

Philippine Business
for Social Progress

CSRO Accountability & Sustainability

Critical Lessons from Best Practices

**Southeast Asia Regional Conference
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OPENING

Eugenio M. Caccam, Jr.

Associate Director

Philippine Business for Social Progress

We welcome you to this regional conference. Our venue is quite far, but it turned out to be a wonderful one. We hope it could inspire us all to make this workshop both productive and enjoyable.

About three (3) years ago, a group of Civil Society Resource Organizations (CSROs) in the region came together in the Philippines to find ways in making their efforts sustainable, and achieves impact. Thus was born the CSRO Project with the help of the Synergos Institute.

For two (2) years, we have developed and been running workshops on financial sustainability and institution building in the Philippines, Indonesia and Thailand. In the process, the small group that came together to the Philippines in 1998 increased their membership and consequently their reach. However, as we address the issue of financial sustainability there is also the issue of accountability and demonstrating results to the public in general and to those who support us in particular. Now, this conference is the culmination of the 2nd year of the CSRO project, and it will focus on the twin issues of sustainability and accountability. Experiences of members and other civil society in the region, which had experiences in these fields will be presented today.

In closing, let me say thank you to the group for giving PBSP the opportunity to be the lead organizer for this conference. Together with Synergos, we thank Sasakawa Peace Foundation for supporting the three-year CSRO Project. For NOVIB and Ford Foundation for additional support for this conference. On a very personal note, thanks also goes to Ms. Rory Tolentino, as the former Executive Director of PBSP. She maintained the vision that PBSP should be active in the region, and should reach out, work and share experiences with its colleagues. Our gratitude likewise goes to Ms. Somying Soontornwong of the Thai Fund Foundation and The Asia Foundation for anchoring this conference. With us also is Mr. David Winder of Synergos Institute, who will also give some background about our activity today. Again, welcome and thank you very much.

OPENING

David Winder

Director

The Synergos Institute

As always, it is a great pleasure to be in Thailand or in Southeast Asia. I would like to thank our Thai host – the Thai Fund Foundation – for all the work they've done and for making this meeting possible. I can't name everybody, but I know in this kind of meeting a huge amount of work goes into the preparation. An enormous amount of thought has gone into setting the agenda up, and some arm-twisting done for people to make presentations. A huge amount of job was done in putting the conference together.

Before we launch into the discussion, it is useful to remind ourselves of why we are here. Some may be wondering about the term C-S-R-O. The history goes back to 1995 when Synergos Institute partnered with a number of organizations in Southeast Asia to map the universe of organizations that were mobilizing financial resources and using these resources to strengthen civil society. Sasakawa Foundation funded the research activity. I am pleased that Ms. Yayoi Tanaka is here with us today. She had been with the project since the very beginning. About 60 organizations were identified in the Philippines, Thailand and Indonesia that fit into the category defined. In the recent update, it brings the number of organizations' profiles to 100. Many of the organizations' profiles are with us today.

In searching for a term to describe these organizations, Civil Society Resource Organizations (CSROs) came up. The term is a mouthful but has a number of advantages over grant making organizations. It best describes organizations, which are doing more than simply giving grants. Above the giving of grant, these organizations are providing leaders in their communities, who assist in searching for solutions to deeply rooted problems of poverty and environmental destruction, or issues on women, youth, farmers or urban communities. But whatever or wherever CSROs are working, these organizations are proving to be more and more critical in providing resources and leadership in search of solutions to problems of society. Fortunately, a number of donors – bilateral donors, foundations, and NGOs in Japan, Europe and North America appreciate the critical role that CSROs are playing in the region. They are providing financial support. I am pleased to see many of the bi-lateral organizations/donors here with us today. This is a great opportunity to dialogue.

The discussion on the CSROs in the early days pointed to a number of needs for institutional development. Those early researches showed a wealth of experience already in the region. In the first meeting, Synergos collaborated with PBSP and other organizations to organize a series of events for CSROs to exchange experiences and look at the past, then learn and build from those experiences. Valuable supports were provided by various organizations in putting together this meeting. They include Chulalongkorn University in Thailand, the Center for Philanthropy and Civil Society and the Thai Fund Foundation. In Indonesia, Bina Swadaya has been a close ally. Together, peer learning activities were undertaken. Synergos recognized that the best learning does not come from specialists but from practitioners. In the next day, it will become apparent what a wealth of experiences the CSROs in the region have. This process started with a number of meetings with CSROs

that were held in 1997 and early 1998 in Thailand, Philippines and Indonesia, culminating in the 1st Regional Conference of CSROs, which was held in May 1998 in Tagaytay City, Philippines. The year was memorable as this is the fall of Suharto. Our Indonesian friends hardly made it to the conference. It was good that two were able to come. These early meetings were focused on resource mobilization; how to raise more resources so that they could implement their visions-missions and work with larger number of organizations. Topics of earlier discussion also include: the issue of building a sustainable financial strategy, of mobilizing resources for program operations and for building endowments.

In September 1999, another meeting was held in Manila, focused on endowment. There was clearly an increased interest in how to grow endowment and invest effectively to continue to expand programs.

All the meetings held provided rich opportunity for exchange of experiences, capturing them and sharing them more broadly.

Today is another great opportunity for us to come together for the 2nd regional conference on CSRO. We will look into the challenges facing us now, namely:

1. How to apply our human and financial resources to have a maximum impact on the problems of poverty and environmental destruction. Here we will look at how best to strengthen the civil society organizations and empower organizations at the community level, then see the usefulness of measuring impact of our work.
2. How to strengthen the accountability of the CSROs. Linked to this is how to create a more favorable legal/tax environment in our respective countries.
3. How to build synergies between sector and the government; between our sector and the market. Two panels will focus on these issues.
4. How to develop effective relationship with the Official Development Agencies (ODA) in ways, which forwards the agenda of both sectors. That will be the concluding panel.

As we explore these issues, solutions and challenges, we turn for inspiration to the members of this group. Many of you are grappling with these challenges and coming up with creative solutions. We would be sharing those in the next days.

Once again, this is a great opportunity to learn from each other and develop systems for on-going communication. We hope we could come up with ideas and suggestions for follow up in each country. A bit ambitious is the country plans this conference hopes to produce. We need to see what are the major issues in each country and how to move the discussion forward. They may vary from country to country depending on legislation regarding non-profit organizations.

Also, we've taken advantage of this event to add on another small workshop, which will take place in Bangkok on Thursday. The workshop is the *Asset-based Community Development (ABCD) workshop*, which will explore concept on ABCD, and how it can be used to support sustainable development of people's organizations. The main issue is: how to identify and mobilize local assets to support people and community organizations. Synergos invited CODE International Institute of CANADA and two representatives from SEARSOLIN, Philippines.

On behalf of Synergos, I express my thanks to our host, the Thai Fund Foundation and the staffs of PBSP, who were able to fine-tune all the arrangements. Also thank you all for making time to get away from your busy schedule. I know the Philippine delegation has something of a challenge to get here yesterday. Fortunately, they made it. I am sure you're not going to regret coming here to share experiences.

Lastly, our gratitude to Sasakawa Peace Foundation, NOVIB and Ford Foundation, which are generous to provide support. With this, I formally open the panel discussion.

KEYNOTE

The State of Play of Southeast Asian CSROs

Paiboon Wattanasiritham

*Chair, The Thai Fund Foundation & Community
Organizations Development Institute*

Good morning to everyone!
As host country, I would like to welcome you to Thailand – the land of smiles. [We smile more when we're away from work.]

We come from basically three countries – Indonesia, Thailand and Philippines, in addition to those who fund the conference. Regrettably, we're in the midst of economic trouble. Yet, we all have inner strength – the very reason we still survive these days and why we could all come here without much difficulty. Economic troubles represent the weaknesses that exist in our society, in our political system. Needless to say, we have weaknesses in our social system. But together with the weaknesses, we also have strengths. In the course of discussion, you'll see the strengths in each of the countries that are represented here.

As a positive thinker, I also think of what is possible rather than the problems. All three countries have common challenges: how to strengthen our societies, or what is termed as societal strengthening. The whole society is composed of three components: state, civil society and the market. Civil society, of course, is our basic focal area. We are all involved in attempts to strengthen civil society. Prof. Putmans in working on Italian society realized that: *for development to be sustainable a country needs a strong civil society or strong civic tradition*. Civil society has tradition that emphasized trust and mutual relationship. For civil society to work well, civil society has to be organized as civil society organization (CSO). To operate well, CSOs need resources, hence, they are what Synergos calls CSROs. Whatever we are called, we need resources to finance, facilitate activities including operations of NPOs and community organizations.

Where do resources come from? Resources, could come from both financial and non-financial, such as:

1. from self-generation. Organizations may generate their resources from work they do; from activities they carry out; from the values they have.
2. from endowment. The funds could later be accumulated to increase the amount of endowment and generate more funds.
3. from government resources. There are various forms by which government can enable flow of resources from public sector to civil society or people sector. This will be discussed in the course of the conference.
4. from general public. Every person has inner desire to give as well as to receive. Individual is a potential source of fund. Surprisingly, individuals constitute a good part of fund source for social development purposes.
5. from business sector. The sector can promise to be a major source of resources.
6. from international sector, which is equally important fund source.

How to mobilize resources in the most efficient and effective manner, is one question the CSROs is concerned about. Resource mobilization is synonymous to resource distribution, resource management and management of organization that carry out the resource mobilization. Below are key factors proposed to effectively and efficiently do resource mobilization:

1. Capacity building. In order to do more, the organization must be a capable doer, with sufficient capacity and back by resourceful humans.
 - a. To have sufficient capacity, organization must have knowledge management. Knowledge management is more than creating knowledge, planning, searching, analyzing and synthesizing knowledge. It is utilizing, storing, transmitting and exchanging knowledge. But it is important to be selective and to know what is needed as there is an array of knowledge available.
 - b. Humans are all very resourceful given the opportunity, right environment and impetus. How then can we be encouraged to bring out all the resources that exist within ourselves, is part of the challenge. The resources within include ideas, innovations, creativity and never-ending search for new ways of doing things that would help bring about success in resource mobilization.
 - c. Management capability is common but is difficulty to achieve. However, these are not common among CEOs because most are idealistic, dedicated, and energetic and want to move ahead. They neglect the most important – management.
 - d. Organization has to be credible and accountable. Accountability has to be apparent, proven and transmitted to potential givers or supporters. How to bring about, sustain and spread it among CSROs are things that will be discussed in this conference.
 - e. Be a learning organization. The organization needs to learn to improve, operate and sustain. Based on *Dr. Peter M. Senge's 5th Discipline*, the organization has to develop:
 - e.1 systems thinking. It is best manifested in understanding relationship of various components of all things in the universe. All systems are interrelated and move in dynamic manner. Systems thinking help widen our horizon and help dig deep into the workings of the very complex environment in which we operate.
 - e.2. positive mental models, which could enable us to accept challenges without negative reactions. It is to see opportunities in problems and being able to do what needs to be done.
 - e.3. shared vision, values and goals
 - e.4. a habit of learning as team or learning together. This will develop the synergy among persons who composed the team.
 - e.5. personal mastery, which is essentially the skills and capability of the

person in the learning process. Each and every member of the organization is a life-long learning person.

2. Enabling environment. Whatever we do, we will do better when there is an enabling, supportive environment. This may consist of:
 - a. government policies. In a country with restrictive government, CSO/CSROs will find it hard to operate. If government makes explicit policies to support NGOs like the Philippines, you could see the blooming of CSOs/NGOs.
 - b. legal and regulatory structures. These are equally important but most countries are lacking this.
 - c. tax and budgetary provisions which came from positive government policy measures. In all 3 countries, there have been significant flows of resources coming from government through tax and budgetary provisions.
 - d. Culture and social process occurring in each country could be enabling or restricting.
 - e. Networks and movements of NGOs/CSROs and relationship between NGOS/CSROs and other sectors. The networks or movement can create mutual empowerment as well as them becoming an enabling environment.

Networks could be equated to a minute part of the brain. There are over 100,000 million brain cells connected to other brain cells through dendrites. It may have 700,000 networks connected to each other. This forms the most complex networks but most efficient machine on earth. The working of the brain can apply to what CSOs/CSROs are trying to do and will be doing. This conference is like the operation of the brain cell. In coming together, information, and ideas come out and network formed that would allow the future connections, not only amongst you present, but also to the society you represent. Be assured that we will all gain a great deal. There is so much to be shared basing on the agenda, and learned as well. May you enjoy and benefit from this conference. Thank you.

CRITICAL LESSONS ON CSRO

Session 1

Session Chair

Dr. Juree Vichit-Vadakan

*Chair, Center for Philanthropy and Civil Society
National Institute for Development Administration (CPCS-NIDA)
Vice-President, Thai Fund Foundation*

Good morning! We are here because we are like-minded people. We always want to see society having more justice, peace and equal opportunity for the less well off in the society. We try so many methods toward achieving this. CSRO is one form by which we can try to bring about sustainability and assistance to those who can help themselves. The issue of sustainability and accountability became very important because we are working with multi-partners, with different capacities in helping out societies. The professionalization of the sector becomes an issue that is talked about in the conferences, as well as the governance of non-profit sector, a replica of the western models of governance. Should board be important? What about the indigenous model of accountability? the indigenous pattern of accountability? We accepted there are several patterns of accountability. An example is the savings group in Southern part of Thailand, using the micro-finance system within the community. The basic principle is having internal social sanction.

In the other level of accountability, there are always reasons behind and in that the legitimacy of civil society is important because of issue of public trust. Great importance is put on maintaining it. It may have consequences if it is violated. Our presenters for this session will show how public trust is maintained.

CRITICAL LESSONS ON CSRO ACCOUNTABILITY

Session 1

Accountability as a Sector: The PCNC Experience

Ms. Felicidad Soledad

Executive Director

Philippine Council for NGO Certification

Thank you to the organizers. I am happy to be following to Mr. Paiboon Wattanasiritham, as he laid down the principles and context by which I would like to proceed.

In the Philippines, the roles of NGOs were emphasized during the Marcos era. NGOs became useful in the delivery of basic social services. Then came the People Power I & II, all the more the number grew. Government recognition of the sector is enshrined in the 1987 Philippines Constitution, which provided that mechanisms be put up so NGOs and POs be involved in consultation with government especially in delivery of social services and decision making. The Local Government Code of 1991 also mandated Local Government Unit (LGU) to put up mechanisms so local special bodies are included in the pursuit of local autonomy.

With the democratic space and inflow of donor fund particularly during the Pres. Corazon Aquino's term, there arose alarm among NGOs because of the sudden proliferation of fly-by-night NGOs. Their credibility and legitimacy cannot be accounted for. The CODE-NGO, the largest network of NGOs in the Philippines, came out with a covenant or code of ethics, but this didn't work out because of absence of mandate from the Philippine government.

In 1995, the Comprehensive Tax Reform Program came out, which wanted to take away deductibility of local donations to NGOs. This paved the way for lobbying. The government heeded. The Department of Finance agreed to retain the tax incentives provided that the sector could help in determining legitimacy of NGOs, which deserve the tax incentives. So in response to the emergency situation, six (6) networks took up the challenge. They are the Association of Foundations, the League of Corporate Foundations, PBSP, NCS, Bishop-Businessmen's Conference of the Philippines and CODE-NGO.

The Department of Finance authorized PCNC to certify NGOs to be given tax incentives or be given donee status. With the authorization, the Philippine Bureau of Internal Revenue followed and drafted the implementing rules and regulations (BIR #13-98).

Later, the PCNC Board decided to come up with its vision-mission and objectives. Its vision is: *a self-regulating NGO, which is committed to the pursuit of development goals and respected by the government, donors, and international institutions.* The PCNC mission reads: *to be recognized as pre-eminent institution accrediting entity of Philippine NGO aspiring for a donee institution status and as such to continuously create an environment where NGOs enjoy credibility and confidence of its various stakeholders.* PCNC objectives include:

1. provide mechanism for certification of NGOs that meet minimum established criteria for greater transparency and accountability;
2. encourage private sector participation through the availment of incentives under the comprehensive tax reform program;
3. stimulate and integrate the efforts of non profit sector to level standards of its service delivery; and
4. provide model for greater government-NGO collaboration and complementation.

Programs:

1. NGO certification and training of evaluators
2. Public awareness campaign
3. Research and documentation project
4. Organizational development mechanisms - certified NGO become members and participate in the governance of the council.
5. Training of evaluators. PCNC trained 960 evaluators across the country; conducted 60 fora; reached 5,1000 individuals/organizations; and evaluated 208 NGOs.

Criteria use for certification:

1. Vision-mission-goals which set the direction of the organization
2. Governance. PCNC sees the Board as important in an organization for setting the directions and types of services to be delivered.
3. Administration - Staff and the management of staff
4. Program Operation – to include planning, implementation, monitoring and evaluation system.
5. Financial management. PCNC gives most weight to measure of accountability, transparency and sustainability.
6. Networking

Issues:

1. ensure consistency of compliance with existing policy
2. formulate minimum standards
3. ensure that small NGOs are assisted in meeting the certification requirement. Help desk are put up to ensure this.
4. initiate multi-sectoral dialogue toward defining public good.
5. advocate for policy changes because of government moves e.g. gross income taxation; allowance to all corporations deleting the provisions on donations, which is now in Congress.

Other concerns:

1. other additional services e.g. advocacy work for further tax exemption especially for business.
2. remove perceived bias against small NGOs/POs
3. issue of social relevance as criteria for certification
4. raising public awareness about PCNC
5. improving evaluation process

6. removing barriers to help small NGOs even if they don't want to be certified.
7. improving relation with BIR
8. ensuring stability in volatile political climate
9. keeping true to PCNC mandate. To do the work well before attempting to grow big.

Some insights:

- PCNC has to balance demand of stakeholders. Demands are different by sector. For example the donor community wants to know if NGOs have certain standards. PCNC on one hand has to live within the mandate given by government and ensure that NGO beneficiaries maintain quality of services. The general public seeks out the values of credibility, transparency through integrity.
- PCNC is a work in progress. It continues to process and learn. The evaluation has become interesting with some sector like the Philippine Institute of Certified Public Accountants (PICPA) getting interested. So PCNC moves on with renewed hope for better governance, for better Philippines despite the challenges.

CRITICAL LESSONS ON CSRO ACCOUNTABILITY

Session 1

The YAPPIKA Experience

Abdi Suryaningati

Executive Director

*YAPPIKA, Indonesian Foundation to Strengthen
People's Participation, Partnership and Initiative*

YAPPIKA is a civil society alliance for democracy meant to give rise to vision of democratic civil society Indonesia that respect pluralism and development of strong NGOs at local level. It is not merely giving grants but is conducting advocacy, public awareness campaign and creating support systems such as research clearing house, training to support partners to become more accountable professionals, enable them to be independent. Its activities include:

1. grant making
2. advocacy at national level
3. coordinate many coalitions working on different issues that are issues of YAPPIKA. It acts as coordinator of coalition of NGO advocates against laws of foundations in Indonesia. It advocates for another law on procedures to create a bill that assure citizen's participation in every policy formation.

Accountability is the measure of our success toward development results that YAPPIKA is able to deliver. This could be done by:

1. CSO should be able to transfer its V-M-G into concrete results. The Indonesia challenge is: how to measure the achievement of our Vision-Mission.
2. cost effectiveness of results. Have we achieved results at reasonable cost?
3. relevance of results or do the results make sense in terms of conditions and problems they are intended to respond to.
4. sustainability of results. Have the results continues after the termination of support? Is there local ownership of results?

To whom and how are we accountable?

1. To the constituents – the Indonesian publics. YAPPIKA provides periodic reporting to public and accepts students in its program.
2. To partner NGOs and communities. YAPPIKA involves them in planning programs, annual reflections. YAPPIKA employs the following strategy:
 - Uses monitoring as a 2-way learning system
 - Avoids judgmental reactions to problems. YAPPIKA establishes participatory dispute mechanism to deal with problems.
 - Improves support mechanism within the network and expands the network
 - Quick responses to partners' need and community target
 - Ability to channel the policy advocacy from local to national level

3. To donors - periodic reporting is done.

Sustainability of what? It is sustainability of impact and maintaining the organization. YAPPIKA can change position and role for as long as the plans are achieved.

Lessons learned:

1. Organizational/management level

- Satisfaction of services rendered is main indicator of success. If partners are satisfied, resources are not a problem.
- Ability to adopt to changing situations. Resources and seed capital are needed to continue to define organization roles.
- Building skills to communicate with the public at large is key to generate resources from other sectors. YAPPIKA embarked on book publishing and events coordination to raise funds. As far as its human resources, YAPPIKA practices rotation of staff, so as not to lose resourceful persons.
- Need to educate donors and partners as far as capability building, sustainability and accountability in Indonesia are concerned. There is not enough seed capital to move on after the project because donor gives only to implement plans. It is important to have seed capital to move on, and for staff to be able to raise funds within the project period. YAPPIKA lobbied to give time to generate own income.

2. Programmatic

- Monitoring and evaluation - YAPPIKA has a large capacity for learning using the 2-way system. This is why YAPPIKA discusses with its partners outcomes and improvements for local development.
- Need for creative ways to support capacity building for partners
- Linking successive alternative program at grassroots with advocacy. This is important for Indonesia as most of the problems are on structural level.
- Well-planned support system. YAPPIKA serves well its partners so it could sell its services more. It offers to broader network facilitation skills and consultancy.

**CRITICAL LESSONS ON CSRO
ACCOUNTABILITY
Session 1**

Measuring Results and Impact

Eugenio M. Caccam, Jr.

*Associate Director
Philippine Business for Social Progress*

The Philippines Business for Social Progress (PBSP) has an established research and evaluation unit. It has established mechanism, which could be viewed as touchstone of PBSP. This is also proof of how important measurement is to the organization, and research has been the lead unit in this. Research though has a very colorful history in PBSP. At one point it was an independent unit. It was lodged at the Operations Unit, thereafter at the Training Unit. This showed how the priorities of information needed were brought to the units needing them most. When there was a need to measure effectiveness of enterprise development or community organization the research and evaluation was lodged at the Operations Unit. When developing curriculum for social development workers' or training institutions, it became part of the Training Unit.

Now as PBSP tried to develop, refine its direction within the 5-years, it tried to develop a corporate planning unit, with strong research and measurement support.

The Purposes of Measurement:

1. To assess the effectiveness as an organization - is PBSP achieving its objectives?
2. To measure efficiency – is PBSP doing it at a least possible cost? Are the staff complement effectively used? Is it using financial resources efficiently?
3. To demonstrate the organization's capability to deliver. The research and evaluation will show whether PBSP achieved what it intended to and therefore enhance its ability to deliver.
4. To use the data to learn and build theories. Data tells the accomplishments, improvements that need to be done, pitfalls and problems and thereon PBSP learns from the experience. As an organization that is trail blazing in so many fields, measurements help PBSP to build theories or generalize specific experience to come up with universal ideas, which could be shared with certainty with colleagues in the NGO community.

The Framework:

The PBSP's framework is fairly simple which was developed and adopted from community organizing experiences. It measures inputs and outputs, the effects of efforts against outputs; and the over-all impact of work done versus effects. There have been problems in measuring impact. Attempts to measure net results of impact, and present them to colleagues and academe bring PBSP humbling experience. When results are presented to PBSP Research Advisory group, they would say *it is difficult to say that poverty in the community can be attributed to the PBSP's area development program because who knows*

the increase in family level of income in communities served is due to member of family working abroad. As much as this could be argued further, the problem of attribution is there.

The problem of attribution is – how much certainty do one have that benefits claimed are the effects of one's efforts. This is true not only to PBSP but to other organizations as well. It is important to bring this out, because now as a collegial body, CSRO here present could find ways to address this.

In the Philippines, PBSP has been talking with academicians and other sector on this. Actually, social scientists of the University of the Philippines are starting to develop tools to isolate specific outputs of specific inputs to overcome the problem of attribution. While for now, PBSP can't attribute entirely the impact of its work to its efforts, there are initiatives being done to finding ways to isolate variables which could directly be attributed to PBSP's efforts.

Levels of Measurements

Program is a body of knowledge that serves as framework for various activities in various localities, which are called projects. So in measurement, we differentiate these two as distinct levels.

1. Project evaluation level - questions may include: how many farmers are involved in income generating project? How many trainings conducted? How many participants benefited from the training? How many women are involved? And host of variables.
2. measure of effectiveness and efficiency of program such as the ComRel, ARM, small enterprise or CSR program
3. measure of effectiveness of PBSP - this could be in the form of program audit, financial audit, or the measure of amount of administrative support given to projects or ratio of staff to projects.

Methods of Measurement

1. Internal
 - review of records using the units' targets. PBSP units set their own indicators or targets each year, and they go back to records mid-way of project or fiscal year to compare accomplishments with targets. Annual accomplishments and the 5-year Plan are also compared.
 - Monitoring of projects by team or external evaluators to look at how projects are progressing, and reports are validated by actual experiences.
 - Regular program audit. An internal unit looks at the performance of units. Financial and processes are examined. At the Board level, the program audit committee, which meets regularly looks at the organization's performance versus its objectives. Added to this is the conduct of annual program reviews, to ensure that targets are realistic enough to be met.
2. External
 - independent evaluators are contracted to do mid-term or end of 5-year reviews. Indicators and milestones are furnished the external evaluators.

- conduct of “peer reviews,” where colleagues from NGO community are invited to assess PBSP projects such as the Area Resource Management (ARM), to determine if services delivered are what are needed, or could strategies still be improved.

Problems:

1. Qualitative results and quantitative measures. Evaluators often are looking for concrete data, which are mostly quantitative, but how should one measure quality of life, improvement in living standards, or improvement in quality of participation. This is something PBSP has to work on.
2. Problem of attribution
3. Static tools that measure continuously changing situations. We utilize Static Newtonian tools that operate in the field of energy which effect is similar to quantitative tools measuring qualitative changes. In the same manner, we have tools for short-term targets, when what needs to be assessed is the long-term impact. Practitioners and people in the academe could study and further refine the tools.
4. Who assesses impact? When do we measure impact? Often the budget for measuring impact comes too close to project termination. Obviously, impact is not the same as simple effects. Impact could be probably felt 15 or 20 years after the project ended. Who will evaluate these impacts then? The organizations or original implementers who understand the project vision and context may not be there anymore to explain what the project is all about. Still the better way is to leave the evaluation to other groups.

Lessons Learned:

1. Need for baseline data. Often at the onset of evaluation, we are confronted with reality that there is nothing to compare results with because of absence of baseline information. To do honest to goodness assessment, baseline data in the strictest term (no manipulation done to support conclusion) must be available.
2. Need for rigor in setting indicators and milestones. Many times, arbitrariness comes into play when setting indicators in the absence of model or rigor in development. Setting indicators depend on how conscientious, intelligent or creative the worker.
3. Clarity and specificity of objectives. Rational means of measuring objectives could be made when everybody understands the objectives.
4. Value of evaluation and its synergistic relation with planning, organizational effectiveness and credibility. This brings the need to develop tools that could overcome problems of attribution, which is the agenda of research in the organization.

PLENARY DISCUSSION

- Q. Do you have any idea of alternatives to Newtonian tools?
- R. E. Caccam: That is what we are trying to find out. PBSP system of measurement, according to the Research and Advisory Group is subjective and unreliable. The tools developed could not stand the rigors of examination and proof. This is the reason, PBSP is working with the Institute of Strategic Studies to develop the appropriate tools.
- Q. With regards to small NGOs that don't get certified or aren't quite ready to even ask for certification, what emphasis does PCNC put on capability building? Also you mentioned about help desk, what exactly does that mean?
- R. F. Soledad: The help desk is assigned to the network. They vary from one network to another, on how active they have been in promoting certification in the region. At the Associate of Foundation for example, a survey was conducted to determine needs of partners who need to be certified. After running the survey and the need was established, capability-building activities were conducted to help partners that are weak.

Among small NGOs, PCNC have quite larger number. They get certified easier than big ones. If an organization is good in financial management almost immediately they will pass. The rest of the evaluation areas balanced off somehow. Those that lack the criteria are deferred and given 6 months to comply with the requirement.

- Q. Who gives accreditation to PCNC?
- R. F. Soledad: In the Philippines, when we say accreditation, it really means accreditation of program, while PCNC certifies institutions as donee institution. In similar manner, PCNC underwent a process where the Department of Finance investigated the organization's systems and procedures, and see if they are above and over the mandate or authority given us through the Memorandum of Agreement and the Revenue regulations.

SUSTAINABILITY OF PARTNERS AND COMMUNITIES
Session 2

Social Investment Fund (SIF)

Anek Nakabutra

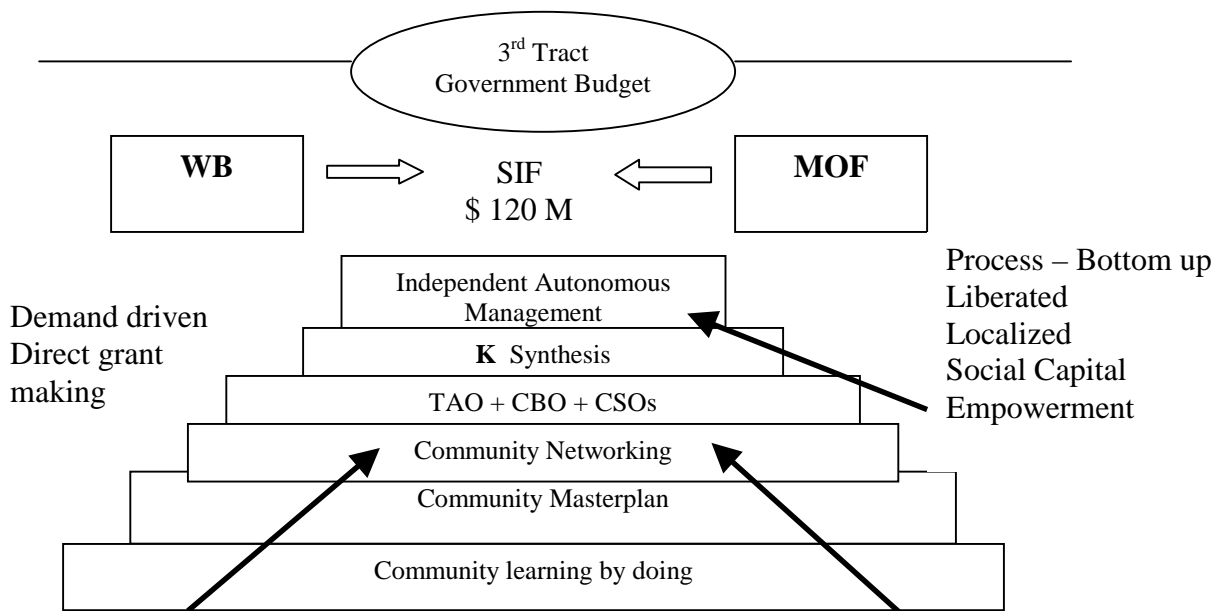
Director, Social Investment Fund

Since the democratic reform, I had been involved in the innovative development direct assistance program of CIDA. Later, we founded LDI and NGO-COD. The latter became the first social movement in Thailand where civil society & community-based organizations were organized to come up with a new constitution. Since the financial crisis, where the region was severely affected, SIF has been promoting bottom-up approach to give opportunities for communities nation-wide to cope with their own crisis.

The Challenge

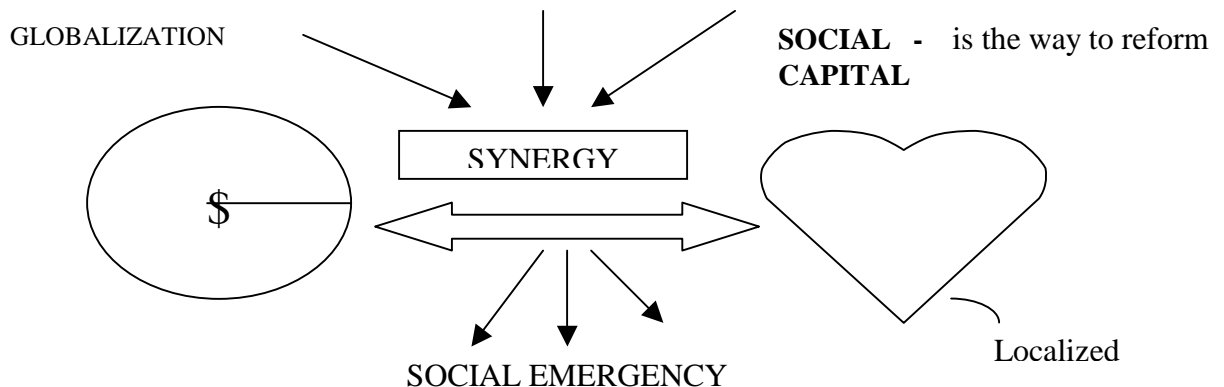
Should things be the same as the past especially in the case of Thailand? No way because the government is changing fast & revenue from taxes is at 100M Baht, which are thrown as villages' funds. There is so much money and NGO do not know how to cope with this large amount. Although there are resources, and there is little capability. NGOs may be politicized or embroiled in bureaucratic system, but SIF try to liberalize them. The September 11 brought worst situation than the financial crisis. So the proposition is to change orientation from money to something else. But can NGOs sustain? It is doubtful given the current economic crisis.

SIF was the first funding mechanism that directly challenged government and demanded autonomy and money. It was given loan fund from World Bank. It handled the money and is delivering the funds directly to CBOs without interference from anyone.



The social fund was used as tool for community to learn to solve their problems. At the same time, local assets and local wisdom were harnessed from the community for local people to participate in their community learning/development. The second step is SIF utilized the community masterplan. It involves an in-depth research of learning about strengths & weaknesses of the locals, of community in relation to what they do. It involved learning what social capital or assets are there in the minds of locals or the community.

Thailand is still very rich in cultural and social capital. This is why Thailand does not experience social chaos like Argentina. In fact, these capitals have been in existence for a thousand years. However, both the NGOs and government do not realize or recognize the local resource. Part of NGO innovation introduced is to lead even liberalize local community from patronage system. NGOs tried to create space for the poor. SIF created space for NGO to work with the poor. Despite the efforts, the patronage system exists in the community. It is still widely practiced. So what to do now? Thai Constitution provides for decentralization, so SIF works with the Tambun Administrative Organizations (TAO). TAO creation is an attempt by government on decentralization, but power and money dictates the scenario within, leaving localization or people empowerment behind. CBOs/CSOs have a role to play to balance off the situation especially with globalization as major concern. SIF sees that the alternative to economic recovery is to bring new assets or consider asset-based community development. The assets are in the local community – there are so much sharing and caring among people, and compassion for natural resources in the local community. Again, do NGOs mobilize these assets? Money capital is recognized but not so much the social capital. SIF tried to bring out a concept, where it synthesizes knowledge and money capital.



Globalization and privatization of government posed renewed challenge for local community. Money is not a problem to Thai NGOs as there are 1 million allotments per TAO per year. What is needed is to harness the knowledge. But in Bangkok, which is the seat of power, knowledge is less and less responsive or proactive to local needs. The institution realized that there is wealth of knowledge, local practices on natural resource or social safety nets from the community. And the practices/system have been there for years

No state can fix the complex impact of the crisis. The problems can't be solved by money alone but by knowledge that is so diversified and is waiting to be processed in the communities of Thailand. The way to reform the community is through social capital. So NGOs will still use the money, but will use it for people to learn and process the social capital present both in urban and rural communities. The challenge is how to process,

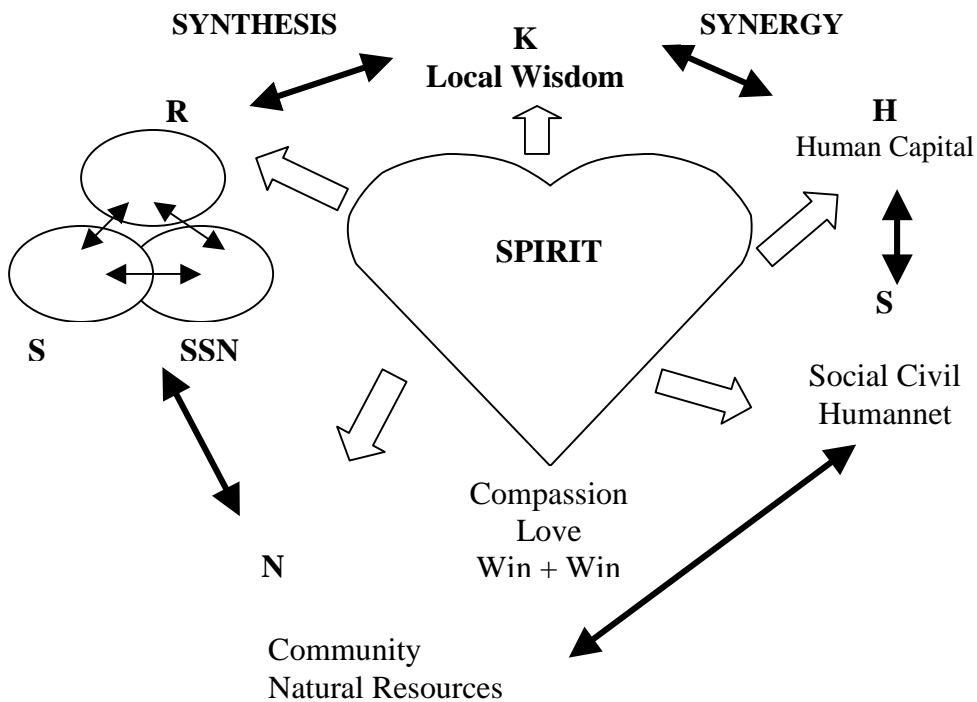
localize the social capital.

SIF lessons are:

1. the need for synergy and the need to protect the sector from being politicized;
2. to use one standard of measuring the social capital, which is not readily available now; and
3. social capital is so diversified, powerful waiting to be re-processed.

What kind of resource SIF support/mobilize?

- Model 1 - matching for social safety nets
- Model 2 - revolving loan fund or pay back system.
- Model 3 - Joint philanthropic social safety nets program fund
- Model 4 - joint venture or venture profit to help the poor



Social capital is the spirit that guides or directs development. It is the core value that has been neglected. NGOs flaw is: they learned from western wisdom or state knowledge, but they devalue/degrade the local wisdom. Thus, they cannot mobilize the knowledge that still exists.

Human capital is also important. Money capital tends to draw men together. Men monopolize that area, while more women, children or the youth sector are out. There is an abundance of human capital in Thailand. There are hundreds of thousands of volunteers or people who work without pay in Thailand. But are they accepted as NGOs? Are they mobilized more? These human capital with hearts and brains are there waiting to be tapped.

Humannet are human links or relation, which is part of the human capital. They carry the

social fiber, so they need to be organized and registered.

NGOs cannot be proactive in times of crisis. They need to create the learning process and conducts forum, dialogue and let people learn in very simple ways how to solve their problems. But people need to be capable to process. One point of concern is the TAO. How can the knowledge be synthesized? Are the TAO prepared to do development work? There are more questions to answers and challenges for Thai NGOs, such as:

- should we shift our paradigm from money to social capital?
- should we create synergy to link those who believe in money power and they may not understand social power? and
- how can we link people to change the scenario and balance (neutralize) the super power?

SUSTAINABILITY OF PARTNERS AND COMMUNITIES

Session 2

Sustainability of Partners NGOs

Ms. Felicitas Rixhon

Executive Director

Children and Youth Foundation of the Philippines

The Children and Youth Foundation of the Philippines (CYFP) is a resource organization and does not implement programs directly. CYFP identifies effective programs and organizations to implement their own agenda. However, based on their experience this approach has its problems because support provided to the organization is only for a short period of time (3 or 5 years) and after this the organizations will still be addressing the problems, which they were helped. CYFP recognized the need for the organizations to attain a certain degree of sustainability in order to do the work that they are supposed to do after the funds and assistance are withdrawn.

In view of this, CYFP defines sustainability as the ability of the organizations to do what they are mandated to do or what they feel they should do and produce the outcomes that are necessary after assistance is phased-out. For an organization to be sustainable, it should possess the following qualities or hallmark of effectiveness and sustainability:

- There should be continued and satisfactory functioning of the organizational structure. To do this, CYFP developed organizational standards based on best practices that their partner organizations were asked to go through. Series of consultation with partners is conducted to find out whether the concepts introduced in the standards are the same concepts that they believe in and to take ownership of the standards. They did their own self-assessment and a CYFP staff visits them to validate their own rating in order to help CYFP develop a training agenda for the organization. CYFP also provided technical assistance in organizational assessment and in documenting their experiences and processes and consolidates information necessary for the organizational assessment. Weaknesses in the human resource aspect were addressed by soliciting the assistance of the Association of Foundations (AF) in crafting their own policy manuals to be used in implementing their projects.
- There should be continued achievement of program objectives through service delivery standards. CYFP's assistance did not only focus on building the organizational capabilities but also on how services are delivered. At the moment, CYFP is developing service delivery standards to help the organizations determine what is necessary to deliver their services much better to the target sector. Some of the service delivery standards being developed fall under the mandates of CYFP, which are case management, youth participation, technical education and early childhood development.
- Enhanced organizational capabilities as well as continued provision of benefits and initiatives. Both the organizational & service delivery standards should ensure further enhancement of the capabilities and continuation of benefits and initiatives.

- Another important quality that an organization must have to be sustainable is financial sustainability. There must be continued access to generation of resources to cover costs. CYFP teaches the organizations ways to access other sources based on the principle of diversification of funding sources. The organizations should not be locked-in to a certain donor or funding institution for resources. They should be able to network with different organizations including the government and business sector to diversify sources of funds.
- Effective programs that generate long-term commitment for partners are the last quality of a sustainable organization. The Pangarap Foundation, one of the programs of CYFP, illustrates this quality. The said foundation is a shelter for street children offering drop-in services and residential support. At the moment, 4 international donors provide assistance to the foundation. The assistance of these international donors was a result of the initiatives by the foundation following the recommendation of CYFP. Aside from this strategy, the foundation through the intercession of CYFP is currently exploring strategic partnerships with business and has been offering training programs to other organizations based on their strengths with emphasis on life skills and value formation. Last year the foundation generated Php5M, which they now hold as trust fund, by holding fund raising activities.

In summary, the basic strategies adopted by CYFP as exemplified with their work on Pangarap Foundation are:

1. linking partners to resources through research
2. matching organizations to training institutions that are experts on fund raising & providing funds at the time it is necessary
3. granting soft loans for initial or kick-off activities
4. developing tri-sectoral partnership – changing strategy by letting proponent form their own consortium within the local community

Challenges faced by CYFP on Sustainability

1. Identify appropriate strategies. It was process-intensive to change mind set of the community that as they implement their projects they can also raise additional funds and can even concentrate on enterprise development
2. Paradigm shift
3. Patience and time
4. Dedication of resources. Each partner has to think of what it wants to do. CYFP can only provided range of ideas and choices and dedicated resources in order to kick-off what the organization wants to do.
5. Capacity building - being able to provide the resources and funds at the time it is necessary

Values of Sustainability

1. Accountability
2. Integrity
3. Transparency
4. Creativity
5. Productivity
6. Excellence through continuous improvement

SUSTAINABILITY OF PARTNERS AND COMMUNITIES Session 2

Partnership with Business Sector

Tom Malik
Executive Director
Rio Tinto Foundation

In the last 10-15 years, there was a paradigm shift from business partnership for profit into a cross-sectional or inter-sectoral alliance wherein individuals, groups or organizations agree to work together in fulfillment of an obligation or specific tasks that are not necessarily business in nature.

The paradigm shift is due to:

- the change in expectations of stakeholders towards business; stakeholders demand the business sector be more involved in the social, political and environmental issues and not just be confined to providing employment
- shrinking role of government
 - with the advent of the globalization & decentralization era and the move towards regional autonomy in Indonesia there is more room for the various sectors to veer away from the traditional issues they have been involved with
- increase customer interest & demand for companies to be more sensitive and socially responsive to the environmental and social issues among others affecting the community

Given this paradigm shift, each sector needs to understand the benefit of tri-sectoral partnership. Tri-sectoral partnership provides:

- mechanism for different sector to work together, share costs and risks in both social and financial management with the local government and communities
- opportunity to mobilize and combine resources
- creates and ensures greater awareness of current issues in the community by each sector
- creates bigger and dynamic network
- reduces community dependency especially on business sector since they are a part of the partnership
- replaces conflict with cooperation for all parties

Principles of Partnership

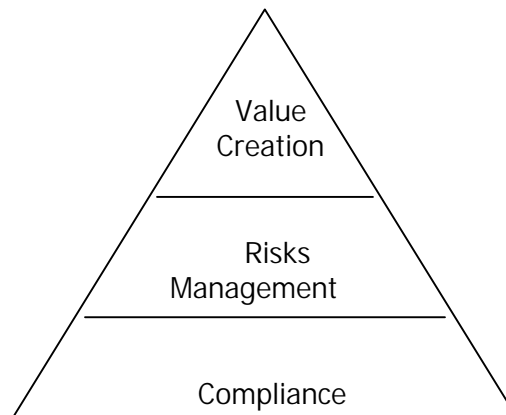
1. Equity – each partner brings in not necessarily capital but values and strengths. It involves honoring and respecting each other thus bringing about trust and transparency
2. Transparency – being open to expectations of each sector about what it wants to achieve
3. Mutual benefit – all partners should benefit from the partnership

In working with the communities, Rio Tinto's policy is based on the principles of partnership cited above. The Rio Tinto policy has the following salient points:

- Mutual respect is the key to a lasting, beneficial and interactive relationship among the partners. It involves continuing, effective and open communication as well as realistic expectations between partners.
- Active partnership seeks mutual commitment and reciprocity based on trust and openness among all parties.
- Long-term commitment to build the trust of the community to be able to work on long-term goal.

Community Development Strategy of Rio Tinto

The stages in community development strategy of Rio Tinto are illustrated in the figure below.



Compliance – working in accordance to local and national standards. It is merely complying with regulations

Risks Management – going beyond compliance. It is innovating on the different ways of communication and working together with communities

Value Creation – goes beyond compliance and risks management. It is creating values and working strategically towards the company image and well-being of society

Tri-sectoral Initiatives of Rio Tinto:

1. Kelian Equatorial Mine (KEM) Closure Program
 - It is a gold mine operated by Rio Tinto and East Kalimantan, which is due to close in 2004. Rio Tinto has committed to complete the plant and mine closure through direct consultation with all stakeholders.
 - The partners of Rio Tinto in this initiative are the business partners for development and the natural resource cluster, a WB program
 - Regular meetings with all the stakeholders are conducted to discuss current issues

and possible solutions.

2. Rio Tinto Foundation

- The foundation was founded in 1995 by the Kelian gold mine with CRA Australia as the mother company before the merger in 1996. Its motto is “its more worthy to teach a man how to fish than just to give him fish”.
- The foundation is an integrated program where the vision is to improve the community well being and environmental protection through agriculture, health education, culture environment and management program.
- Four main programs of the foundation in East Kalimantan are health, agriculture, education and culture. The current focus area is in the West Kuta district about 30,000 square kilometers with 150,000 population. Since it is a remote area, the big challenge is transportation and communication.
- One of its first programs is the TB control program. It is based on a 5-year partnership with the Ministry of Health, East Kalamantan Province, Kutai agency, and an Indonesian NGO working specifically on TB control. Started in 1996 with a pilot of 6 villages, the program has since then grown steadily. As of last year the program has covered the whole of the regency with a population of 150,000. Since its implementation the program has consistently surpassed the WHO target of 85% cure rate, well above the 60% cure rate achieved at the national level.
- The School health education program in partnership with an NGO - Community OutReach International (CORI) teaches the 5th graders the basic health knowledge and encourages the parents to practice healthy living and instills awareness on the prevailing health issues in the community.
- Program on agriculture is one of the most important program of Rio Tinto Foundation since most of the people of West Kuta are farmers. In partnership with the Department of Agriculture of West Kuta, FAO and the University of Mulawarman and Care International, the program assists around 1000 farmers in 46 villages. Priority issue is food security and diversification in short-term crops and long term investment into commodities as well as strengthening local farmers groups. It utilizes the ToT method to build the leadership skills of the local farmer leaders and network with other groups and receive support from outside sources. To date, the program has received additional funding from the Embassy of New Zealand and AusAid;
- Rio Tinto Foundation’s cultural program is more than just making publications on the Indonesian culture. The program involves series of consultations with the 70 cultural leaders to find out their concerns and priorities in the light of the diminishing interest in heritage and culture among the youth. The cultural leaders also provide insights on the how to use the cultural wisdom especially in the areas of health, agriculture and traditional medicines among others.
- The foundation has been working with various universities in Indonesia in improving its human resources & capabilities to provide better education and service.

PLENARY DISCUSSION

- Q. Based on Rio Tinto's experience, have there been cases or actual experiences where the equity investment from civil society was other than social equity? How did Rio Tinto handle incongruence in terms of timetable of civil society needs and long term objectives of business?

Also, in your experience in implementing a contract, have you had a situation when a contract was broken and did you impose sanctions as in a court case?

- R. T. Malik: It takes a lot of time and efforts for the civil society organizations and the business sector, since the latter has its own objectives and are used to having quantitative measures. It is much more difficult with the foundation because as Mr. Caccam mentioned earlier – how do you quantify the results of what you are doing and how do you sit down with parties of different sectors and be able to agree on common objectives and timetable. There is a need to work together to level-off expectations from each sector and push forward the partnership's agenda and stick to the original agreement. The business community is aiming for a long-term benefit from the partnership while there is shorter term expectations from both the CSOs and government. It is important that the business sector show consistent commitment towards the original objectives of the partnership.

On breach of contract issue, Rio Tinto had not experienced any. The Asian way is to sit down with the different parties and try to resolve and understand the other's perspective to find a common ground.

A. Nakabutra: There are three ways to deal with business. One is to organize as civil society and let them become involved as part of a task force and be involved. Like in Thailand, the government has many policies on community enterprise i.e. one village one product. It is impossible for the villages to develop on their own the capacity to do marketing, feasibility study and investment channel to link with small and medium enterprises. What the foundation did was to organize the business sector in a civic way then linked and matched them with community-based organizations. A second way is by encouraging volunteers and sub-contract on a civic manner. Currently, SIF has a MOU with the Bank of Agriculture since both have common policies and objectives to empower the farmers and the agriculture group. After the MOU, the next step is to do a joint action plan between the bank and the farmers group through the facilitation of the foundation. Engaging in contracts is very delicate because business sector have a lot of power so that there is a need to educate the sector not to use their money power and treat the community like a labor force.

- Q. Is social investment fund given as grants to community-based organizations? If the funds are provided as loans to individuals, do the CBOs get to keep the repayments to themselves? Is something paid back to the government?

Do they charge market interest rates when they lend out to the community?

- R. A. Nakabutra: There are three levels by which CBOs access the fund. The government through the Ministry of Finance acquires loan from World Bank, which is payable in 15 years at an interest of 6.5% per annum. Once the CBO or the

network of CBOs get the funds, it is either released as loan fund, revolving fund or as grant depending on the project design. The idea is to let them think for their own future. They are not required to payback but are made aware of the social costs. It is the government that pays the World Bank while the communities are asked to pay back to the society and are informed that their taxes serve as payment to the World Bank. The institution only gets 5% of the fund to cover administrative costs and be able to utilize volunteers nationwide.

Some charge a minimal interest of 2 Baht per month, which goes to the social safety net fund. All the profit goes back to the community in the form of social safety net, social welfare fund, scholarship fund and community forest program. The profit also helps the poor members who have no way of saving money on a monthly basis.

Q. All the presenters' organizations have dual function – as implementing organization and as resource organization. Do you think there could be conflict of interest within the organization? In the future, do you still plan to continue the dual function or focus on only one function?

R. F. Rixhon: No conflict in the organization because its major function is to help organizations who will do the projects themselves and strengthen them to be able to do the project in a continuous way. CYFP is basically a resource organization and does not implement projects. It funds projects and provides technical assistance to organizations that receive their financial assistance. It is a direct implementer in the sense that it develops capacities of the assisted organizations.

T. Malik: At the time of Rio Tinto Foundation's establishment in 1996, the area was still part of a larger regency called Kuta regency which is in the very remote part of East Kalimantan. Rio Tinto wanted to work closely with the community, however there was no NGOs or CSOs yet. Given this scenario, Rio Tinto Foundation was established to implement programs and work with the community. The 5-year strategic plan of the foundation envisions that within 5-10 years, the organization in West Kuta should become independent of the foundation especially in their management and finances. In preparation for this, capability building activities are provided to the local people for them to know how to manage programs and look for alternative funding resources.

A. Nakabutra: There is always conflict unless focus is made on localization and decentralization through the CBOs or their network. But when there is partnership among the three sectors, the division of labor ensures less conflict.

Q. Given the innovative models presented in directly funneling the funds to the CBOs without intermediary organizations, have you been able to tract repayments to the revolving fund and are those repayments acceptable as far as you are concerned?

R. A. Nakabutra: Yes. Through the volunteers from the business and civil sectors who form the task force and conduct screening and monitoring for the organization. Aside from this, the organization works directly with the networks of CBOs and gives part of the social safety net amounting to 2 M Baht to help the poorest of the poor.

Q. How much money does the Rio Tinto Corporation put into the Foundation? What benefits do the corporation gets from the foundation?

- R. T. Malik: The budget of the foundation is approved every year by the Rio Tinto headquarters and is not part of the percentage of the operations in Indonesia. Each operation has its own community development program and directly supports it. The foundation is separated from the business and gets funding from external sources. 100% of the generated funds are allocated to the beneficiaries and is monitored by the foundation's credible consultants.

INCREASING THE SYNERGY BETWEEN CSROs & OTHER ORGANIZATIONS

Potential for CSROs as Bridging Organizations Keynote Speech

Peggy Dulany
Chair

The Synergos Institute

The issues I would present are not fully formed ideas. Therefore, I am counting on you to critique and enrich them.

Some of the problems are only getting worse, even if the awareness in some arenas were growing. It is apparent that no one group or sector would be able to solve the problems. When we take a look at the three sectors, we see negative stereotyping on each other. If we think that a cross-sectoral collaboration is needed to solve the problem, there could be some obstacles because of negative perception on other groups.

Now, in order to address the issue there is a need to go to scale. It's not going to be done little project by little project. Though little project would make a difference to those it makes a difference. But to address poverty issue, it has to be done in bigger ways somehow. My hypothesis is: We can only do it through alliances. In order to create alliances, given the gap that exists between groups, bridges have to be built. My proposal is: CSROs are in an ideal position to build bridges.

Bridge has values inherent in them. It could reach across divides to find common ground for common good. Bridging in a vacuum has no particular merit, unless to further the common good. I like to challenge the group to think what could be done or abilities that need to be shown in order to bridge. One of the most important is the "*ability to put oneself in someone else's shoes.*" If you're talking to someone within or outside your group, you need to be sufficiently self-aware, aware of the self and the issues you bring into the table so it won't create a fog between you and whomever it is you are dealing with. If you are talking to someone, you must perceive how they are feeling, hearing and searching for meaning to words they are saying. A lot of it has to do with intuition. But some of it has to do with listening carefully, like *learning to understand and speak different languages.* I like to hypothesize that each group has its own vocabulary. It has its own articulating concepts that are quite different. Unknowingly sometimes, the language used for a particular issue could be offensive to the other groups.

The Ford Foundation is now trying to conceptualize its program in terms of "social justice." To those in the NGO sector, the concept is normal. Surprisingly to some in the corporate sector, the term is threatening. They feel threatened because they feel that the NGO sector is accusing them of being unjust. If we are to make a determined effort to reach across sector, we need to be contemplating on what language to use. We need to avoid term that alienates.

I tend to be a natural bridger. In meetings, I am hearing every statement of people in the room. I am listening and hearing how the people are responding to each other.

The more powerful the group, the less they feel the need to learn and understand other languages. Anyone who feels he cannot solve the problem by himself, would be inclined to work with other groups. If one can solve problems the way he wants it, why is there a need then to collaborate. One of the interesting dynamics facing us today is despite the growing power of business sector, they are unable to solve the problems by themselves. Take a look at the protest set at the World Economic fora, people are getting scared. I happen to know Henry Kissinger. At one time we're talking he said: *what is this about NGOs? Who do they represent?* It astounded me that he even knew the term NGO. Suddenly, he realized that these NGOs are players on the international scene that need to be taken into account. This brings me to another point, which is: sometimes when one talks about bridging across divides, the implication may be we have to put conflict aside. Sometimes, in order to get heard by another group, it is necessary for some groups to create conflict to get their voices heard. So if one takes a bridging mentality, think that conflict is one tool of creating dialogue. Once you get one, you will get everyone working in same direction.

Another factor in bridging is a genuine interest in networking. To be a good bridger, you have to be willing and interested in people other than yours, at the same time enjoy it. The enjoyment actually shows and tends to draw people to you. A lot of building network with diverse relationship is based on certain personal relationship and trust. It takes a lot of reaching out to be able to build those relationship, especially when it is across divides, ideology, language or otherwise.

Basic Principles of Bridging:

1. The key is the involvement of people most affected. This may be hardest thing to do because people living in remote communities hardly speak the language and can't communicate. There are multiple pillars that need to be erected to reach the divides. To take the next step, identify those pillars. The first pillar may be the local leaders, CSOs, and local government representative, who could be utilized to communicate across the spectrum and create possibility of resolving issues altogether.
2. Often those most affected felt powerless. The only option left then is to confront. A strategy in successfully partnership in India is finding ally to strengthen the low voiced group and for the allies to be able to articulate/strengthen their voices and win the issues.
3. Lastly, there is no need to give up conflict or our values, but one should know when to use it as tools, when to pull back from it and how to manage it.

CSROs have special qualities as bridging institutions. Part of that is where CSROs sit in society and part is in the *composition* of people representing the organization. People in CSRO purposely tried to select diverse group of people to compose their boards. With conscious effort, and diverse group within, there already exist the possibility of bridging across divides. In Fundacion Esquel, trust within the Board is purposely built, which led to innovative results. Many of the board members are from business, government or planners. They started with loan fund program complemented with grant fund, and then venture capital fund. The communities they are working with graduated from needing technical assistance and grants to getting loans to eventually handling investments. The community businesses started to grow in ways that they were not only profitable but also enabling to

many employees.

The *positioning* is also crucial. If you are a community-based organization, NGO, big business or even government, there is a gap in the middle, which is an intermediary function. Sometimes, universities or trade unions fill up the gap. Between is where precisely bridging takes place. It only happens when one group decided it would be part of its mission. CSROs are more inclined to amass capital, which could provide clout at the same maintain their conviction to stay rooted in the community. This gives CSRO credibility and larger reach than any types of institutions.

The Challenge:

CSROs and business sector have very different missions, skills and orientations. Business thinks NGOs take long to make decisions, that everything has to be participatory and nothing get done in the process. NGOs talk of business as greedy never think of social good and ripping off everyone. This is an obstacle that needs to be removed.

The Opportunities:

- CSROs have knowledge of what is going on at the grassroots and have host of skills in solving social problems in the community
- Business has a whole set of skills in creating wealth.

The blending of skills could create value added. In the case of FSSI, looking and using the market worked as well as using the business technology to cater to the poor.

It is too easy to thinking of business technologies and end up thinking of workers or community as subjects rather than actors. In going to scale, there is a need to focus on people as owners of business and beneficiaries of its value added that has been created. It takes the civil society's social conscience and profit sector's business sense. Between bridgers, a certain amount of trust is required.

Bridging with government poses problems because of changing government or not changing government. Funding tends to be patronage to create credibility for party. So every time government changes, the priorities changes, and no one wants to continue the program started even if it is a good one.

The Strategy:

1. Peer influences peer. We need to find allies in business or government and then influence them to talk to their peers in ways we want them to.
2. Concept of chains of trust. Begin with close-in group with probably ideas that are distinct enough so that each will have different sphere of trust and influence. From there gradually build the chain of trust and reach across divide.
3. Look for points of common interest and concerns, and starts to work on conflict areas. Start with small successes. In partnership, start with something that is manageable where there is area for agreement.

PLENARY DISCUSSION

- Q. The risk of co-optation, when you're building linkage between groups, when there's power or financial imbalance, what are the strategies for avoiding them?
- R. You have to find allies to support the powerless group. If you find strong enough allies, then people feel they don't have to back down.
- Q. Is bridging a character or skills that is innate or is it something that could be learned?
- R. Synergos wouldn't start working in bridging leadership program, if we didn't believe that most of its aspect could be learned. For some people, it would be hard because of the personality element. Not all are bridgers but a few aspects are skills. We're working with Asian Institute of Management to highlight element of good bridgers and come up with a curriculum.
- Q. Bridging and partnership always have unequal power. In case of political power, they really would like to utilize people from civil society. The partnership may be a kind of enticement or co-optation. In the process, we are having good civil society leaders who cross to another sector. What can be prevented to maintain the kind of balance so we'll not be co-opted?
- R. I have no clear answer to that. Being strongly rooted on ones own values speaks well of the person. One has to know oneself to know when one is tempted. It takes a lot of reflection. It is also nice to have good friends around who criticize.

WORKING EFFECTIVELY WITH GOVERNMENT

Session 3A

The Saga of the Peace Bonds and How Non-Profits Profited on the Capital Markets

Marcia Feria-Miranda

President

Peace and Equity Foundation

On October 16, 2001, CODE-NGO raised 1.4 billion pesos or \$27.46 million to constitute a perpetual trust to fund poverty project. It is the largest endowment for a non-profit in the Philippines and may be in Asia. It was raised from working daily starting February 2000. It was raised not from grants or donations or from philanthropic activities, but from the capital market considered as the bastion of capitalism and profit takers. Boldness, creativity and innovation were the weapons, but later it gave way to titles such as scam artists, thieves and rent-seekers.

It began in October 2000, when some trustees of the Association of Foundations began to work for program to financial small entrepreneurs. The proposal entitled “Hanap Buhay” was prepared. It was aimed to give target beneficiaries opportunity to earn more and get jobs. It captured the excitement and imagination of the Board and Marissa Camacho-Reyes, who had taken on the rotating chair of the President after Dinky Soliman left for government cabinet position.

February 2001, Marissa ran into a friend who’s an investment banker, Bob Guevarra. She asked him how do business or private enterprise raise capital. He responded by saying *they go to capital market, where they sell bonds*. Marissa asked, *“can we do the same?”* The response was positive. Then Red Mayo was approached. He asked how much capital is needed. “Can we raise one billion pesos?” was the answer. Red returned and recommended a solution. – the dream of getting billions could work if the organization could work with government and allow it to buy treasury notes, which will be paid for about 10 years and do not require interest for the period they are loans outstanding. The condition is to resell the bond to secondary market so it could earn probably one billion. Dan Songco presented the idea to the Secretary of Finance, Bert Romulo, and was asked to present it to other sector of government like the Bureau of Treasury and other finance officers. A number of passwords were used to open doors and bring the idea forwarded. The first was the strength of the cause. The fund raising is for the poor, also a priority of the government. Donor funds are dwindling and there is reason to come forward and say, “help.” Secondly, CODE-NGO’s credibility was used. CODE-NGO is the oldest network with around 2,000 NGO members bounded by a code of conduct. Thirdly, the network boasts of self-regulation. PCNC is operating as an accrediting body in partnership with the Department of Finance, and is working to regulate and bring out the professionalism of NGOs. And lastly, there is a noble idea that makes sense to NGOs and government.

There was assurance that the profit will be used for social development ventures. Since CODE-NGO is not eligible dealer, RCBC was contracted to act as agent to purchase the

zero-coupon bond or zeroes. RCBC Capital was also contracted as underwriter. It agreed to purchase from CODE all the zeroes as it could buy from government at pre-agreed price. At the beginning, CODE-NGO negotiated a certain ceiling price if the underwriter succeeds in what needs to be done.

So zeros were obtained on negotiated sale, but the Bureau of Treasury refused to do this. Thus, on October 16, an auction was held. Bid could have been lost, but was won by a fraction. The fury began when Senate started to investigate, the NGO network and groups came out condemning it and media picked up the story.

The Peace Bond controversy has been in the news for quite sometime already. It was in June 2001 that the brother of Marissa was appointed as Secretary of Finance. Because of this Marissa was accused of high-level conflict of interest. The latest from Manila is about 36 people will be filed plunder cases.

Lessons Learned:

1. CODE-NGO could prove competence and high possibility of success. Chuki Miranda was brought on board to be able to explain to the government why the project has to be supported, and how the project works. And she was able to talk and explain to them in bankers' language.
2. They worked as a team – hard, determined and optimistic of success. They were very entrepreneurial, carefully watching all risks to be able to find solutions. They worked swiftly and alone.
3. Very few in the sector knew of what they are doing. Many of them didn't believe in what could happen. Colleagues didn't understand what it is they actually did.
4. They were very naïve. Purity of intentions, they thought, could carry them through. Society doesn't take fairly for sectors that played outside the rules. While they thought private sector workers, government thinks of them as close to public sector.
5. They'll continue to work in the traditional formal sector. What they did parallels to recent development that are forwarded e.g. micro-finance that works well using the traditional market methods. Other successful innovations are venture philanthropy or social enterprises with double bottom line, social return and strong financial return.
6. They cannot remain accountable only to themselves. They raised billions for poverty alleviation but it goes with high public responsibility. They need to keep everything above board, using corporation or government standards. The immensity of what they've done makes them accountable to people they share their vision with, to the state, to the networks and to the Filipino poor.

**WORKING EFFECTIVELY WITH
GOVERNMENT
Session 3A**

**CSROs Initiative to Reduce Debt Burden and Apply Debt-for-Nature Swaps
In Indonesia**

Ismid Hadad

Executive Director

KEHATI

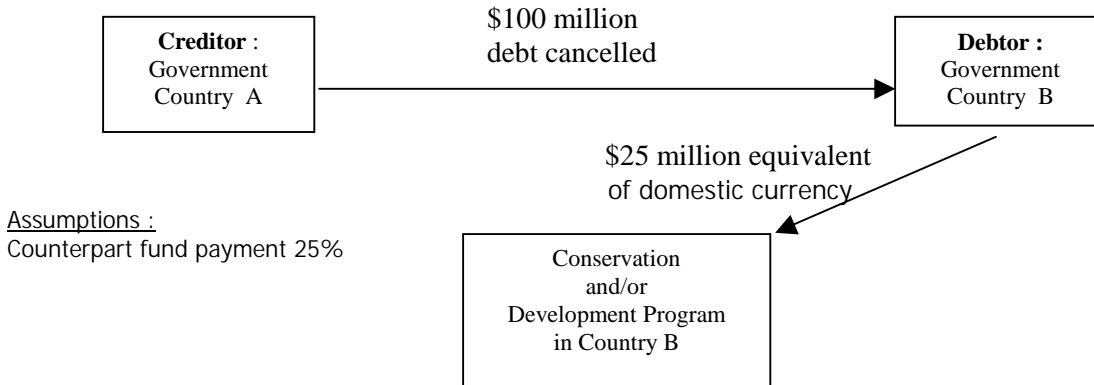
In the case of Indonesia, one works effectively with government during crisis. As result of the Asia economic crisis, it created debt and environmental crises, which is unprecedented in scale and nature. CSROs and government were unable to cope with the problems. Indonesia is living in enormous debt – 138 billion in external debts. 52% of it is private sector debt, while 48% is public sector debts. In 1998, the debt status is equivalent to 68% of GDP and current statistics shows 150% of GDP. The government is put in extremely difficult position with the grave debt problem. About 45% of revenues go to pay for interest and principal. 30% of revenues go to routine expenses. Only 15% goes to development and this has to be divided to all sectors of development e.g. communication, infrastructure, etc. Nothing is allocated for the people or to preserve the natural resources.

More than 50 million people in Indonesia are dependent on forest. The forest is exploited and rapidly degrading because there are no other income sources. People look at natural resources as major source of income. There are only four CSROs in the country working on environment. One is KEHATI. The others are more international such as the WWF, TMC Nature Conservancy and Conservation International. KEHATI took the initiative and tried to introduce the concept of debt-for-nature swap (DNS). A debt-for-nature swap (or conversion) is defined as the cancellation of debt in exchange for a commitment to mobilize domestic resources for the conservation of natural resources or the environment. As a financial mechanism, it has enabled the developing countries to reduce external debt while increasing support for conservation both through enhanced protection for biodiversity and through increased funding for conservation activities such as park management, research and assistance to local communities. There are two types of swaps:

- I. **Bilateral public debt swaps** - a creditor government cancels debt for a debtor government setting aside funding for a mutually agreed purpose(s). The amount of local currency generated usually reflects a discount rate relative to the face value of the original debt, which is subject to negotiation between the two countries. In some cases, payment has also been made with no discount.

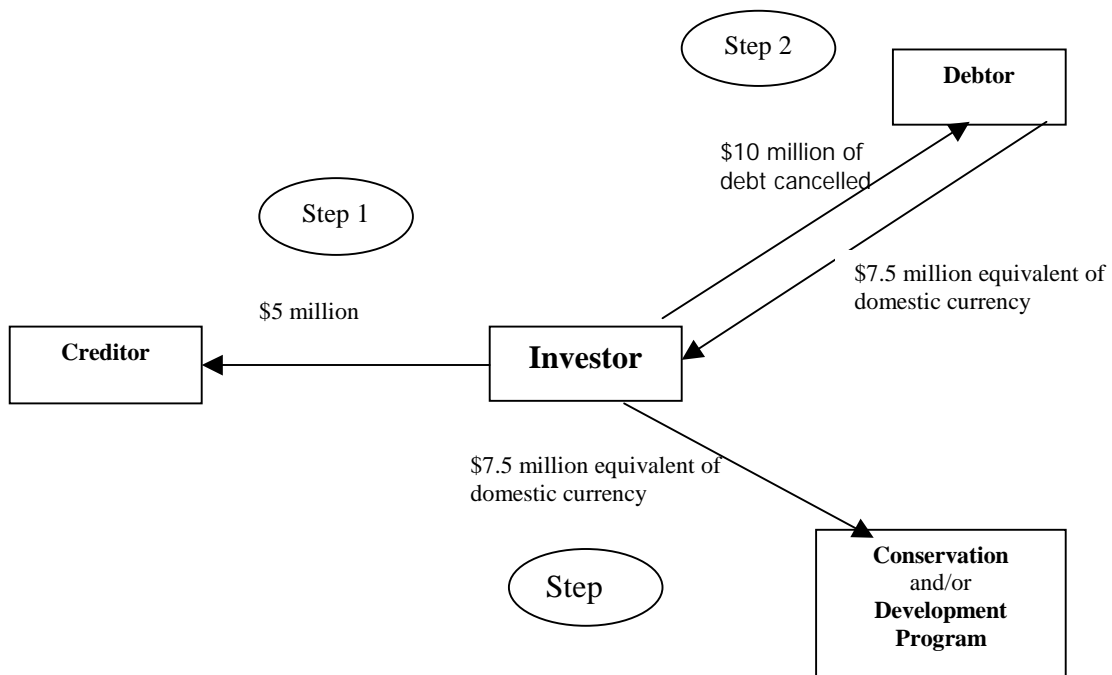
Several bilateral creditors have debt conversion programs, which provide for the conversion of Official Development Assistance (ODA) debt and sometimes for “buy-backs” have publicly guaranteed export credits or even commercial debts. The negotiation of bilateral debt swaps requires coordinated action among relevant government agencies within the two governments and often involves the participation of conservation organizations and other local NGOs as intermediaries and/or beneficiaries.

Bilateral Debt-for-Nature Conversion



2. **Three-Party Debt-for-Nature Swaps of Public Debt** - most of the debt-for-nature swaps concluded to date have been “three-party swaps” involving external commercial debt owed by sovereign governments (public debt).

Three Party Debt-for-Nature Conversion



Face value of debt = \$ 10 million
 Debt price = 50% of face value = \$ 5 million
 Redemption price = 75% of face value

The first step in a three-party debt-for-nature swaps is for a “**conservation investor**” to negotiate for the purchase of public external debt at a discount from face value (with funding raised from donor governments or private donors) or to solicit debt donations from a creditor.

At the same time, the conservation investor negotiates separately with the debtor

government for cancellation of the debt in exchange for a commitment to fund a conservation project or to provide enhanced protection for an area with high biodiversity value. In the first step, the conservation investor implements the project with the allocated local currency funding, often in collaboration with local beneficiary organizations which have field experience in project implementation. Normally, the debtor government continues to monitor expenditures related to debt conversion in order to ensure that the debt conversion agreement is respected.

How the Initiative was put into Operation

It started with the formation of a steering committee in the group. KEHATI is the Secretariat and focal point committee relation with the government, because it is the only national organization. The hardest part of the process is convincing the government that this program is worth pursuing. Initially, a 3-party swap was planned. Unfortunately because of political and economic reality it was focus on bi-lateral debt swap.

However, there are substantial benefits that can be gained if the government agrees. They are:

1. government can reduce debts and the money can be used for development
2. government can repay debts in Rupiah
3. the money can be used as trust fund for conservation
4. the debt-for-nature swap can be used to decentralize management of forest
5. the money generated can be used as resources for long-term sustainability.

KEHATI started working with different agencies in Indonesia and international agencies abroad. But problems arose. One is not all creditor countries are interested. Only Switzerland, Germany, Canada and the USA have facilities that could be used for DNS. Second is there is a need to convince the government and work through its bureaucracies, which proved difficult. In the end, the Ministry of Finance was more decisive and determined among the government ministries. In Indonesia, the Ministry of Finance has Coordinator Officer for Economic Affairs. He has to be convinced first. Convincing took long as the Ministry thinks of billions in debt reduction while DNS only concerns with millions. Indonesia has a huge magnitude of public debts compared to the potentially very small size of DNS. What made the government tick was to talk in budget term.

But even if the CSRO and the Coordinating Minister reached a consensus and agreed, it did not provide guarantee for the debt swap to be implemented. The prevailing political and economic environment in Indonesia became a more determinant factor. During the period of March 1999 to January 2002, when the 4 conservation CSROs pursuing the DNS scheme in Indonesia, there has been changes of 3 Presidents of the Republic of Indonesia and 4 Coordinating Ministers for Economics and Finance. The result is that every time, the process starts all over again - discussions and consultation introducing the DNS concept and for it to be considered as policy instrument by the new Minister in charge.

The big challenge was which sectoral ministry or government agency should take the initiative and be responsible for the debt swap implementation. Of course this issue is directly related to the question of what the debt swap will be used for. If the debt is to be swapped for natural resource conservation, then the Ministry of Forestry or the Ministry of Sea and Fishery Resources should be in charge. If the debt swap is for mitigating environmental impact of the crisis, it is the responsibility of Ministry for the Environment. However, because the debt swap could also be used for relieving social impact of the economic crisis, the Coordinating Ministry for Social Affairs may also claim it for poverty alleviation program or the Ministry of Health and the Ministry of Education for their health

and/or education components of the programs. This bureaucratic rivalries and sectoral budget competition among government agencies have been one of the frustrating aspects in the long and dragging negotiation process, and become major constraints for the delay if not failure in implementing DNS in Indonesia.

In all efforts and throughout the whole process, the CSRO should always be ready to assist and facilitate the government unit and its officials not only with concepts and arguments to be written on government documents, but sometimes with drafting ministerial letters and presentation to various departmental meetings.

The other problem faced is some environmental NGOs in Indonesia are also opposed to the idea of DNS, primarily because of misperception about the concept of DNS itself. The opposing NGOs thought that DNS means exchanging debt with the sovereignty of the land or forest area to foreign owners, which is not the case.

Lessons Learned and Conclusion

1. Debt-for-nature swaps (DNS) are one of many alternative financing instruments that can be used to generate necessary funding for conservation or sustainable development initiatives.
2. Bilateral debt swaps offer an opportunity to reduce or write-off sovereign debt between the government of Indonesia and bilateral creditors. In order to pursue this opportunity, one should look first at creditor government who has debt reduction facilities. Bilateral debt swap also requires a clearly stated debtor government policy as well as enabling condition on the purpose of the swap proposed and the use of the fund afterwards. A clear transparency and accountability system of governance is badly needed.
3. DNS opens window that could be used for other development programs and mechanism e.g. poverty alleviation, education, and health.
4. Working with government is possible and is a must especially the magnitude of problems give sector no choice.
5. One must be prepared with good concept and must take initiative. CSROs do not need to be in the lead role. They must be willing to work hard behind the scene and let responsible officials take the lead.
6. There must be constant dialogue. The process/es must be transparent and must not lend opportunity for collusion or corruption.

PLENARY DISCUSSION

Q. Peace Bond and debt-for-nature swap are innovative mechanisms for raising funds for CSROs. For Peace Bond, the government aren't recognizing that CSROs can play a role in looking at the more innovative and market oriented mechanisms. Do you think it puts a great amount of responsibility on NGOs/CSROs on how they can effectively present themselves or communicate with business?

R. M. Miranda: Yes. In the Philippines, NGOs are recognized and part of the Constitution says partnership with NGOs do take place. What was done with the Peace Bond is that the creators went outside of what is expected of them. The NGO profited. Profit is a bad word for NGOs. As contrast, in the area of micro-finance, the preference is not for NGO to get involved but for NGOs to transform into banks or cooperatives. The feeling is NGOs should stay in catalyzing or advocacy kind of work. As Peggy has mentioned, there are stereotypes that one has to go through.

I. Hadad: For Indonesia, the government is allergic to NGOs. They are considered threat. But government can't look down on NGOs as they have the knowledge, and they work prepared.

Q. With regards to Peace Bond, if it is done all over again, what could be done better or differently to avoid mistakes?

R. M. Miranda: One, there shouldn't be a team of 8 only who know what's going on. Second, make sure that the level of knowledge and understanding would be raised not between team members, but also with government. Third, there is a realization that government viewed NGO as private sector working for public good, in which sense NGO should act cautiously. And lastly, be careful in terms of relationship.

There is a particular nuance in the Philippine case. The politicians involved in the investigation have ax to grind and wish to get back.

One alarming comment about NGO came from a banker. He said: "how vicious could civil society be among themselves." The fact is those NGOs who didn't understand were the first to criticize. So another thing that need to be done is to develop a really good communication plan. As it turned out, the very members cannot extend support because they don't understand what happened. They cannot defend CODE-NGO because they themselves don't understand. That was the bitterest lesson of the Peace Bond.

Q. NOVIB received many emails from NGOs in the Philippines. So we felt it is extremely important to present both sides of the argument. It would be extremely helpful to understand the technicalities as well as the political side. What is turning out is CODE-NGO is participating in indebting the government for a long period of time.

R. M. Miranda: There are 2 things that are circulated in the NGO community regarding creators of the Peace Bond. One, the impermissible rent seeking, which is the use of influence to be able to gain from government or sometimes called "crony deal." Second, the agent hired had an unfair advantage at that the opportunity should have been done on same level playing field.

In terms of the first, creators of the Peace Bond had at one time or another did a lot of rent seeking to get micro-finance on policy agenda or agrarian reform. A lot of time they put up social capital to get their policy agenda on the table. NGOs need to work with government.

On issue of unfair advantage, the question is: did the market know about it? People, networks, the sector knew about it but they didn't take it seriously. In October 1, the Bureau of Treasury tests the auction. It held a mock auction to prepare the market. The secondary reserve notice which was not normally issued was issued a day before. Yes, the creators and the bank knew about it way ahead of anybody. In the first place it was them who conceptualized the idea.

E. Gonzales: For those not familiar with the word, rent seeking is one extreme of lobbying. It is using personal, relational and even blood relation to lobby.

Sharing on DNS:

1. H. Smith: USAID has been working on "Tropical Forest Conservation Act" with Thailand. And it is very close to losing the agreement with other countries. Similar work had been done in Bangladesh and Nicaragua, and they worked pretty well. What was done is to divide into 2 sections: one with the Finance Ministry and with other section of government. It worked smoothly with environmental people. The problem in Thailand is with the Foreign Ministry over another idea. The exciting part though is the program is a civil society program. It cannot be administered by government but by an NGO.
2. Many Ministers in Indonesia don't know the concept of debt swap. They think they can get fresh money. So it is important for KEHATI to educate the Ministers of Indonesia. You have to do not just a minister but also the whole cabinet, which is not KEHATI's job. One has to be patient to push the program. Understanding, agreeing and implementing are levels of commitments, which need different methods of pushing.
3. The issue of sustainability is the relevance of NGO, the need to innovate and willingness to take and manage the risks. A broader knowledge base is necessary to manage risk. NGOs like FSSI or FPE should help translate the technical terms like the green house credit that was proposed in the Kyoto Resolution, to simple concept for smaller NGOs to be able to participate in the broader arena of trading the environment project.

CSROs ENGAGING THE MARKET

Session 3B

Social Entrepreneurship as it Applies to CSROs: A Conceptual Framework

Marie Lisa Dacanay

*Program Director, Social and Development Entrepreneurship
Asian Center for Entrepreneurship
Asian Institute of Management*

Given the mix of experiences of civil society's entry into the market, the CSROs faced the challenge of systematizing research, knowledge generation and model development as well as capacity building. It is in this context that social entrepreneurship is being offered as a conceptual framework.

Ms. Dacanay sets the tone of her presentation by sharing the definitions of social enterprise and social entrepreneur of Prof. Eduardo Morato. According to Prof. Eduardo Morato, social entrepreneur is an innovative person or institution who promotes the successful creation and operationalization of enterprises or livelihood endeavors for those in need. Social entrepreneurs assist the poor by enabling them to undertake better livelihood activities or run their enterprises viably. Social enterprise exists for a community of worker-owners who seek to jointly improve their lot through collaborative, cooperative creating and prosperity-sharing mechanism. Unlike business firms, social enterprises seek the economic betterment since the social entrepreneurs are motivated by service to others rather than profit.

In financial management, the topline in a business setting is high to maximize profit but in a social enterprise the topline or sales maybe low to give reasonable price of the service or product to make it more affordable. In a social enterprise, the middle line dealing with cost of goods sold maybe high to generate more employment and give good price for raw materials, while in a business setting the middle line is low and should be very efficient. In a business setting, the bottom line needs to yield high profit but in a social enterprise profit should be break even to become sustainable. Success of a social enterprise is translated to being able to provide service or the benefits to household that were set-out to achieve.

The social entrepreneur tries to manage the product, the relevant world organization, enterprise operations in a manner that its life is prolonged or recreated. At the micro level, social entrepreneurship as a concept adopts business management theory and practice to a development context. It introduces the art and science of managing the inherent conflict present between social goals and enterprise objectives. It deals with an inherent conflict between empowerment of stakeholders and product & market management. Beyond the micro level, social entrepreneurship has started to evolve as a strategy for critical mass of social entrepreneurs and enterprise to influence the market in favor of stakeholders among the community. Influencing the market means:

- Creating new markets & dealing with changing mindsets & values to create new products;
- Improving access of the poor to products and services;

- Changing market structure, market conduct & performance in favor of the stakeholders so that they can control terms and take over role of traders

The market as an arena for change is something that has to be dealt with when referring to social entrepreneurship. The over-arching vision is sustainable development with the overall strategy of democratization. Social entrepreneurship provides a strategy for democratizing the market so that in advancing sustainable development social entrepreneurship is promoted in the market place in the same way as empowerment. The presenter shared the framework for working towards the vision as well as a strategy for changing the marketplace of David Korten. He also came up with ten rules in relation to social entrepreneurship. Among the ten rules, rule no. 3 speaks of favoring human-scale firms and stakeholder ownership. From an ecological point of view, the rule deals with ecological sustainability and in terms of economics, it deals with the need to keep the firms small to ensure participatory forms of management. Furthermore, rule no. 3 also ensures that no one firm monopolizes the market and encourages competition as well as innovation. Mr. Korten also advocates stakeholder ownership in a mindful market over absentee ownership.

- Stakeholder ownership deals with values of life-centeredness while absentee ownership deals with money-centeredness.
- The guiding interest for stakeholder ownership is secure and fulfilling livelihoods versus maximized profit for absentee ownership
- The locus of power is people and communities for stakeholder ownership; global financial markets for absentee ownership
- Timeframe in stakeholder ownership is long-term; short-term for the absentee ownership
- Accountability for absentee ownership is weak and distant while it is strong and local for the stakeholder ownership
- Orientation to life of absentee ownership is extrusive; nurturing for stakeholder ownership

Linking social entrepreneurship with a vision of mindful markets, we are able to flesh out democratization for sustainable development in the market as an arena with social enterprises as the human scale firms with stakeholder ownership and social entrepreneurs as those who create or lead human-scale firms with stakeholder ownership.

In closing, Ms. Dacanay reiterated the challenge that Peggy Dulany gave towards building a sustainable future. Social enterprises and social entrepreneurs could play the role of bridgers in the market together with business leaders espousing corporate social responsibility; social entrepreneurs could build strategic partnerships with them to create and manage mindful markets. The challenge to CSROs is to build the critical mass of bridgers in working towards mindful markets.

CSROs ENGAGING THE MARKET

Session 3B

Income from Enterprise Linked to the NGO's Mission: The Bina Swadaya Experience in Indonesia

Em Haryadi

Vice-President

Bina Swadaya Foundation

Mr. Haryadi started his presentation with a brief background on Bina Swadaya (BS). BS is a local NGO founded in 1967 and as of this time, BS has 670 full-time staff.

Major Programs of Bina Swadaya

- Extension services to 2,500 Self-Help Groups (SHGs), which are supported by 21 field offices. One SHG consist of about 30 families. Of the 21 field offices 10 are already self-sufficient while the remaining 11 field offices are expected to be self-sufficient in 3 years time.
- Training services to development leaders
To date, over 2,100 development leaders have been trained from the NGOs, government and business sector.
- Consultancy services to government projects; around 950 government projects have been assisted by BS
- Micro finance development
2,010 savings and credit scheme (informal financial institutions); 4 rural banks located in South Sumatra, West, Central and East Java and 13 social enterprise units

Financial Performance

As of 2002, Bina Swadaya's total expenditure is US\$5.4 million, 90% is self-finance while 10% is funding aid from donor agencies. For year 2002, total budget of BS is at US\$6.9 million.

Source of income

Bina Swadaya derives income from its development and consultancy units. The development unit consisting of microenterprise development, microfinance development, education and training, which contributes 16% to the income. On the other hand, 17% of the income is contributed by the consultancy unit while 67% is contributed by the social enterprise units which is comprised of 4 rural banks, 5 agribusinesses, Trubus (agricultural magazine), publishing house, printing house and alternative tourism.

Lessons learned from experiences

- Since Bina Swadaya is concerned with both socio-economic activities and assists the target groups to be self-reliant and prosperous, it realized that it has to be sustainable also.
- The organization has difficulty in obtaining funding from the Indonesian business group because there is no government policy that provides tax reductions for helping social/charitable work. In a recent parliament hearing, BS proposed to revise the law to give tax incentives to the business sector when they give financial support to the social/charitable cause.
- Donors give less funds to support programs of Indonesian NGOs. To cope with this, BS tries to find alternative ways to be self-reliant.

Problems encountered

- **Conflict between NGO and business culture**
BS tries to resolve this conflict by hiring project staff solely for its business affairs and encourage the staff of both development & business units not to compete with each other since their functions compliment each other.
- **Lack of business skills and experiences**
As an NGO, Bina Swadaya's experience is mostly on social and development work. It has no experience as entrepreneur and had difficulty dealing with field staff in running the business. Since the field staff manage social enterprises as part of their income generation, they were required to have the necessary business skills and attitudes.
- **Access to capital**
It was hard to access funds as an NGO from the business community and commercial banks because Bina Swadaya did not have the legal status of a corporation at that time. To resolve this, business corporations were set-up within BS. Currently, there are 11 business corporations belonging to BS.
- **Public perception**
Some NGOs perceive that Bina Swadaya is not an NGO anymore because everything has been viewed as business activities. It was hard for them to realize that all profits from the business corporations of BS are utilized to run development activities. But with the recent crisis and as a result of the realization that business could contribute to their finances, more NGOs became interested with Bina Swadaya's training on social enterprise.
- **Legal status**
With their business corporations, BS now has legal status to deal with the business sector. BS has been successful in separating both its business and development operations.
- **Competition with other business sector**
Of its business corporations, BS has no competitor with its Trubus magazine. Sales of the magazine increased as a result of the economic crisis. This only shows that many people are looking at social enterprise as alternative source of income.

Relations with external donors

1. International finance institutions
2. Donor organizations
3. Technical assistance to government programs
4. Commercial banks

CSROs ENGAGING THE MARKET

Session 3B

The Suan Ngung MeeMa Company and GreenNET Experience

Wallapa Kuntiranont

Managing Director

Suan Ngung Meema Co.

Based on several years of working with the NGO and with the private sector, it was noted that the civil society resources are culture philosophy, human rights and social justice, and sustainable economy. In working with business, they are concerned not just with maximizing profit but also in corporate social responsibility, social justice and sustainability. On the other hand, the NGOs, CBOs, CSOs are now concerned with economic responsibility and how to have income generating activities. How is this related with the NGO alternative business initiative.

GreenNet started its business in 1994 focused on ecology and provided consultancy in training and organic farming. At the time, the market was very immature and after the Earth Summit in 1992 NGOs realized that they should promote the green products. GreenNet continued working for 10 years.

The Suan Ngung Meema Company started last year and is composed of three sectors:

- NGOs – who tries to bring in funds in order to start the company
- Some business friends who have heart for the NGOs
- Management – also brings in funds

The focus of the company was the community products and this was carried out by ensuing fair trade on village products with the producers, publishing books as a medium to express ideas & training, coordinating events, research, advice and consultancy. They also have partnership with the producers just like GreenNet which works closely with one community – Kud Chun Farmers Corporation in the northeast of Thailand. Suan Ngung Meema Company works closely with the communities who have been affected by the industrialization and development initiatives of the government like the one community where the electric company of Thailand established a huge dam destroying the fisherfolks' means of livelihood. The company also targets the community who aims for cultural preservation. People come to them with some finished products asking for assistance to market their produce.

The company also tries to mediate between the producers and consumers (the herbal and the local people) and finds the following difficulties of the producers:

- Heavily indebted
- No investments

- Little skills training
- High competition (government policy is one village one product)
- Manipulation by industries and land owners
- No access to profitable markets

On the other hand, the consumers:

- Priority on low price regardless of quality
- Little sense of natural quality & value of ecology

Aside from these difficulties, the company also found out that they have been very low margins in order to give good price to items such as weaving cloth, high cost of reaching out to the consumers through promotion activities and high cost of supporting the skills development of the producers.

Challenges faced by the company are:

- creating a more profitable market
- educating consumers and producers
- getting fair price for the products

Possible solutions being undertaken:

- Form alliance with the corporate sector (partnership with the Social Venture Network)
- Establish green marketing campaign group (small & medium scale alternative business) to create more impact with less marketing cost
- Need to have long-term perspective among the producers
- Consumers to have more social and cultural awareness
- More government policies that are supportive to the producers i.e. tax incentives
- Educating the youth through campus tours, etc.

In view of the challenges faced by the company, a paradigm shift was needed to change the consumers' behavior and be able to expand the green market. The shift from low price to high values shall be promoted. The business strategy to be adopted shall include:

- earning on promotion and education to acquire additional funds for the company's operational costs
- compensate loss trade in village products
- from local markets to international markets

In closing, Ms. Kuntiranont reiterated their vision of providing livelihood for the local producers and developing business skills of the NGOs to create more income generation opportunities.

PLENARY DISCUSSION

- Q. When you started out did you already have an entrepreneurial vision or did it come at the later part of the development of the organization? And if it came at a later part, what triggered the shift – was it one individual or was it a need? When it happened that you decided to shift to this very enterprising activity?
- R. E. Haryadi: The agriculture magazine, Trubus, initiated in 1967 was originally meant to serve the farmers. However, the magazine was accepted by more people in the middle class & city people and Bina Swadaya got a lot of inquiries on agribusiness very often. This made them realized the demand for agribusiness store and at the moment they have 7 agribusiness store. The economic crisis made middle class people interested on agribusiness and they needed for technical know-how so that magazine was not enough. And so BS did 700 publications on agribusiness and later on decided to have their own publishing company.
- Q. How can Bina Swadaya reconcile objectives of public service & development work with the objective of perpetuating the organization?
- R. E. Haryadi: There are 2 different units in BS – consultancy and business units. The business unit does not deal with the vision and mission of the organization and is concentrated on acquiring profits. On the other hand, the development unit deals with the self-help groups and has its own mission and focuses on that. 50% of the profit of business unit goes to reinvestment for and 30% goes to the foundation and 20% goes to the staff as incentives. To make the business unit familiar on the latest with the development unit and vice versa, every 1st Monday of the month there is a Coffee Monday Break. This is also a venue for the two units to discuss conflicts on issues encountered and offer possible solutions.
- Q. In relation to the preceding discussion of Em Haryadi, the definition of social entrepreneurship earlier presented implies that profit is minimized but in the case of Bina Swadaya they maximize profits and it goes back to the social businesses which have positive impact or into the foundation or the benefit of employees. Was the definition really meant at minimizing profits?
- R. L. Dacanay: The art and science of managing social objectives and enterprise goals does not always mean profit is minimized because it depends on the specific objectives at a certain period of time. There is a point in the social enterprise life cycle when issues on benefiting more the stakeholders have to be dealt with. For example, you want to have enterprise growth to reach out to bigger clientele. A decision has to be made in terms of delaying the gratification of the stakeholders, which they should be able to understand. There is an inherent contradiction should be manage and be conscious of the trade-offs.
- Q. The book *Built to Last*, is a study of 50 corporations. The authors studied the core values and corporate culture of the corporations and they found out that the values of the corporations are the same values espoused by the non-profit organizations. Based on this, are we not putting an artificial difference when in fact core values of human beings at the very center are the same and that we are simply coming from

different traditions & exposures. The awareness that the differences are artificial is a humbling realization. How do we reconcile this?

- R. L. Dacanay: In reconciling the issue, its important to look at the baseline, what we have at the real world. We have in the real world, companies saying that they are socially responsible but they are actually oppressing communities and devastating environments. The phenomenon of corporate social responsibility which is beyond just corporate philanthropy and corporate or community relations as a framework are changing. But majority of the corporations are still from the old frame. Its not so much that we are dichotomizing for purposes of putting something artificial, it is important to recognize that most of the corporations are still in the old frame so that its important to build bridges with those who are already espousing corporate social responsibility in order for us to work towards a democratize or a mindful market. Many in the civil society and NGO community are skeptical about the market because many corporations are still acting the same old ways even if there is a growing number of those who are already socially responsible there's still a minority. This small minority must become a strategic partner in changing the rules of the market.

Sharing:

1. F. Soledad: Some organizations in the Philippines that PCNC evaluated experienced conflict as they go into social enterprise. Keeping it within the organization causes the encounter within their own circle, among their own beneficiaries, who are confused with their role. When they begin to talk business, even the beneficiaries begin to question what their role is because they have been used to NGOs as grant-makers. One organization in this kind of dilemma had to spin off the unit into a profit enterprise since there was no choice but to settle the issue.
2. V. Manalo: The presentations are very similar. From the start, they planned on running the foundation in a very businesslike manner because they are aware that funding from the donors will not last forever. For revenue generation, they have income generation activities i.e., publications and doing research. They operate on the principle that if you give for free the services to help the people and the community, they will not value it so much because there's no sacrifice. All the activities that they do are for a fee depending in the capability of the community.
3. G. Velasco: There has been a tendency to regard NGOs as the spokesperson of civil society when the reality is that NGOs are also actors in the market, government and civil society. In fact, we have different roles in each sector. In the market we are not just consumers but innovators of new business practices. Being in the intermediary position allows us to be more effective and explore new mechanisms. Some would be comfortable being a bridger to the market, or bridging with the government, or working with communities but being clear with what our bent would best help solve issues.
4. P. Dulany: We need to have a mechanism to help corporate people with good intent and want to go into the market but don't know how to cross the gap in a way that does not violate community norms or empowerment. This could be by way of consultancy firm with matchmaking and educational functions for both the corporate

and NGOs or cooperatives, etc. The corporate need to know how not to step on everybody's toes while the NGOs, cooperatives, etc., need to begin to learn the language of the market in order to be able to interact effectively.

5. L. Enrile: In reaction to Peggy, there have been some effective intermediaries in the Philippines. An example of which are the corporate foundations. Some have made gains although short term and is because the corporate foundations speak the language of both the community and business. The search for long-term mechanism is still underway but there have been successes though short-term in using the corporate foundations as intermediaries.

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Session Chair
David Winder

Director
The Synergos Institute

S ynergos recently has finished the study on ODA-CSRO Collaboration and with a team of researchers supported by The Sasakawa Peace Foundation. The 6 cases produced, 4 from the Philippines and 2 from Indonesia and the lessons learned from ODA-CSROs collaboration.

As a result of these case studies, policy options of the ODA agencies can be grouped into three broad options. These are attempts developed to channel ODA funds to civil society organizations.

The first option is where you create a program to channel funds from ODA agencies to NGOs and Civil Society Organizations through a small grants program. This is probably one of the most frequent strategies where ODA agencies develop a small grants program for NGOs. Generally, these grants respond to local needs and demands and largely to macro projects many of which are supporting infrastructure.

Under option one is a number of variations:

1. Some programs are managed directly by ODA staff and they determine which organizations receive the grants. They approve the proposals and they disburse the funds.
2. In other cases, the local civil society organizations have been involved in selecting the grantees and channeling the resources. This is some sort of an advisory committee mechanism. This is an interesting new development with many ODAs trying to ensure that they are responsive to new demands and to ensure that their support has the maximum impact.

We looked at a number of examples of ODAs - the Japanese Embassy Grassroots Grants Program in the Philippines and we have examined it in some detail. Here a formalized local advisory board has been set up. There is a deliberate attempt under this option to really draw members of CSOs and the committee recommends which organizations to fund. A good example is PACAP, the Philippine Australia Community Assistance Program funded by AusAID. Other agencies are also following the similar strategy.

3. Another option is where ODA agency passes funds to one or more CSROs. The CSROs in turn manage the resources and they pass them on to smaller NGOs as subgrants. A

good example of this is the JICA experience in Indonesia. I'm very pleased that Mr. Motoyuki Nishida is with us today. He designed that program in Indonesia. He's been presently guiding its first two years serving as an example to JICA offices elsewhere on how to be responsive to needs of NGOs and how to partner with CSROs.

The second option is to look at where NGO-managed funding mechanism was created, and in turn channeled money to NGOs and CSOs. In some cases, they are created as independent foundations or in other cases, they evolve into independent foundations. These are examples of development assistance programs developed in partnership with local NGOs or consortium of NGOs.

These organizations evolved into permanent organizations when they ended their life upon the completion of program funds. You can see there is a heavy emphasis on CIDA, the Canadian development assistance program. They have been active in developing this particular model of partnership between ODA and civil society.

We will hear from LDI from this panel today. We will also hear from the experience of CRP.

The final option in many ways is the most advanced in terms of sustainable financing for CSOs. It is where an independent foundation or CSRO is created and endowed with the proceeds of a debt swap or other funds from the ODA agencies. This is essentially a new permanent endowed fund that channels grants to CSOs in pursuit of their bigger programs. The endowment is invested and only earnings from the endowed fund and loan programs can cover institutional costs. An example we are going to discuss today is the FPE. We already know quite a bit about FSSI, which is supported respectively by USAID and the Swiss Agency for Development Corporation.

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Community Recovery Program

Zumrotin Soesilo

Acting Director

Community Recovery Program Indonesia

The Community Recover Program is newly established. It was set up in the middle of 1998 when Indonesia was facing a monetary crisis just like other Asian countries. But Indonesia experienced more than monetary crisis. It faced social and political crises too. It was then very difficult to solve the problem of the poor. Various levels of the community were affected by the crisis and suddenly the number of poor people, those living under the poverty line increased significantly. In 1996, we had 22 million poor people, in 1998, 80 million. In just two years, it increased almost five times the number in 1996. With this condition, leaders of the NGOs in Indonesia and other sectors developed a mechanism to help those individuals who were most affected.

Four donor countries such as United Kingdom, Netherlands, New Zealand and Sweden, gave grants to Indonesia to set up a mechanism to help the most affected members of the community from the socio-economic crisis by way of distributing resources to support the NGOs and CBOs in implementing the program. The grants go to UNDP. Around USD 27 million was transferred to the trust fund of UNDP, and then UNDP made separate accounts to each countries so it is easy for each country to control the money that will go to the program fund.

Profile of CRP

CRP envisions to be "an organization that could encourage initiatives and ideas of the powerless communities living under poverty line to enable them to help themselves meet their basic needs as well as to break the access blocking and have control over public policies through strategic partnership alliance (NGO, CBO and other civil society organization) so that the goal of a developed civil society and gender equity in socio-economic structure can be achieved."

Its missions are:

- To support the growth and development of initiatives that come from local and traditional wisdom
- To provide support for the strengthening of local and civil society organizations to speed up self sustainability to gain control over management and ownership of the resources continuously
- To provide support for any efforts in promoting the establishment of gender equal social structure
- To facilitate the development of strategic partnership network in promoting the government policy changes to be more supportive to the poor
- To work together with the poor to help them meet their basic socio-economic needs and to break the access blockage by developing a synergic link among civil society

organizations, government, private sector and international organizations to work hand in hand the community program.

Our project is for the poor women and children, the landless and the jobless. At that time, there were 42 million jobless people in Indonesia. We have the principle of non-discrimination in our projects. For instance, a program in Maluku and the Islamic Maluku tried to look at how much support from CRP goes to the Christian community and how much to Muslim community in Maluku. CRP is guided also by the principles of transparency, accountability, participatory and gender equality.

CRP priority programs are food security and basic social services in the first and second years of the program. In the third year, because the poor have a better situation, the program focused on job creation and on income generating projects. After three years, the donor conducted program evaluation, and the identified program weakness are capacity building and advocacy. So therefore, in this year, the concentration is on capacity building and advocacy.

Why advocacy? In the experience of CRP, social justice is important. With the small capital, they buy small generator but income does not increase due to some external factors.

Project Cycle

Project proposals come from NGO or CBO and developed/designed together with the community. We have 15 Regional Facilitators and the program covers all provinces in Indonesia. Regional Facilitators were posted because of the concept of decentralization.

The success of the project is assured when there is a good proposal appraiser, someone who would verify if the project being proposed was designed with the community. Sometimes, the NGO sends a proposal without the participation of the community. If there is a good appraiser, there is 50% guarantee that the project will run well and smoothly.

Regional Facilitators send the proposal to the National Council that consists of three members from the government and seven individuals. If the proposal is approved, it is sent to UNDP and it is asked to send the money to the NGO, CBO or community. The funds go directly to them and do not pass through CRP. The funds are sent to the account of two persons/entities, the NGO and the leader of the community. Because of this, the community can control the money.

Upon receiving the money, they implement the project and start by setting up a revolving fund. On who manages the revolving fund, it depends on whether the community is strong enough to manage it. Or else, the NGO manages it.

There are three disbursements of funds to the project holder. Every disbursement is monitored and evaluated. Activities are monitored and funds audited. If the project is going well, UNDP is asked to release the next disbursement. If there is corruption, as a social punishment, the corruption is publicized in the newsletter. But before the punishment is meted, they are assisted. With CRP's experience, 80% are very good projects, 30% needs assistance, and 10% fails the standard. About 70 provinces have received support from CRP. They are in remote provinces. The cost of monitoring is very expensive given the frequency of monitoring is three times.

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Local Development Institute

Benjamas Siriphat

Director

Local Development Institute

CIDA has existed in Thailand since 1981. After 5 years, CIDA started the LDAP project. LDAP has an office at the Canadian Embassy and had a good relationship with the government. The project review committee included Canadians and government people and one NGO. More NGO representation in the committee is needed because sometimes when a project proposal is approved, the project becomes how the government and the Canadians view them to be. This is why LDI was started.

LDI's mission is "To strengthen the capacity for *self-determination* among poor communities by enhancing the effectiveness of *Thai NGOs* in community development for the *poor*". "*Self-determination for the poor through the Thai-NGOs.*" This is how LDI wants to operate.

When CIDA and LDI started the project together, it is an 8-year project, there is a big lump sum that CIDA promised to give to LDI. All the activities geared towards the *self-determination of the poor* are channeled through the NGOs. So in order to achieve this goal, LDI have to have capacity building for Thai NGO and research to get the correct information. The information centers were set up so whenever anyone needs the information, they are available. The money will go to Thai NGOs in terms of grants and loan fund to the poor.

The composition of the Project Review Committee changed with time. During the LDAP stage, it was comprised of CIDA, Department of Technical and Economic Cooperation (DTEC), Academic Institutions and NGOs. The LDI stage had three sub stages. The first is the centralized stage. Problems such as the main office approving proposals without being able to come down to the community and evaluate the true mission of the project being proposed. This led LDI to propose that decentralization happen in the proposal submission and appraisal. In the decentralization sub stage, LDI is working with about 200 to 300 grassroots NGOs in the country. Some of them work in the four regions. A body, the NGO Coordinating Organizations for Development (NGO-COD), was proposed which will distribute the money for the grassroots NGOs and People organizations in the region.

The process starts with the grassroots NGOs making the proposal and submitting to the Regional NGO-COD. The Regional NGO-COD gathers together the leader of the communities and grassroots NGOs and develops a two or three year strategic plan. The project review committee looks at the strategic plan, and sees if the project fits the plan, then it approves it. The criteria include sustainability of the project, appropriateness to the community, environment friendly, and women's participation. They will submit them to LDI/CIDA, which allocates the amount of grants or loan to each of the regional NGO-COD, which distributes it to the grassroots NGOs.

During the implementation of the projects, a Monitoring and Evaluation team evaluates, gives advices to the project holder. It will give a monitoring and evaluation report to the PRC

and say if the project is successful or not.

In 1998, the project with CIDA ended. They left with LDI an endowment fund of B 30 million. Now, from the money from other donors, CRP uses it in four areas; with civil society, which is the main theme of LDI at the moment and for the community business: CRP also provides loans and match grants. CRP also works in environmental protection and social development. The Drug Abuse Prevention Office of Thailand provides funds for drug abuse prevention.

Lessons Learned:

1. LDI/LDAP/CIDA have been adjusting its organizational structure to suit the situation.
2. Decentralization - there are different level of board.
3. Participation – there is a network which have good relationship with the partners

At the moment there are four big issues in Thailand. In 1997, we have the new constitution that talks about decentralization and participation. The government has to organize the authority to the local people, which give rise to the Tambun Administrative Organization (TAO) comprising around 7,000. When they localized authority, the government allocated 20% of budget each year to the TAO so they can plan and use the money.

Before, it was only NESDB, which is the government organization and economy institute that work together and set plan for all the people in the country. But since the 8th plan and now the 9th plan, we have what we call the "bottom up" process. The NESDB has contract with the civic people to do a provincial vision. In Thailand, there are 75 provincial visions in 15 categories such as social vision, economic vision, environmental vision, etc. The visions are submitted to NESDB. NESDB is the government organization, which integrates the provincial visions to the 9th plan. The plan belongs to the people because the people participated in its crafting.

The new Thai Cabinet is promoting the "30 Baht Health for all." This gives medical services to the poor for only 30 Baht.

About the civic movement in Thailand, social contract forum is held, where politicians are invited together with the community, so the community would know their platform on issues affecting the country. There is also the anti-corruption project and the good governance project, which are also a forum for discussion of issues on governance.

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Foundation for the Philippine Environment

Julio Galvez-Tan

Executive Director

Foundation for the Philippine Environment

The Foundation for the Philippines Environment is a foundation created by NGOs for NGOs and is managing an endowment currently amounting to PhP 700 million or USD 40 million at present rate. It is important to see the creation of FPE in relation to the changing political context.

CSOs and the Changing Political Context in the Post-1986 Period

- The 1986 People Power Revolution that ousted the Marcos dictatorship immediately brought the Philippines in the limelight. The NGO community was at the forefront of this people power revolution.
- The New Philippine Constitution was put in place in 1987 and provided structural changes, particularly in nature conservation and the recognition of NGOs and POs in development.
- NGOs and POs played active roles in advocating and articulating specific policy reforms, and in implementing joint GO-NGO/PO programs.
- In 1991, the Department of Environment and Natural Resources together with the active participation of NGOs completed the Philippine Strategy for Sustainable Development. This served as the country's input to the UNCED in 1992 in Rio.
- The processes towards UNCED 1992 brought dramatic global shifts in official development aid (ODA) towards sustainable development. In the Philippines, certain ODA assistance were channeled directly to NGOs

The Role of the Philippine Government and USAID

- Pressure from Philippine and US NGOs, as well as key personalities in Philippine Government especially at the DENR, influenced USAID on the specific allocation, use and form of funds that went to FPE. A very important learning is that the DENR secretary and his assistant served as key personalities that pushed for the fund to be managed by NGOs and they made sure that this happened.
- USAID recognized the strength of NGOs and agreed to establish a viable functioning organization that would have budget independence and technical capability to support local environmental groups. This would not have happened without the Philippine government, Philippine NGOs as well as the US NGOs.

Role of the Philippine NGOs and US NGOs

- In November 1989, a group of 10 Filipinos from civil society participated in an “environment train” in the US. Examples were Eugene Gonzales, Dinky Soliman and the late Maximo Kalaw, which was funded by Ford Foundation and Gateway Pacific, two US foundations. The group met with the official Philippine mission, headed by President Corazon Aquino, that was seeking development assistance from the US government.
- While in Washington DC, the Filipinos met with 22 US groups (mostly Church-based) who were lobbying the US congress on foreign aid to the Philippines. With this link-up, the Philippine Development Forum was created. PDF became the US-based counterpart for an advocacy campaign to support development assistance to the Philippines that included environmental concerns.

The Negotiation Process

- Philippine and US NGOs, through the Philippine Development Forum, continued lobbying with US Congress advocating three ideas:
 1. that a Philippine NGO should be the partner in the formation of an organization that would support NGO initiatives for the Philippine Environment;
 2. that Filipinos should select their own Board of Trustees; and
 3. the debt paper in any debt-for-nature swap arrangement should not include fraudulent loans.
- The US-Based Philippine Development Forum helped allay concerns among congressional sectors about handing over US funds to Philippine citizens groups. They were wary because at that time, we have just kicked out the US bases in the Philippines. US Congress was very apprehensive saying, "Are we to give it to anti-Americans?" The PDF allayed those fears, that they're going to hand it to citizen groups that were responsible and accountable. They reassured members of the US legislature about the soundness and viability of the proposition.
- US Congress appropriated \$125 million dollars for a Natural Resources Management Program (NRMP) in the Philippines, \$25 Million will be used for a debt for nature swap and to create an endowed private non-profit foundation as part of the NRMPs objectives.
- US Congress signed a condition that the \$25 million be channeled through an US-based NGO for an interim period.
- USAID designated World Wildlife Fund (WWF) to be the interim trustee of the endowment fund.
- The conditionality of having a US NGO being given the trusteeship over a Philippine project met stiff resistance from Filipino negotiators in Government and NGOs. Philippine NGOs continued lobbying with USAID by pushing that the foundation should be NGO dominated and that Philippine NGOs should have at least a partnership agreement with WWF.
- In July 1991, WWF subsequently signed a Cooperative Agreement with the Philippine Business for Social Progress (PBSP). PBSP was acceptable to both USAID and Philippine NGOs, to create FPE.
- A Regional Outreach Program resulted in extensive consultations - with 512 individuals

representing 334 NGOs and other groups - were conducted across the country to explain the FPE concept, and solicit feedback for FPE policies, program criteria, and draft articles of incorporation and by-laws.

- FPE was registered with the Securities and Exchange Commission in January 15, 1992.
- In May 1993, a Memorandum of Understanding (MOU) was signed among USAID, Philippine Government and FPE spelling out the purpose of the endowment, transfer to FPE, and roles of the parties in safeguarding the fund

Lessons and Insights

Enabling Environment: The socio-political situation in the Philippines after 1986, marked by the restoration of democratic institutions and the establishment of new policy reforms, provided the enabling environment that led to the eventual creation of FPE. FPE itself grew from a convergence of efforts and intersecting agendas among US and Philippine NGOs, USAID and the Philippine government.

FPE itself was born out of a shared concern -- not only to assist local environmental action -- but also to strengthen democracy itself, through civil society organizations. The phenomenal rise of NGOs in the post-1986 period gained for them increased recognition by government and donor agencies. This, in turn, enabled NGOs to come forward with more confident development agendas

Negotiation Process: The process of creating FPE took three years, for it was necessary to maintain credibility among a wide range of stakeholders, and to establish consensus among its broad NGO constituency. The process had its conflicts. Yet, negotiations, broad-based consultations, and the participation of stakeholders were seen as necessary in order to establish FPE's transparency, trust and public ownership

Role of Philippine Government: While the overall positive policy environment set the stage for FPE's creation, it was concerned individuals in government who played key roles in the creation of an environmental trust. These individuals served as points for linkage and negotiations among various stakeholders.

FPE was seen as a unique structure that could contribute to national environmental action on a sustained basis. It was created - not just as an environmental fund per se, but as a means to strengthen civil society organizations. A strong civil society was seen as the best guarantee against political change and official whimsy.

Role of US Government: The policy environment in Washington DC was supportive of an NGO managed initiative, in part because of a successful lobbying by a group of US NGOs with support by Philippine NGOs.

Role of Civil Society: The involvement of key, experienced civil society leaders in the Philippines helped give FPE its initial public visibility and credibility. The lobbying support of the US NGOs under the Philippine Development Forum proved critical in convincing US Congress and USAID to support the creation of an environmental endowment under the control of CSOs.

Creating Impact

1. FPE Endowment

In 1994, WWF turned over to FPE an endowment of PhP 569 million. In 2001, it has a growth of 25%; it is already PhP 710 million. However, due to inflation (35%), the money has diminished in real terms.

2. Fund Utilization (1992-2001)
Income is PhP 600 M; PhP 371 M went to projects, PhP 89 M went to administrative costs and PhP 140 M was plowed back to the endowment.
3. Projects
Community-based - 25 projects in 22 priority sites
Size of priority site covered:
Forest ecosystem - 716,674 hectares
Coastal ecosystem - 664,520 hectares
4. Partnerships
20 NGOs and 82 People's Organizations covering 132 barangays in 50 municipalities

Challenges

1. Leveraging various resources for Biodiversity Conservation and Sustainable Development. This is still a new arena for us and recently have leveraged own funds for the global environment facility to co-finance projects with FPE. Last year, it got USD 30 M and expect to another USD 30 M this year for another project.
2. Addressing the diminishing value of the endowment. The earlier board did not address this, so it has to be tackled squarely.
3. Continue to develop a governance system that is based on broad public consensus and visibility, yet is free and independent from the politics among civil society organizations. We conducted broad-based consultations but NGOs are very politicized. If they are consulted, they want that all their recommendations be entertained. But it is still the board that is the sole decision-maker.
4. The last challenge is FPE's "reason for being." In the last 100 years, the country lost so much forest cover and biodiversity. For example in 1990, the Philippines was 70% forest covered. In 1999, it is down to 18%. This is the greatest challenge for FPE and it believes that biodiversity is a key to sustainable development.

PLENARY DISCUSSION

- Q. What is the role of PBSP in the negotiation? What is the relation of PBSP and WWF? Please elaborate more on this.
- R. J. Tan: When the conditionality of the grant to establish a foundation was given to WWF, it was met with stiff resistance. But USAID cannot anymore change that because it was part of US Congress conditionality. So the compromise was that PBSP to have an agreement with WWF to co-manage the creation of FPE. It was very clear because there was a Terms of Reference signed by both WWF and PBSP. This spelled out the process that will create FPE including the management of an interim grants program. This was jointly managed by the two organizations. FPE was seconded to PBSP under WWF until 1994 when the fund was completely turned over to FPE. That was a condition then that after two years of managing the foundation, WWF would turn it over to FPE board of trustees.
- Q. In my experience, the biggest challenge in working with ODA is that although participation and democracy is always the jargons, we do not have anything to say with regards to their changing of policies or funding mechanism. For instance, the same organization says that environment is very important and should be the cross cutting themes of all the projects that FPE funds, is also the same organizations to say no to supporting the anti-nuclear movement in Indonesia. This is because at the same time it is also the business sector presenting proposals to build a nuclear power plant in Indonesia.

Second is the issue of sustainability. Even though sustainability is usually one among the important aspects in giving funding to indigenous organizations who perform as grant making organizations. Yet when it goes to overhead funding, they say that they give overhead funding for example for a US-based or Canadian organization but not for you. For you we will give operation costs to implement the program and after this program ends, you have to search for yourself. This is also a policy, which is very difficult to tackle. Then we also don't know when they will pull out of the country or when they will reduce the amount being given to a country. I think Julio has explained how Philippine NGOs in collaboration with US NGOs tried to influence the USAID. I would like to know from Benjamas and Zumrotin the experience of CRP and LDI in handling the policies, which we do not have participation in. I also would like to ask Ibu Zumrotin if it is difficult to deal with UNDP than dealing with specific agencies, because with the trend of donor agencies to pool their money to one multilateral corporation. It could be UNDP, WB or ADB. I think this probably is one challenge we could face in the future. I think CIDA also have a document in strengthening aid effectiveness, which actually wants to pull their money to the multilateral corporations.

- R. Z. Soesilo: When I came to CRP, the deal was already on board. I think it depends on the relationship with UNDP. Which one is difficult, to deal with UNDP or to deal with bilateral funding? In our experience, UNDP thinks that CRP is a good program so they always fundraise for CRP at that time. They ask me to make a report every month and they go to some countries to do fundraising for our program because in the program, UNDP gets 3% for all the money. CRP just gets 10% from the money

disbursed from our activity. This is the incentive of UNDP for fundraising. At that time, we tried to lobby with other bilateral agencies. We thought that if funding from UNDP ends, CRP would die. So we tried to approach the United Kingdom to give the 10% of the funds as endowment fund for CRP. In the first year, we got 10% for endowment then in the second year; we got 30% for endowment fund. So after their phase out, we have an endowment fund.

B. Siriphat: CIDA gave us an endowment. CIDA money was used as a loan fund and when went back to LDI, LDI kept it as endowment. At the end of the CIDA project, we had to do a cash flow analysis and we came up with a good 5-year plan for the cash flow. But after the economic crisis, we had a problem because we cannot invest and we cannot do anything. So the money was kept with very low interest. Anyway, we tried to survive by connecting with the government and we got funding support for different projects. At the moment, we are still okay but in the long term, we have to think hard about our survival.

I. Hadad: I would like to give some information about the question of Abdi Suryaningati regarding CRP. In one way or the other, I was involved in the work of CRP. In the beginning, CRP was designed as a social safety net program because of the crisis and as such, it was for short-term purpose. So the deal with UNDP was that they help CRP fundraise in the form of what they call at that time a sinking fund. We had a target of 20 M, which we raised at less than 4 or 5 months. But the 20 M initially raised was designed only for 3 years. After 3 years, when the program is over and there is still some money left, we will give it back to the donor. That is the concept of a sinking fund.

In the process, not only the crisis continues but also the nature of the program. CRP has a different purpose then and it is evolving from its origin -not only simply as a social safety net and to help in the recovery of the poor's situation but also help CSOs generate income, etc. Which has more long-term perspectives in the activities. Therefore, the arrangement of fund at that time was UNDP was supposed to do two functions: 1) help in fundraising, 2) be in charge of distribution of funds. With the assumption and agreement in a way generally that when the sinking fund generally will be developed into an endowment fund, it was CRP who was supposed to manage it and not UNDP anymore. That was something not clearly said in the beginning. Might be partly because the originator was not quite making the deal quite clear. That is why Ibu Zumrotin currently has problems in redefining both the goal and functions of the CNSDP. In the meantime there are still some changes both in CRP leadership and in UNDP and in the latter development was not clarified and that makes the problem of sustainability and that become issues that currently will be sorted out. I hope I clarified this.

Q . M. Nishida: When I was young, I would join JICA and my father would ask me why? He said that it is not a sustainable organization because of its assistance to poor countries and since it'll be 10 to 20 years hence, JICA will close down. He told me why not join the government. Now the Prime Minister Koizumi and his assistant made a drastic change in the Japanese government. I'm very interested in LDI. JICA tries to collaborate with NGO. This is a very important issue on how we can leave Indonesia so we can go back to Japan. When LDI finished assistance from CIDA, you find other donors such as Nippon. I want to know what is the difficulty when you try to find local resource, when you transfer from CIDA assistance to self-reliance. Were there changes made within the organization, in staff such as hiring more

information staff to find clients, etc?

- R. B. Siriphat: Talking about the transition, I think compared to the other NGOs, we are lucky. First, because we have an endowment from CIDA. Secondly, because of the strong leadership and popularity of our chair and the board. Whenever we do project proposals and they see our board's names, most donors give funds to us. We also have the skills because of our experience with different NGOs and POs. In addition, whenever we propose a project, we never write in our perspective. We always go to the field, meet with the local people and grassroots NGOs and develop this proposal.

DONOR SHARING

Dr. Nipa Banerjee

Head

CIDA Program Thailand

Based on our experience in South Asia, accountability is always link with financial accountability, which is often defined as quantitative accountability. Donor agency also looks for qualitative accountability. This can be interpreted as value for money equated in terms of achievement of qualitative results. Accountability implies financial accounting but at the same time it involves achievements of objectives. This is giving the best value for money.

Since CIDA spends public fund, accountability both qualitative and quantitative, are the most important principles that all CIDA funding must look, whether the funds goes to CSO or government. CIDA cannot expect much difference between government and civil society in terms of accountability. It is difficult to generalize CIDA's experience with CSO in relations to accountability. It varies from country to country. Civil society displays varying accountability patterns. Often, CSOs falter on accountability because they pay less attention to accountability or don't have the capacity for appropriate financial management and accounting. CSROs are different. They are more advanced and their capacity is greater.

CIDA criteria:

1. registration of CSO - or the process of certification
2. conducts annual financial audit
3. presence of operating Board, which holds regular meeting, and with Executive Director accountable to and reporting to the Board.

In the absence of Board and annual financial audit, the accountability of CSOs suffers.

On the other hand, sustainability is closely link to principle of accountability. The organization will not be sustainable if it is not accountable. To be accountable, CSO must not be dependent on donor funds only. A number of CSOs in South Asia attain sustainability by operating viable commercial activities for continuous development operation. Commercial programs are not necessarily bad as income formed is put back to development programs. This is being done in Bangladesh and India. This is becoming an increasing trend in the region. In Bangladesh, CIDA was involved in the projects at the very beginning. These organizations have developed into almost big corporations. Along side this, capacity of smaller community have been developed.

What is saddening is, young breed of government development workers are missing out the opportunity to learn about the history of NGO development and understand how they operated. In 1968, CIDA started out its NGO programs in Canada. Government workers then are involved in development of NGO work. Most of these people now are retiring, and the younger people are having difficulty to understand its functions. CIDA don't do core funding for NGOs, but they think it does. They failed to understand the distinction between funding programs and core funding. If the young generation is not trained well enough, the

good perception of CSRO may be lost.

DONOR SHARING

Ricardo Wilson-Grau

Advisor

NOVIB

NOVIB is composed of member organizations for International Development Cooperation, which is founded in 1956. Its annual budget is \$120 million. It has around 900 counterparts primarily NGOs in more than 50 countries, from Thirds world, Eastern Europe and former Soviet Republic. There are 350 staff and are in The Hague. Half of them work in grant making.

Why change the NOVIB appraisal methodology?

- to refocus development cooperation mission. NOVIB has a right-based approach to development. It is result based with objectives that were crafted with the Oxfam family. Oxfam family has common strategic plan that is results based. It is also advocacy driven. NOVIB wants to become a global campaign force.
- The change means that as grant maker, NOVIB is undergoing a fundamental shift. Before it used to concentrate on what grantees were going to do with the fund, and how NOVIB is going to do it. So the issue of quality of organization and the quality of grant making were central to the relationship then. With the result based and advocacy driven mission, NOVIB wants to emphasize what it want to achieve, which could be risky business.

What is risk?

To NOVIB, risk is to dare for a positive outcome as well as to dare around danger of negative outcomes.

NoVIB Risk Management Appraisal Approach. It is fairly simple. It is composed of three elements:

1. the uncertainty about the future events
2. the likelihood or probability of uncertainty
3. consequences if a future event are to happen.

So it is really managing three concepts in relation to grants or what the grantees want to achieve. Therefore, the questions are:

- what is it they want to achieve since future events are uncertain?
- What is the probability of success?
- What are the consequences therein? what is going to be the impact?

4This is the simple part. The complex part is: any risk whether positive or negative is rooted in very specific cultural, political, and social context, the context that shaped people's responses and perceptions about the likelihood and consequences.

Five principles utilized:

1. gather information constantly
2. select and analyze the essential information
3. integrate the analysis with action. If one is fairly certain that the success and consequences are worth the grant go ahead, but the key is to ask about the positive and negative results.
4. maintain a high degree of operational mobility - meaning reserve funds to be able to grant as new opportunities emerge, situation changes or new threats come forward.
5. make judgment concerning beliefs on probability, preference and value of outcomes.

In previous appraisal approach, NOVIB had 30 pages of operational questions, which was an attempt to understand the whole problematic part, both external and internal. Now, it designs a better approach, which rely heavily on judgment of program officers. They are then provided with appraisal list to help them make judgment about their beliefs around likelihood and consequences or the value.

Three risk elements:

1. upside risk. Program office makes judgment about the probability and consequences or impact when there is a concurrence between grantees objectives to achieve and NOVIB regional strategic change objectives. The latter being the results of agreements with other Oxfam, which it wants to achieve in different regions of the world. The positive risk is when there is a concurrence between what the grantee wishes to achieve and what Oxfam wishes to achieve. The program officer is asked to make judgment about the probability when there is a concurrence on how probable is it that the grantee is going to be successful and what will be the impact.
2. downside risk. To identify 3 or 4 principal dangers that threatens to be the counterpart in achieving the objectives.
3. monitoring and reviewing the upside and downside risk in order to optimize the possibility of success and minimize the likelihood of failure and identifying new opportunities.

DONOR SHARING

Yuji Morimoto

Director General

Project Development Department

JBIC

Japan Bank for International Cooperation (JBIC) was established 2 years ago with the merger of the Overseas Economic Cooperation Fund (OECF), which is responsible for the ODA, and the Export-Import Bank of Japan, which provides support to private sector. After the merger, the functions of these companies remain with JBIC. What JBIC is doing is what has been done before, but there are attempts and efforts to improve operations.

Focus of ODA Operation of JBIC.

In the past during the OECF period (1960), assistance were channeled to infrastructure e.g. construction of dams, airports, roads, highways, telecommunication and the like. Recently, the social development type of project such as rural water supply, sanitation project, education, small-scale irrigation and income generating projects, have increased in number. In terms of commitment, 15% is for social sector (1996). JBIC has been providing roughly US\$7 to 8 million a year for projects all over the world. Out of which, 25% is for social development. In even conventional type of project like construction of dams, JBIC is paying more attention to social consideration, promoting the participation of the community at the project formation stage.

NGO and JBIC can collaborate in the various phases of Japanese ODA loan such as;

(A) Policy level

(B) Project level

- 1) Project identification
- 2) Project formation
- 3) Project implementation
- 4) Monitoring and Evaluation

When JBIC appraises project, some assistance are required from NGOs. Normally, proposals submitted by recipient countries recommend projects that are not matured. What was done in the past is to check the economic viability of the project. Other factors were not considered then. Now, JBIC is paying attention to social and environmental factors. Attempts to involve NGOs in appraisal of projects had been done just like in China. In the evaluation stage, JBIC fully depended on NGO support and third party. Evaluations are carried out transparently. With so many completed projects (50 to 60 a year), NGOs and 3rd parties carried out evaluations, and JBIC takes full responsibility for accountability to public.

JBIC has projects in Bangladesh, China, and Vietnam. In Bangladesh, we are utilizing knowledge of Japanese NGO. JBIC offers facility that could improve effectiveness of

project, which is called the “Special Assistance Facility (SAF). The tools are:

1. Special Assistance for project formation - this is normally utilized in the appraisal stage. In the appraisal stage, assistance from NGO is needed as they have the knowledge and are familiar with the project site/s.
2. Special Assistance for project implementation - utilized in stage of implementation. Sometimes, JBIC is confronted with problems but is unable to focus on especially during appraisal time. So the help of NGOs are sought.
3. Special Assistance for project sustainability - utilized after completion of project. As a financial institution, JBIC does not pay to much attention about the project after its completion. JBIC stand now is even after project completion, it sends experts to sustain the project. Here, JBIC needs technical knowledge from NGOs.
4. Special Assistance for program and management - utilized for special Yen Loan. The Japanese government initiated the program to secure the Japanese company, and vitalize them.

JBIC expects more opportunities to work with NGOs. The NGOs participation is proceeding mainly in the following function:

- Consultation
- Implementation
 - Survey/Research
 - Project

PLENARY DISCUSSION

- Q. For Dr. Banerjee, you mentioned that for organizational sustainability it has to be accountable. You spoke about measures of accountability. Dr. Juree, yesterday, commented about how to look at organization in terms of Western style like Board management. I like to have your comment on this.

Another question is: specifically for organizations supported by (European) donor agencies, which are themselves grant makers, do you think donor agencies have an obligation to work with them in thinking through what other forms or mechanism could be provided?

- R. N. Banerjee: On the first point, one could look at other means of course. But I look at it in the traditional, western ways. In Canada, NGOs who got funded are those with financial audited report, or with operating board having regular meetings. These are part of our criteria. What I've seen in Cambodia is not embezzlement of funds but misused of funds by a number of organizations. None has board. When problem arise, you really have nowhere to go. They say: I don't report to anybody; I don't need board; and I am the decision maker. That doesn't help. If given a better alternative, we could look at it and say okay. In my work in Thailand, it's a comfort zone for me to know that there is a board, audit statement and certification going on.

On second point, I would say yes, if we were asked to be involved in the case. Some of the donor agencies, when the organization has grown big, the kind of support established in early years get more difficult and distant. Definitely, CIDA can be involved in getting ideas or how it can be done, at the same time small bits of funding could be organized. But CIDA has not been approached in the area in recent past.

Y. Morimoto: Last year, JBIC established a pilot study in Indonesia. The purpose of the scheme is for JBIC once a year, to ask NGOs which are consulting companies for good proposals that could be used for projects. Under the scheme you can put your ideas in the project. So far, JBIC has not encountered this. By nature the taxpayers request JBIC to improve the quality of its projects. If JBIC could do everything, we then don't need to ask NGOs help. But it is not familiar with specific field so NGO cooperation is asked.

R. Wilson-Grau: In NOVIB, there is a policy with all its grantees to engage them in critical dialogue and pose the problems as well as the risks the grantees face. But the policy is not to become involved in the solution other than to provide funds for grantees to solve the problem. However, because of the power of donors, NOVIB goes beyond problem posing and become involved in problem solving. There could be a conflict, somehow.

- Q. As an NGO, I ask for your attention. Is it possible for JBIC to be give information, because we the Indonesian NGOs have difficulty in accessing information on: how much money go to government; in what kind of project; and how much money go back to your country just to pay consultancy fee? It is very difficult to access this information. So as a social responsibility, please give Indonesian NGOs access in order to control government corruption and flow of money back to you.

- R. Y. Morimoto: JBIC will make the best effort to follow your suggestion.
- Q. JBIC only provide loan and no other form of assistance. Is this right? The special assistance opportunities, are they another form of loans? Are there other varieties of loans JBIC provide?
- R. Y. Morimoto: Those are grant base. On concession loan, that depends on the component of project. It could be utilized for any project.

COUNTRY PLAN PRESENTATIONS

The Philippine Group

What is accountability?

Accountability is when the resources are used for what its meant to be achieved. Financial management, program operations, administration, governance, networking and VMG (defined as PCNC evaluation areas) are functional areas comprising another level. Accountability is doing activities based on principles that are espoused by the organization.

To whom are NGOs accountable for?

- the public, but it will be limited by the available resources and circumstances that formed the basis of resources.
 - Need for clear and public disclosure of hierarchy, as it is easy to mislead stakeholders.
 - The more NGO expands, the wider the reach to which it is accountable for. NGOs are not doing things for the public, but are doing things with them, thus they should ensure meaningful participation from the public.
 - NGO should not only be accounting for resources but for the consequences of its actions as they redound to public good
- the stakeholders e.g. donors, community, government – people who are affected by the sector's actions. Must have a hierarchy of people to which the NGOs are accountable to, as they cannot be equally accountable to all.
- to the whole sector - based on recent PEACe Bond controversy, each is accountable to the whole sector given its effect to the sector.
 - It is important that the sector be clear of what/who they are. NGO is govern by set of principles (or their reasons for being) and the principles are used to keep going back to the very reason of its being.

Therefore, NGOs are accountable to multi-publics or hierarchy of publics that are defined in their principles and mandates. There's an inter-relationship between/among publics that makes accountability easier.

The issue: How accountable are NGOs to their Boards? How can they claim accountability to others when they are not accountable to their Boards?

How to manifest accountability? (Moving to concrete process to ensure that resources are being used properly)

- Public standards - NGOs' principles have to be expressed into standards that are known publicly (beyond the consideration of resources).

In the case of CODE-NGO controversy --- it is an opportune time in the Philippines to make standards known to public, to the members.

Issue/Problems:

1. Coming out with standards that are not applicable or practicable. There is fear of imposing system that is not within the culture of the sector.
2. Management issue - no manager can sacrifice generally acceptable procedures/principles
3. NGO having no principles or standards.
4. the quality of the board - the quality of accountability depends on the Board, hence the process of Board selection is critical. The Board should be accountable to take measures.

Public disclosure could be done in other ways and could be limited within the circle of those covered/served.

What is Sustainability?

Sustainability is the continuation of what the organization is doing and producing outcomes beyond the support, couple with its ability to generate internal income.

- Financial sustainability is just one of the tripod, and NGOs must go beyond financial sustainability.
- Organization as an on-going concerns → it has reason to continue its being if there are external forces in the environment that will require it, and at the same time it can respond to the needs outside (external environment).
- Good work is important element of sustainability. NGO contributes to the understanding of human conditions and it participates in the development of social knowledge/theories. These should be captured to support sustainability. It is not only a large store of capital but sustainability should include good works done (as part of the capital).
- At the organizational level, building capability of human resources and upgrading of technologies are added factors in sustaining organization's life. With them, organization can continue to work and deliver based on its mission/mandate even without external funding.

Sustainability for whom?

- for people that NGOs are serving. This could relate and cannot be separated from the issue of governance
- on issue of NGOs having outlived its usefulness → it must reinvent itself and redefine its vision to be relevant. Sustainability is sustainability of impact.

Country Plan Discussion

Accountability -

1. CODE-NGO to build capacity of members on research. The network will tie up with the academe.
2. the network to develop the implementing rules of the code of ethics and disseminate the code of ethics to its members.
3. PCNC to ensure that CODE-NGO members to seek certification themselves and that

- the network help build their capacities to be able to be certified.
4. On gross income taxation for corporation, there's a need to build up the knowledge on this issue, educate and get support of business sector. On the extreme, for PCNC to seek mandate that would go beyond requiring NGOs certification for tax purposes alone.

Sustainability

1. There is opportunity to replicate the debt swap agreement.
2. There is continuing need to map what NGOs are doing, where they are and what role they are playing in the country. It will involve mapping of their stakeholders as well.
3. Know what social entrepreneurship breadth of experience in the country. One direction CSOs can take is to do some cases on social entrepreneurship. This will be pursued together with the Asian Institute of Management, League of Corporate Foundation and CYFP. With the case studies, discourse on social entrepreneurship could be started.
4. Integration of CSOs – meaning CSOs, NGOs, CSROs and church groups coming together.
5. On the PEACe Bond issue, there is a willingness to assist so that the money raised could go down to the intended beneficiaries.

**COUNTRY PLAN
PRESENTATION**

The Indonesian Group

1. YAPPIKA, LP3ES should lead discussion with NGO network on NGO directory for certification and NGO Code of Ethics.
2. Regular CSROs forum to share information and experience.
3. NGO works in cooperation with media.
4. Together with business sector, corporate foundations to advocate with DBR or Parliament for tax incentives.
5. Engage ODA for greater flexibility for operational expenses and money for fund raising efforts.

**COUNTRY PLAN
PRESENTATION**

The Thai Group

The first mistake CSROs will take is plan among them. Participation of our stakeholders is more important. The Thai group has no concrete plan, what came up is a conceptual idea of what Thai CSROs need to do.

If one study ancient history, 300 years back during the Egyptian period, they were talking of the same things we are talking about now, but with different language and vocabulary. The underlying motive is: we want to provide a community where everybody can sleep and wake up with hope. But what role shall everybody play? CSROs should think that in some period of time, the ancient Egyptian played that role; in some period of time the merchants played that role; in some period of time the civil society is doing that role.

Everybody is doing his work well. But the poverty gap is wider. The problem gets bigger. Somehow we are seeing things in one dimension. Somehow, we're doing fine in one dimension; somehow we don't link a dimension to one that its accountable for; somehow in introspection, we question why we are here. The vision is: we are trying to figure out accountability and sustainability. If we think of its every aspect and parts, accountability will be good. But does society need other form of accountability that lead to bigger impact. Somehow there is none. What is the missing part then? What is the ideal CSRO that our society needs?

It is hard to figure out. We need bridge to connect 2 buildings. But what kind of bridge, what is the greatest bridge of all? The greatest bridge is to bridge without bridge. This answers the sustainability question. The final goal of sustainability is not the CSRO but the mission. At the end, CSROs have to be eliminated. The important thing is to promote friendship and mutual understanding in the community and around the world.

In the immediate period, we need to bridge. In the final stage, there is need to plan to eliminate CSROs and let the system go. How can we get to that point? If we are doing the job well, we could retire early.

If we go back to the analogy of the brain cell, it tells a lot about CSOs. It develops very fast in early age. But it doesn't develop easily. It needs to be aroused. The role of CSROs is not only to bridge but to arouse to do something.

Thailand group believes that they are not the ones who shall do the planning. Their role is to bridge the right one to the different parts of society to do the plan. The Thai group will:

1. to try to organize another organization that would be called "barefoot ambassadors foundation." The ambassadors will be linked to the community, so Thailand will have grassroots speaker, who will link people to people.
2. to organize a "think tank." There should be more of thinking and less implementation. The group needs to think and plan more.
3. to create boardroom for intelligent information and to do strategic planning in several scenarios because the world is moving very rapidly.

In the future, the group hopes to come up with big national plans or regional plan or even do global planning, which could be good starting point in ending poverty.

CLOSING REMARKS

Eugenio Caccam, Jr.

*Associate Director
PBSP*

We have come to the end of the workshop. On behalf of PBSP, we would like to thank everybody for taking time to attend this conference. In particular, I want to thank David Winder of Synergos who has been our partner in this project and who continues to support the activity. I am particularly grateful to the Indonesian delegate, especially to Bina Swadaya for coordinating the travel of the representatives and resource persons. Thank you very much.

David Winder

*Director
The Synergos Institute*

Undoubtedly, this is a valuable sharing of experience among CSROs. Having been in previous meeting, there has been more information to exchange and richness of experience. Clearly, we're talking about a sector that is growing stronger by the day, with creative ideas generated in all three countries. This is a wonderful opportunity to share those experiences and benefit from the knowledge in the region.

In this workshop, we learned that all grant makers complement their grant making with technical assistance, provision of loans, with policy advocacy and this is a time to take on those broader functions. These activities enrich our programs, sometimes with increasing risks. On one hand, it offer prospect for increasing impact and sustainability of work. We see our organizations as bridging organizations, which is a very positive trend with enormous opportunity.

I speak on behalf of my colleagues – Gina and Natasha, when we say we look forward to work with you as you move forward with initiatives you outlined in the country plans. Any meeting of this nature hinges on the success and efficiency of the planning and organization. We owe special debt of gratitude to the organizing committee for all the works they put in the planning of event. The major organizations are Bina Swadaya, PBSP and DSC. To PBSP, the conference Secretariat, and everyone, thank you very much.