organization's overall financial plan.

Follow a timetable of activities for the plan.

4.b.3   Monitor the progress of operations.

There is a system for monitoring and evaluation (M & E). Doing field visits to consult with the target group is only one aspect of the system. Monitoring outcomes requires staff effort and involves financial resources.

Implementation and monitoring need to be done with discipline. One way is to do staff meetings regularly. At these meetings, use the work and financial plan as your guide.

>>> weblink: **www.pef.ph** (M&E tools)

4.b.4   Review and evaluate results.
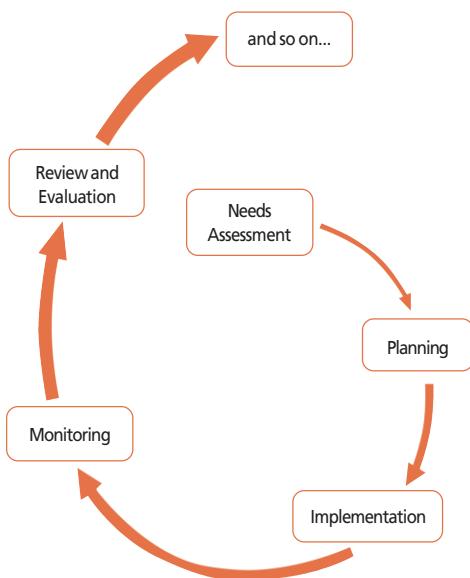
Compare the results with your baseline information, or with what it was before you did the project. Go back to the client or community being served and get their feedback as well.

Evaluation is of two kinds:
➤ Program evaluation, as above, assesses results against objectives
➤ Annual organizational review, assesses the totality of individual programs and activities, financial results, and organizational processes against the VMG.

RESTARTING THE PROGRAM CYCLE

and so on...

Review and
Evaluation

Needs
Assessment

Monitoring

Planning

Implementation

How do you know you have had success in your endeavours? When your NGO has become an established organization, you will do an impact assessment as well. This is a more comprehensive type of evaluation of program results done after a longer period of time, to ascertain whether program interventions resulted in lasting positive change.

As the program cycle ends, the learning organization restarts another cycle. An old project may be stopped or redirected. A new undertaking may be developed consistent with its VMG. An NGO's flexibility to plan and implement its programs strengthens it for the long term.

Before there was the NGO, there was the implemented project.

Many stories of how NGOs started say how they were a project of another NGO. The project served a specific purpose, had activities, had funds to use, and were evaluated. Upon evaluation, everyone was happy because the project was considered a success. It met its goals. So the project developed a "phase 2". Its project cycle engaged more activities, had more funding, attracted volunteers and met with greater success upon evaluation. The project cycle went on to a "phase 3". At this stage, the NGO thinks that the project has the firm commitment of its staff, community and donors, and the project has become more than a project. It is time to make it an independent orga-nization. The vision of the "parent NGO" is carried. Its mission and goals are focused differently. This is the story of NGOs such as:

Manila Center for Young Adults (MCYA), a project initiated in 1985 by the Philippine Center for Population and Development (PCPD). It is now known as the Foundation for Adolescent Development (FAD).

No match!
Staff knowledge and skills need to match the needs of the project.

Tondo, Manila is a big urban poor area, known for its very hard conditions and level of criminality. The community has grown weary of many failed NGO programs. One day, a new project was started by an educational institution's social center. The center aimed to reach out to the out-of-school youth in Tondo, a new area for them since their previous experience was in rural areas. But because a donor had made Tondo the condition for the donation, the center complied. The project started, the staff was sent to the new area. But the staff did not know Tondo and had no connection with groups there. They found project implementation harder to do than in rural areas. Eventually they lost the zeal to work. The project closed down.

A few NGOs who did succeed in Tondo learned the key— to have community organizers from among the community.

Applying What You Learned

Documents that indicate your organization's programs will include:
- ➤ Program workflow or implementation plan
- ➤ Plan for Monitoring & Evaluation
- ➤ Financial plan (Resource generation and budget).

Ask yourself, given the above documents:
- ➤ Is there a clear planning process?
- ➤ Is there a system for sourcing and allocation of funds?
- ➤ Are there enough skilled staff to implement program/project activities?
- ➤ Are resources utilized according to declared goals?
- ➤ Is there a monitoring and evaluation system?

5 Partnering and Networking

Effective organizations partner and network with a purpose.

5.a Partnering and networking allow the NGO to do more with its limited resources.

When an NGO develops partners, it is able to do more project assistance than if it were acting singly. The partnership has an expanded reach in the community. Or it has a multi-approach to the problem and is more effective than one NGO could be. Partnership development is a key strategy of NGOs wanting to do more with the limited resources they have.

Networking is linking up with the larger community of organizations addressing the same problem or working with the same community or sector. Like partnership development, networking is a strategy done by individual NGOs to achieve scale of operations and to get knowledge of best practice.

The underlying principle and assumption is development work and social change is complex and multi-faceted. Therefore, NGOs must act collaboratively with government, business and civil society to contribute to social change. Partnering and networking entail leveraging of resources.

"Networking" is different from just "being in a network!" Actively and purposively networking, an NGO energizes its efforts to achieve its VMG. It looks out for other organizations it can collaborate with. Joining a network, on the other hand, is more passive. Nonetheless, the NGO gains legitimacy as one among others in the network for social change.

5.b Networking can communicate your cause to the public. Be heard with a loud voice.

A network can promote a cause beyond the limits of what one or two NGOs or several partners could do. Networking is done to have a bigger base for advocacy.

Advocacy ensures the interest and involvement of an NGO's external stakeholders. A stakeholder is someone who has its own interests tied up with the success of your work. These are the wider community, the sectors your NGO identifies with, local government units, business groups that support your cause.

5.c You can tap information, contacts, training, and expertise from others in the network.

What about financial resources, can you share these within your network? Find the ways!
➤ Share the costs of meetings by taking turns to host meetings.
➤ Explore sourcing funds from donors. The Association of Foundations successfully sourced a grant from the Sasakawa Peace Foundation to support small NGOs, peoples' organizations and cooperatives to improve implementation of their programs by providing grant assistance for building organizational capacity in general and the capabilities of individual staff in particular. A.F. provided the funds not only for its network but also to outside NGOs.

>>> weblink: **www.afonline.org** (See NGO Strengthening Assistance Mechanism)

5.d Get best practice information from your network. Aim for standards in NGO work.

What project works and what doesn't? Who has done it more effectively, efficiently, innovatively and how? Being in a network can get you this information so that you can learn from the positive experiences as well as mistakes others have made.

Networks also encourage reflection on how NGOs conduct themselves as they work. CODE–NGO, for example, put together *The Revised Covenant on Philippine Development and Code of Ethics.*

The Code outlines the principles that can guide NGOs in their relationship with other organizations, their funders, government agencies, and beneficiary communities. Some of the principles are about:

➤ Promoting greater cooperation and solidarity based on the premise that all are partners in people's development and not competitors.
➤ Relationships are based on mutual respect and independence.
➤ An atmosphere of openness and accountability must be nurtured.

>>> weblinks: **www.codengo.org** (Caucus of Development NGO Networks has a membership of about 3,000 development NGOs in the country advocating for growth and support of the sector.)

www.philssa.org.ph (Partnership of Philippine Support Service Agencies has about 51 partner–NGOs engaged in education and training, research and documentation, legal service, socio-economic and other technical support, issue and policy advocacy, and other innovative endeavors.)

>>> weblinks: **www.bridgingleadership.aim.edu/BASULTA** (BaSulTa —
Basilan–Sulu–Tawi Tawi is composed of a multi-sectoral
group of NGOs, civil society organizations and other donors,
working on peace and development issues in Mindanao.)

www.km4dev.org (Work the Net, by the GTZ, is a guide to
the Management of Formal Networks.)

League of Corporate Foundations

Do you know the story of how the League of Corporate Foundations or LCF came to be? It's a story of tapping information, contacts, training and expertise.

The founders were members of the network of the Association of Foundations. Doing the activities in A.F. allowed them also to share with each other various information and expertise of interest to corporate foundations. In 1991, the founders set up LCF as a flag bearer for corporate social responsibility or CSR. Over time, LCF has led in organizing the CSR Week, during which corporate foundations and partner NGOs nation-wide come together in an Expo to showcase the progress of their work together. **(www.lcf.org.ph)**

ILOILO CODE and WEVNet advocate for social accountability in community demand-driven projects

Iloilo CODE and the Western Visayas Network of NGOs have long raised the issue of transparency and account-ability in projects with the Regional Development Council of which they are members. Their sustained advocacy reached a milestone with the conduct of the Regional Social Accountability Forum in November 2006, a project supported by World Bank. Models of combating graft and corruption were highlighted in the forum such as citizen's participation in PPBIME, public disclosures and use of social accountability tools. Out of this initiative, the Social Accountability Leaders Network or SALNET was born in February 2007. SALNET is a multi-sectoral alliance of civil society, government, the academe, business/professionals and media. SALNet has championed Models of Active Citizenship and Transparent and Accountable Governance. **(www.angelfire.com/journal2/icode/)**

The KAPODON Experience: Promoting an Indigenous Governance System

Donato Bumacas, Chief Executive Officer of the Kalinga Mission for Indigenous Communities and Youth Development Inc. narrates how NGOs came together in their area to pursue a better governance system. "In the 1990s, we started to organize the network, Kalinga Apayao People Oriented Development Organizations Network (KAPODON). From 2000-2005, KAPODON installed, monitored and evaluated the installation and implementation of organizational, management and financial systems. Based on the general assessment reports, the following were helpful ingredients in promoting good governance: (1) culture & gender sensitivity so that we enhanced the indigenous way of management & decision making processes (2) empower-ment or building up the capacities of our leaders to install and implement the systems (3) common vision to promote good governance and (4) present technical expertise of KAPODON members particularly the lead NGO, KAMICYDI, in the development of organizational, management and financial systems." (**www.ecoagriculturepartners.org/ documents/meetings/COP7/Kamicydi.ppt**)

Applying What You Learned

Organizational documents that indicate your organization's partnering and networking activities will include:

➤ Certification/s of Accreditation from government agencies
➤ Certificate/s of Affiliation from NGO networks
➤ other correspondence from partners

Given your networking activities, would you say that your organization has clear intra– and inter–agency linkages?

If the answer is NO, rethink…Why network, what's our purpose? How do we network with a purpose?

NOTES
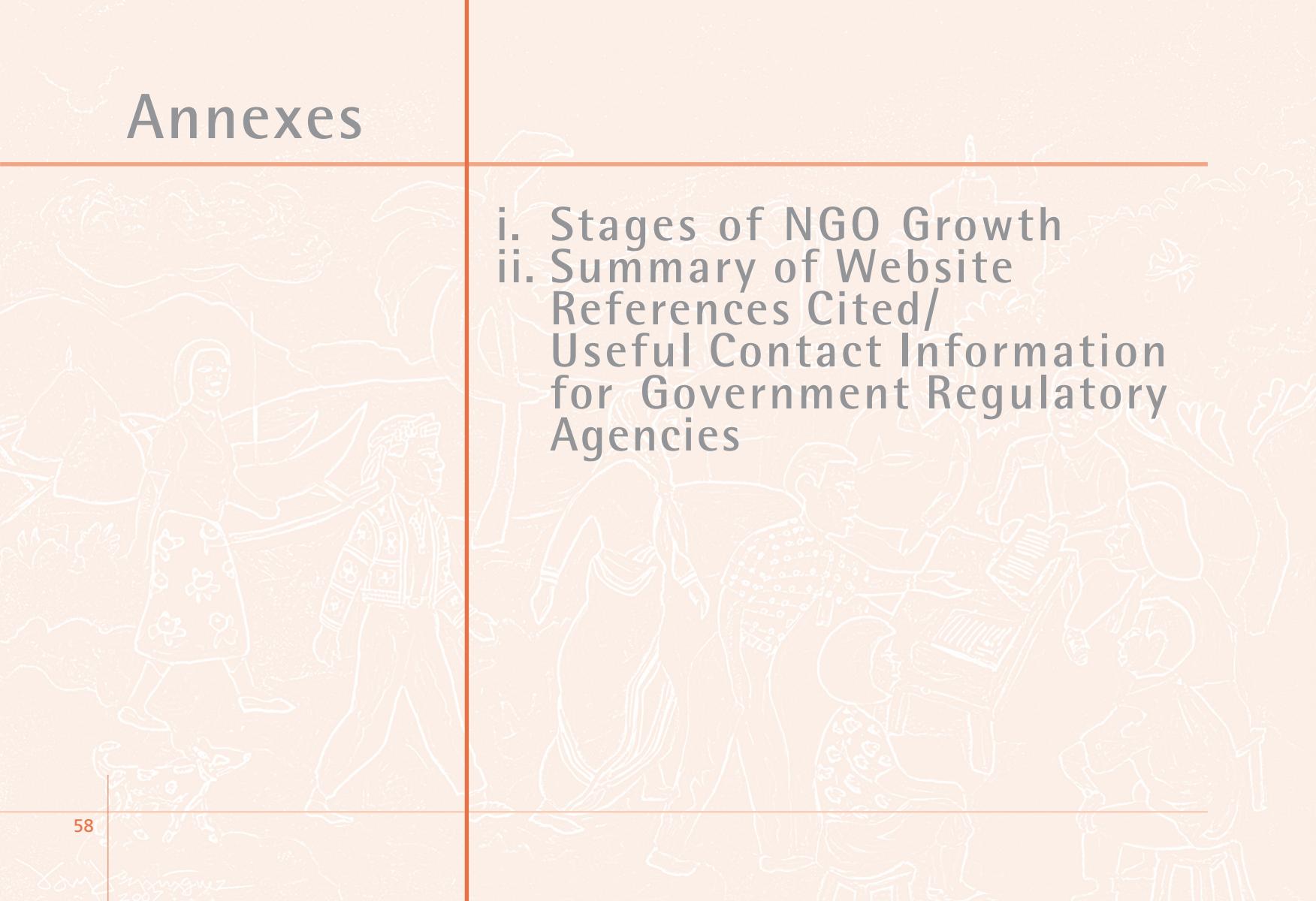
Annexes

i. Stages of NGO Growth
ii. Summary of Website
    References Cited/
    Useful Contact Information
    for Government Regulatory
    Agencies

Stages of NGO Growth

INSTITUTION BUILDING (IB) FRAMEWORK FOR NGO/PO

Philippine Business for Social Progress

STAGES / INDICATORS	FORMATION	CONSOLIDATION	INSTITUTIONALIZATION
Organizational Management	❏ Short-term goals with VMGO focused on projects	❏ VMGO moving towards multiple projects	❏ VMGO matching organizational life with multiplicity of projects
	❏ Projects-level strategies	❏ Multi-project/ program strategies (organizational activities focusing on program expansion)	❏ Organizational strategy
	❏ Project-grounded organizational structure	❏ Function-based organizational structure	❏ Function/matrix organization
Project/ Program Management	❏ Single/limited project agenda	❏ Multiple project agenda moving towards programs	❏ Program agenda
	❏ Project framework	❏ Multiple project/ program framework	❏ Integrating program framework
	❏ Limited project resources	❏ Programmed project resources	❏ Program attracts/ generates resources
	❏ Systems based on project requirements	❏ Systems based on program requirements	❏ Systems service organizational requirements
	❏ Can conceptualize, implement, evaluate non-reflow projects	❏ Can conceptualize, complement, evaluate multiple non-reflow and/ or reflow projects	❏ Can conceptualize, implement, evaluate programs with multi-projects
	❏ Monitoring and evaluation tool on project basis	❏ Monitoring and evaluation system and tools (organizational)	❏ Effect/impact evaluation conducted and used

STAGES INDICATORS	FORMATION	CONSOLIDATION	INSTITUTIONALIZATION
		❏ Manual of operations (program level)	❏ Manual of operations
Financial	❏ Single-entry bookkeeping with full documentation of transactions: cash receipt/ disbursement books	❏ MRASI	❏ MRASI System fully operational
		❏ Cash Receipts/ disbursements, books plus subsidiary journal ledgers	❏ Manualized financial systems and policies
	❏ Separate book of accounts	❏ Separate bank accounts for different projects	❏ Separate bank accounts (for different programs)
	❏ Separate personnel handling cashiering and bookkeeping functions	❏ Full-time bookkeeper and full-time cashier	❏ Finance Officer, bookkeeper, cashier
	❏ Project budget	❏ Budgetary System (Program Level) ❏ Audited financial statement	❏ Budgetary Systems—Planning (Institutional)
Resource Planning	❏ Can generate external resource for project	❏ Program to internal generate funds	❏ Diversified resource base
	❏ Can assemble 100% of counterpart financial requirements (non-monetary)	❏ Policies on resource accessing and usage	❏ Policies on cash/ investment management receivables, etc.
Administrative	❏ Filing and document control systems sufficient to meet project requirements	❏ Record-keeping systems for projects	❏ MIS System (not necessarily computerized)
	❏ General clerks	❏ Clerical staff perform semi-specialized administrative functions	❏ Administrative Units with specialized functions in organizational structure
		❏ Systems of policies	❏ Manual policies on admin operations

Annex ii

Summary of Website References Cited/ Useful Contact Information for Government Regulatory Agencies

1. **www.afonline.org** — Association of Foundations, 9/F, Aurora Tower, Cubao, Quezon City, Philippines. A.F. hosts the Philippine Foundation Center and shares its website which contains a database of references about NGOs. A.F. also provides funding through the NGO Strengthening Assistance Mechanism; Project Proposal format can be downloaded for free.

2. **www.asiapacificphilanthropy.org** — Asia Pacific Philanthropy Consortium, APPC Secretariat at 2/F Lexington Condominium, Xavierville Avenue, Quezon City, Philippines. Publisher of the Accounting Guide for Nonprofits, 2005

3. **www.boardsource.org** — BoardSource, Washington DC, USA. This organization devotes its work to "building effective nonprofit boards;" has an extensive knowledge center as well as books and tools.

4. **www.codengo.org** — Caucus of Development NGO Networks, Esteban Abada Avenue, Loyola Heights, Quezon City, Philippines. Produced the

Covenant on Philippine Development and Code of Ethics (available as free download).

5. **www.fieldstonealliance.org —** Fieldstone Alliance, 60 Plato Boulevard East, Suite 150, St. Paul, Minneapolis, USA. E-mail: info@Fieldstonealliance.org. Fieldstone Alliance provides a wide range of nonprofit management tools free-of-charge. Publisher of the book, Four Essential Finance Reports in Nonprofit Stewardship: A Better Way to Lead Your Mission-Based Organization by Peter Brinckerhoff

6. **www.gtz.net —** Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), GmbH Dag-Hammarskjöld-Weg 1-5 65760 Eschborn. Postal address: Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH Postfach 5180 65726 Eschborn, Tel: +49 6196 79–0, Telefax: +49 6196 79–1115, E-mail: info@gtz.de. GTZ is an international cooperation enterprise for sustainable development with worldwide operations. Its corporate objective is to improve people's living conditions on a sustainable basis.

7. **www.governanceprofessionals.org —** Society of Corporate Secretaries & Governance Professionals, 521 5th Avenue, New York, NY 10175 USA. Publisher of "Governance for Nonprofits: From Little Leagues to Big Universities" (available as free download)

8. **www.lcf.org.ph —** League of Corporate Foundations, 1GFC Midland Mansions Condominium, 839 Arnaiz Avenue, Legaspi Village, Makati City, Philippines. Tel: +63(2) 892–9189, Fax: +63(2) 892–9084, E-mail: secretariat@lcf.org.ph. LCF is the network of corporate foundations in the country and hosts the annual Corporate Social Responsibility Expo.

9. **www.bridgingleadership.aim.edu/BASULTA —** Asian Institute of Management Mirant Center – Bridging Leaders Program, Paseo de Roxas Street, Makati City, Philippines. The Center hosts the secretariat of the BaSulTa network which focuses work in Mindanao conflict areas.

10. **www.pcnc.com.ph —** Philippine Council for NGO Certification, 6/F SCC Building, CFA Compound,

4427 Interior Old Sta. Mesa Road, Manila, Philippines. Tel: 715–9594, 715–2756

11. **www.pef.ph —** Peace and Equity Foundation, Esteban Abada Street, Loyola Heights, Quezon City, Philippines. Tel: 527–7741. PEF funds and also implements programs on poverty and development issues with focus on the poorest areas in the country. Various references are available; also the Project Proposal format (available as free download).

12. **www.pbsp.org.ph —** Philippine Business for Social Progress, head office at 3/F PSDC Building, Magallanes cor. Real Sts., Intramuros, Manila, Philippines. Regional offices in Cebu and Davao City. Various references about project development, monitoring and evaluation are available at PBSP.

13. **www.philssa.org.ph —** Partnership of Philippine Support Service Agencies, 3rd Floor, Joseph Cardinal Hoffner Social Training Center, Social Development Complex, Ateneo de Manila University. Tel: 426–4328, E-mail: philssa@pldtdsl.net

14. **www.thesource.gov.au/ausyouth —** AusYouth (Adelaide SA) has various publications and resources about volunteering, for example, Volunteering and Youth Development: Making a Positive Difference, Good Practice, An Implementation Guide by Christine Sanders, 2002

15. **www.venture-asia.org —** Venture for Fund Raising, Unit 2801 Jollibee Plaza Building, Emerald Avenue, Ortigas Center, Pasig City, 1605 Philippines. Tel: 634–8889 to 90, Fax: 637–3545, E-mail: venture@venture-asia.org. Venture conducts various workshops about fund raising. In partnership with MRM Worldwide, Venture for Fund Raising launched the first Philippine Giving Portal, "Reconnect", at www.reconnect.org.ph

16. **www.worldvolunteerweb.org —** The World Volunteer Web is offered by the United Nations Volunteers (UNV) programme in partnership with organizations like CIVICUS: World Alliance for Citizen Participation, Portal do Voluntário and others. The World Volunteer Web supports the volunteer community by serving as

an online global clearinghouse for information and resources linked to volunteerism that can be used for campaigning, advocacy and networking.

Philippine Government Agencies:

17. **www.bir.gov.ph** — Bureau of Internal Revenue, BIR National Office Bldg., Agham Road, Diliman, Quezon City, Philippines. Tel: 929–7676, 927–2511
    a. Tax Code — www.bir.gov.ph/taxcode/taxcode.htm

18. **www.dole.gov.ph** — Department of Labor and Employment, Muralla cor. Gen. Luna Sts., Intramuros, 1002 Manila, Philippines. Tel: 527–8000
    a. Labor Code — www.dole.gov.ph/laborcode/
    b. Wage Orders per Region — www.nwpc.dole.gov.ph/pages/statistics/stat_current_regional.html

19. **www.dswd.gov.ph** — Department of Social Welfare and Development, DSWD Bldg., Constitution Hills, Batasan Complex, Q.C., Philippines. Tel: 931–8101 to 931–8107, SMS to (0918)912–2813

20. **www.pagibigfund.gov.ph** — Home Development Mutual Fund/Pagibig Fund, Atrium Bldg., Makati Avenue, Makati City, Philippines. Tel: 811–4401 to 27. Call Center 724–4244
    a. Membership Procedures and Requirements — www.pagibigfund.gov.ph/sp_mp&r.htm

21. **www.philhealth.gov.ph** — Philippine Health Insurance System, Citystate Center, 709 Shaw Boulevard, Pasig City, Philippines. Tel: 637–9999

22. **www.sec.gov.ph** — Securities and Exchange Commission, EDSA, SEC Building, Greenhills, Mandaluyong City, Philippines. Tel: 726–0930 to 39
    a. General Information Sheet — www.sec.gov.ph (click on Downloads, forms)

23. **www.sss.gov.ph** — Social Security System, SSS Building, East Avenue, Diliman, Quezon City, Philippines. Tel. Nos: 920–6401, 920–6446, E-mail: member_relations@sss.gov.ph

Other References

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➤ Asia Pacific Philanthropy Consortium. Accounting Guide for Nonprofits. Quezon City, Philippines. 2006.

➤ Abella and Dimalanta (2003). "Governance, Organizational Effectiveness and the Nonprofit sector in the Philippines". Asia Pacific Philanthropy Consortium. Manila.

➤ Bumacas, Donato. About KAPODON/KAMICYDI Organizational Management and Financial Systems. Project Reports. 2007

➤ Anheier, Glasius and Kaldor (2003). "Global Civil Society in an Era of Regressive Globalisation," in Global Civil Society. New York: Oxford University Press.

➤ Department of Social Welfare and Development. Memo on Fund Allocation and Utilization of Social Welfare and Development Agencies and Social Work Agencies. May, 2007

➤ *Fund Raising Basics*. Presentation to PCNC Learning Event. Venture for Fund Raising. Presented by Trin Custodio, June 2007, Cagayan de Oro City.

➤ *Governance*. Presentation to PCNC. Fr. Anton Pascual. ___

➤ National Center for Nonprofit Boards (BoardSource), *Ten Basic Responsibilities of Nonprofit Boards* (Training Material), Richard T. Ingram.

➤ McMahon, Justine, "The World According to Ed Comeros," Philippine NGO MEMO: NGOs and Human Resources. CODE NGO, Issue No. 2, April–June 1997.

➤ Philippine Council for NGO Certification. Evaluator's Kit.

➤ Philippine Council for NGO Certification. NGO Self-Regulation and Certification:The Philippine Experience. Monograph Series.___

➤ PCNC and NGO Performance Standards. Training Materials presented by Fely Soledad. ___

➤ Songco, Danilo A. "The Evaluation of NGO Accountability Practices and their Implications on Philippine NGOs", Philippine Council for NGO Certification. 200_

List of interviews:

1. Sr. Mary Clemen, Project Directress, Sentro sa Maayong Magbalantay, Inc.–Good Shepherd–Ibig, Cagayan de Oro City, June 2007.

2. Mr. Norman Jiao, Executive Director of The Association of Foundations, Board member of the Philippine Council for NGO Certification, Quezon City, August 2007.

3. Ms. Veronica Ester Mendoza, Evaluator/Consultant, Philippine Council for NGO Certification, Quezon City, August 2007.

4. (Group interview of PCNC Evaluators): Ms. Willa Lamata of the Institucion Teresiana de Educacion y Cultura; Ms. Cristy Hangod of the St. Luke's Medical Center; and Ms. Victoria M. Segovia of the Miriam College Foundation, Quezon City, August 2007.

5. Ms. Sharon Tiongco, Executive Director of PACAF–Davao, Davao City, October 2007.

About the Philippine Council for NGO Certification (PCNC)

Background

In the 1980s to 1990s, the number of registered NGOs in the Philippines grew rapidly. NGOs had gained popularity as channels of the public good, filling in gaps where government could not deliver the needed services. But there grew as well concerns about the ability of the government to regulate all these organizations. The question posed was how government could ensure that resources channeled to NGOs were actually being used for their declared goals and objectives. These concerns were significant because Philippine NGOs enjoyed tax incentives under the law. NGOs could avail of tax exemption and donee institution status (which allowed local donations to be deducted from the donors' taxable income and exempted from donor's tax).

In 1995, the Department of Finance (DOF) came under increasing pressure to increase revenues to the central government. The DOF and the Bureau of Internal Revenue (BIR) therefore set up a joint task force that proposed a sweeping change of the taxation system. The proposal, known as the Comprehensive Tax Reform Program or CTRP, would have eliminated the deductibility of donations to NGOs as one means of increasing revenues for the state. If passed, it would

have only allowed the deductibility of donations to government relief and rehabilitation projects from the donors' taxable income. In reaction, some leaders of top corporate foundations and NGO networks immediately expressed their concern to DOF. They explained that the CTRP would have an enormous detrimental effect on NGOs dependent on local donations. The DOF in turn, challenged the NGO representatives to create a self-regulatory body to certify non-stock, non-profit organizations for donee institution status, allowing them to receive tax-deductible and tax-exempt contributions under the new tax law.

PCNC's establishment

Rising to the challenge, six of the country's largest national NGO networks—the Association of Foundations (AF), the League of Corporate Foundations (LCF), The Philippine Business for Social Progress (PBSP), the Bishops–Businessmen's Conference for Human Development (BBC), the Caucus of Development NGO Networks (CODE-NGO) and the National Council for Social Development Foundations (NCSDF)—organized the Philippine Council for NGO Certification.

PCNC signed a Memorandum of Agreement with DOF under which it was given the authority to certify NGOs applying for donee institution status based on specific standards. The certification would then serve as a basis for the BIR to the grant donee institution status. PCNC was registered in 1997 with the Securities and Exchange Commission as a private, non-stock, non-profit corporation and was publicly launched on February 5, 1999.

Program of work

PCNC's programs deliver on two major goals:
➤ certification with BIR for donee institution status
➤ promotion of good governance and effectiveness within the NGO sector

PCNC has implemented the NGO certification process to encourage local donations to NGOs so significant at this time when resources channeled to social development projects, particularly from foreign donors, have diminished.

PCNC also exists to promote good governance manifested in professionalism, accountability and transparency within the

NGO sector in the Philippines. In effect, PCNC certification to an NGO means a "seal of good housekeeping," thus identifying NGOs "of good standing" that funding agencies and partners, both local and foreign, may consider in their choice of which organizations to support. The evaluation process itself is deemed to be beneficial as it provides the applicant NGO the opportunity to assess and improve its own status as an organization and address organizational concerns.

Governance

PCNC is governed by an eleven-member Board of Trustees composed of representatives of the various NGO networks, members elected from among the certified organizations, and a BIR representative. The primary function of the Board, which meets once a month, is to examine the evaluators' findings and make the final decision on the certification of applicant NGOs.

PCNC operations are handled by a Secretariat headed by an Executive Director who is assisted by eight (8) staff members. The Secretariat serves as the operational hub and coordinates the activities involved in the whole evaluation/certification process. For more information, visit PCNC's website **www.pcnc.com.ph**. Or call the Secretariat at (632) 715–9594, 715–2756.

PCNC CERTIFICATION PROCESS

BEGIN

Step 1

Applicant gives Letter of Intent & Application Form plus ₱1,000 fee to PCNC.

Step 2

PCNC sends Applicant a Survey Form to fill up.

Step 3

Applicant gives back Form along with attachments and balance fee.

Step 4

PCNC undertakes the Certification Process

a

Step 4.a

a. PCNC forms the Evaluation Team.

Step 4.b

b. Team conducts a visit.

Step 4.c

c. Team submits findings to the PCNC Secretariat and Board.

Step 4.d

d. Will the PCNC Board certify or not?

NO

Step 5

PCNC informs Applicant of the result (with recommendations).

YES

b

b

Step 5

PCNC informs Applicant of the result (with recommendations).

Step 6

PCNC will endorse to BIR.

END