

The Synergos Institute  
Voluntary Sector Financing Program  
Case Studies of Foundation-Building  
in Africa, Asia and Latin America

# Philippine Business for Social Progress

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# Voluntary Sector Financing Program

## Case Studies:

- The Foundation for the Philippine Environment
- The Esquel Ecuador Foundation (Fundación Esquel-Ecuador)
- Child Relief and You - CRY (India)
- Foundation for Higher Education (Colombia) (Fundación para la Educación Superior - FES)
- Philippine Business for Social Progress
- The Puerto Rico Community Foundation
- The Mexican Foundation for Rural Development
- The Kagiso Trust (South Africa)

## Cross-Case Analyses:

- Formation and Governance
- Organizational Financing and Resource Generation
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## Glossary of Acronyms

ARM	Area Resource Management
ASA	Association for Social Action
BCC	Basic Christian Community
CCC	Center for Corporate Citizenship
COOP-SEAP	Cooperatives-Self- Employment Assistance Program
EDF	Economic Development Foundation
EXCOM PBSP	Executive Committee (of Board)
LRM	Local Resource Management
NGO	Nongovernmental organization
PDAP	Philippine Development Assistance Program
SMEC	Small and Medium Enterprise Committee
SGV	SyCip, Gorres, and Velayo (consulting firm)
USAID	United States Agency for International Development

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## Synopsis

### Origins

The Philippine Business for Social Progress (PBSP) was established in 1970 by leaders from 50 Philippine corporations who were looking for a response to the worsening political and social situation in their country. At the time, the business community was regarded as one of the causes of the lopsided distribution of wealth. The business leaders' primary motivation was fear and their goal self-preservation. They aimed to engage business in efforts to alleviate poverty and build self-reliance among disadvantaged communities throughout the country.

### Financing

PBSP's primary financing comes from its member corporations. All members commit one percent of pre-tax net income to social development. Initially three-fifths of this was administered by PBSP, with the remainder being used by each member for its own social programs. In 1989, given difficulty in collecting the full three-fifths of one percent, the amount passed to PBSP was reduced to one-fifth of one percent.

Another change in financing over time has been undertaking co-financing programs with other donors. One of the organization's founders, Bienvenido Tan says "...as programs became bigger, and the peso could buy less, we had to swallow our pride and accept co-financing funds. There was also a realization that the problems... were too big...for us to just rely on corporate contributions."

PBSP also has a \$3 million capital fund built up with contributions from corporations, foundations, international donors and individuals.

### Governance

PBSP is governed by a 21-member board of trustees which is elected annually from among the representatives of member corporations today numbering over 170. The board members tend to be CEOs with excellent connections to both government and the private sector. PBSP also has created a set of regional board committees and regional offices.

The staff of about 279 is headed by an executive director with over 18 years service in the organization. The organization recruits program officers with both a good academic background and experience in social development. More recently, business, management and education skills are also looked for.

### Programs

PBSP provides financial support in the form of loans and grants to community-based organizations and NGOs generating activities. Loans are typically given for income-generating activities. PBSP also directly provides training services and technical assistance to nonprofit organizations.

To request funding, local organizations develop proposals with the assistance of PBSP program officers in the regional offices. Decisions on funding are made by regional or board committees. If PBSP cannot fund a project, it suggests other funding sources and, in some such cases, PBSP acts as an endorser of the project.

Among the criteria that PBSP uses in selecting projects to fund are the potential for the project to be self-sustaining after PBSP's support ends and the leverage (in the form of other support) the project gains. PBSP

expects the proponents and beneficiary community to provide support, which may be manpower, services, use of facilities or cash.

## Preface

### Background

In Africa, Asia and Latin America, citizen participation through a range of civil society organizations has become a growing and vital force. Civil society organizations have brought significant material and human resources from the community level to bear on poverty problems through donations of time, energy, materials and money.

Locally managed and controlled organizations that provide direct financial support to other organizations within their societies have been established over the last decade in many southern countries. A few were established twenty or thirty years ago. These organizations are injecting critical financial as well as technical resources into local civil society and mobilizing resources from a wide variety of sources both domestic and international for this purpose.

Few of them were created with a single large endowment, as was the case with most northern private foundations. Most of them rely on a wide range of strategies to mobilize financial resources including earned income, contributions from individuals and corporations and grants from international organizations. Some managed donor-designated or donor-advised funds following the US community foundation experience.

General consensus over terminology has not yet been reached; these new types of organizations are usually referred to as "foundations" or "foundation-like organizations." Though many

of these organizations have adopted legal identities as foundations or trusts, others are registered as nongovernmental organizations. In general, they differ in many ways from their northern counterparts. For example, they are more likely to mix program operation with grantmaking. Many of them act as convenors of civil society groups, as bridging institutions to other sectors of society or as technical assistance and training providers.

To distinguish this type of southern foundation-like organization from northern foundations we can use a term such as "community development foundation" or "southern foundation" or use a new term. One new term which has been proposed is "civil society resource organization" or CSRO. This term refers to organizations which combine financial assistance to community-based organizations and NGOs with other forms of support for organizations or the civil society sector as a whole. In this series of papers we will use the terms "foundation" and "civil society resource organization" interchangeably.

This expanding universe of foundations/civil society resource organizations around the world has not been systematically studied. As one of the first steps towards developing an understanding of this sector, Synergos responded to a request from a group of southern foundations. In April 1993, a group of foundations from a dozen southern countries met with northern foundations and official foreign aid agencies to discuss the emerging role of foundations in strengthening civil society in Africa, Asia and Latin America. A major outcome of the discussion was a decision to learn more about how these organizations are created, how they develop and evolve, and how they sustain themselves as

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philanthropic entities. The group decided on case studies and analysis as the most fruitful approach. The Synergos Institute, which works with local partners to establish and strengthen foundations and other financing organizations, accepted the task of producing case studies on these organizations. These papers are one of the products resulting from this effort.

### **Methodology**

A Global Advisory Committee of southern foundations guided the two-year effort by Synergos. The advisors selected eight geographically diverse cases from over sixty organizations identified through an initial survey. Local researchers were retained in each country and the Synergos research team worked with them and the Advisory Committee to develop a common protocol.

The protocol hypothesized four areas as key to the operational effectiveness and sustainability of southern foundations: origins and genesis of the institution; institutional governance; program evolution and management; and financing. The case researchers studied these issues via multiple data collection methods and sources. The primary method was to conduct direct structured interviews with individuals involved with each case organization, including board members or trustees, the managing director, staff members, grant recipients, and other relevant organizations. In addition to interviews, researchers gathered mission and vision statements, annual reports, operating strategies and plans, internal and external evaluations, financial plans and administrative procedure manuals. Data collected by the different methods were systematically organized into distinct databases which were the basis for each written case study. The case studies

were coordinated by the Synergos research team, which then provided the funding to a cross-case analysis team for the preparation of three analytical papers. The two teams prepared condensed versions of the case studies for publication.

### **Use of the Studies**

The eight case studies bring to light key factors that have led these organizations to be successful, and the studies document the crucial processes they have gone through to respond effectively to the needs of their national civil societies. Across the very different conditions that brought about their formation, the cases reveal that foundations/CSROs can play a central and strategic role in strengthening civil society. Their comparative advantage as resource mobilizers enables them to have a large effect both in stimulating new financing and connecting financial resources to the community-level where they can have the greatest impact. In particular, they have excelled at:

- providing seed resources for the growth of civil society organizations in their countries;
- leveraging diverse sources of financing for the projects and programs of civil society organizations;
- assisting northern foreign aid to be channeled to civil society in more sustainable and effective ways; and
- acting as an interface for public policy dialogue between civil society and the government and business sectors.

The case studies and the related analytical papers are a useful tool for those who wish to

build foundations/CSROs around the world. Synergos hopes they will be widely used as a catalyst for the development and strengthening of this important group of institutions that provide financing to the voluntary sector.

### Acknowledgements

The case study project has involved the talent and contributions of many individuals and organizations over the last two years. We would like to acknowledge their efforts and emphasize that the project would not have been possible to complete without their contributions:

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## Genesis and Origins

During the 1960s, the economic thrust in the Philippines was to achieve competitiveness in the international marketplace. Millions of dollars from government and donors, especially the US Agency for International Development (USAID), were poured into attaining this objective. But, in the words of a prominent economist and businessman, Sixto K. Roxas, III:

There was a gap between the profit objectives of private enterprise and the state's political agenda, through which fell the lot of the Filipino people. By the late '60s and early '70s urban poverty became more widespread and the ineffective land reform program failed to alleviate rural oppression.

As Ferdinand Marcos was re-elected President in 1969 in the country's most violent and expensive election ever, the nation's political and socio-economic health was deteriorating rapidly. Runaway inflation ate up the purchasing power of the poor. Deepening poverty drove workers, peasants, and students towards the communist insurgency. Violent demonstrations, political assassinations, and a growing rural insurgency drove fear into the hearts of the rich and powerful Filipino business community — which was regarded as one of the perpetrators of the lopsided distribution of wealth. This reputation was not entirely deserved, as many business corporations were involved in charity and social welfare activities — although those had little visible impact on overall poverty. Thus, in the face of the socio-political situation, big business's agenda changed from the quest for international competitiveness to self-preservation.

Addressing the Philippine business community in 1970, Mr. Roxas insisted that, "To the

extent that the businessman's economic activities generate an imbalance in society and create social tensions, he must undertake social development programs which respond to these social problems." Fifty of the business community's members apparently agreed with his imperative and were moved to organize Philippine Business for Social Progress (PBSP).

### The Birth of the Foundation

For several months during 1970, top businessmen from three business associations — the Council for Economic Development, the Philippine Business Council, and the Association for Social Action (ASA), — gathered to discuss a new agenda for business, given the worsening situation. Roxas recalls that the common motivation was fear. From these sometimes stormy discussions emerged the idea that the Philippine business community needed to find and promote what Roxas refers to as "viable and self-sustaining social development projects — not charity projects, that are socially acceptable but which do not meet the business hurdle rates."

Howard Dee, a founding member of PBSP, saw a spiritual dimension in the need for business involvement. The ASA, to which Dee and another founder, Attorney Bienvenido Tan, Jr. belonged, advocated a "Christian" response. Whatever the motivation, the imperative was the same: business had to be involved in social development. The question was how.

Tan remembers that during those brainstorming meetings, the concept of social development was hazy. In an interview in 1985 he said, "the movement was spearheaded by people who had mixed visions about what

they wanted to do...they wanted to put together a group under this idea of 'helping people who need help to help themselves' without really knowing what the implementation of this concept meant..."

At that juncture, Dee approached Washington SyCip of the accounting and consultancy firm SyCip, Gorres, and Velayo (SGV) to obtain help in preparing a concept paper for a mechanism to respond to the situation. This concept paper, which became the basis for PBSP's founding and organization, proposed setting up a social venture capital organization composed of business corporations, which would start and support small-scale social development projects until these could become self-sustaining. The organization would be headed by CEOs of top corporations, thus ensuring that the venture would be a mainstream and not a peripheral concern of the corporations.

On December 16, 1970, top management of fifty major companies in the Philippines gathered to publicly promise support for the creation of PBSP. Key individuals included:

- Jose M. Soriano, chairman & president of Atlas Consolidated Mining and Development Corporation;
- Andres Soriano, Jr., CEO of the San Miguel Corporation;
- Don Emilio Abello from Meralco Company, the electric utility;
- Washington SyCip from SGV, the accounting firm;
- Howard Dee from United Laboratories, the pharmaceutical firm;
- Luzio Mazzei from Shell Corporation Philippines;

- Bienvenido Tan, Jr. from Philippine Tobacco and Modern Glass; and
- Sixto K. Roxas III, President of the Economic Development Foundation.

All were men who belonged to the top rung of the business community and their agenda was what Roxas dubbed "a divine conspiracy for development." Jose Soriano was elected the first chairman. PBSP was registered with the Philippines Securities and Exchange Commission and it formally opened shop on April 1, 1971. On May 5, 1971, PBSP also registered with the National Science and Technology Authority (now the Department of Science and Technology) as a foundation of a scientific and developmental nature. Under this registration, all funds contributed to support and maintain the foundation and its projects were tax-exempt, as was income which the foundation derived from its investments.

A series of corporate social responsibility workshops followed PBSP's founding. When the question of how to fund the organization came up, Luzio Mazzei, a Venezuelan and President of Shell Philippines, introduced the idea used by *Dividendo Voluntario Para la Comunidad*, a development foundation organized by Venezuelan industrialists in 1963. Corporate members of *Dividendo* contributed 1% of pre-tax income for the foundation's operations. The Executive Director of *Dividendo* was invited to present the Venezuelan experience with the Filipino business groups. Out of this meeting came the proposal that corporate members would contribute 1% of before-tax income to PBSP. The Economic Development Foundation (EDF) was tapped to give PBSP a start-up push by carrying the initial overhead costs and seconding staff members. Roxas created the first vision and mission statement of the foundation and the

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founding members agreed to it.

From the early days, it was emphasized to prospective members that being a foundation member did not mean just writing a check but getting actively involved in the work of the organization. This culture of member commitment to the foundation was passed on by the founders from one CEO to the next, and continues to the present.

Another critical pattern ingrained by PBSP's founders was a learning culture. PBSP developed its planning discipline, rigorous project appraisal, and monitoring systems from the business backgrounds of the founders and the technical expertise of early staffers seconded from EDF. Business disciplines were applied so extensively in the early days that some social workers, including Tan's sister, asserted that PBSP's brand of social development had "no heart." However, Tan holds that discipline, rigor, and monitoring were what differentiated PBSP's social development efforts from charity work.

### **Membership Growth Through the Years**

Membership in PBSP is open to any business corporation or partnership willing to give 1% of its net pre-tax income to social development efforts. Initially, the Steering Committee (composed of the founders) assembled the foundation's membership by calling upon friends and associates to join them. Those who joined cited several reasons. One was that donations to PBSP contributed to improving the lives of the poor which, in turn, was an effective way to avoid massive discontent and social unrest. According to one member:

Business thrives only in an environment conducive to business — peaceful and stable.

Thus, it is necessary to contribute to social peace. Since PBSP would respond to programs which would address basic needs and economic projects, a better quality of life would redound to the population.

The Steering Committee was able to recruit major business blocs such as Soriano, Aboitiz, Villanueva-Ortigas, SGV Group, and the Shell Group. PBSP's Associate Director for Special Programs, Gil Salazar, estimates that about half of the founding companies continue to be active members of PBSP. Tan describes the growth of PBSP membership in three stages:

- Stage One: In the beginning, the membership was assembled in response to the situation in the late 1960s. Many joined out of fear, others for other motivations.
- Stage Two: After martial law was declared in 1972, and the law and order situation began to improve, the pressure to respond was no longer there. There was a growing realization and acceptance of the fact from many members that business had to continue to play a social development role in society. The membership became smaller because not many accepted that role... We had membership problems because of dropping corporate profits; but all those who could stay, hung on.
- Stage Three: When the Foundation attained more stature and credibility, when it developed a proper public image because of its ability to implement good projects and programs, PBSP membership became a worthwhile addition to a company's public affairs effort as well as to the community involvement of its executives.... Over the last three years, there had been more enthusiasm among the members.... Members of the

Board have begun to ask questions about projects to give them a real feel of what we are trying to accomplish. They not only see as their responsibility the financial resources of the Foundation, but also the effectiveness of the Foundation programs as well.

In 1994, membership stood at 174 companies. Salazar is of the opinion that the impact of the founding members on PBSP has been primarily evident in the recruitment and attraction of new members. Founding member companies were headed by those considered “captains of business,” and their association attracted others

to join. He speculates that if the founding members were to withdraw from PBSP, it might be construed as a sign that something was wrong with the organization.

Roughly 50% of membership contributions come from these companies, and the San Miguel Corporation, a founding company represented by the current Chairman, Andres Soriano, III, accounts for 18% of PBSP’s member contributions.

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## Governance

### **Charting PBSP's Direction, Vision, and Mission**

PBSP's vision is to improve the quality of life of the Filipino poor, and it encourages business sector commitment to social development. The organization seeks solutions to poverty through delivering programs that result in self-reliance. The original statements of vision and commitment were developed by Roxas, and adopted by a Steering Committee composed of a core group of founding members. The statement of commitment reads:

We believe:

*First:* Private enterprise, by creatively and efficiently utilizing capital, land and labour, generates employment opportunities, expands the economic capabilities of our society and improves the quality of our national life;

*Second:* The most valuable resource in any country is man. The higher purpose of private enterprise is to build social and economic conditions which shall promote the development of man and the well being of the community;

*Third:* The growth and vigorous development of private enterprise must be anchored on sound economic and social conditions;

*Fourth:* Private enterprise must discharge its social responsibility towards society in a way which befits its unique competence. It should involve itself more in social development for the total well-being of the nation;

*Fifth:* Private enterprise is financially and technologically equipped to participate

actively in social development. In terms of scientific technology and managerial competence, private enterprise can help provide the total approach for social development in our depressed communities;

*Sixth:* Private enterprise, together with other sectors of society, shares obligations and responsibilities which it must discharge to the national community. The ultimate objective of private enterprise is to help create and maintain in the Philippines a home worthy of the dignity of man.

Therefore:

We hereby pledge to set aside out of our company's operating funds an amount for social development equivalent to one percent (1%) of the preceding year's net profit before income taxes, of which sixty percent (60%) shall be delivered to, and for management and allocation by, a common social development foundation, to be known as Philippine Business for Social Progress.

PBSP's mission is stated as:

To make [a] significant contribution to the development and delivery of solutions to poverty by promoting business sector commitment to social development, harnessing resources for programs that promote self-reliance, and advocating sustainable development fundamental to overall growth.

The vision and commitment statements of PBSP have remained unchanged over its life, and its guiding strategy has been the principle of self-help for social development. The organization's goals remain much the same, with an added concern for the environment. In short, they are to:

- Initiate, assist, and finance socio-economic and environmentally sound development projects which help low income groups;
- Promote self-reliance, entrepreneurship and innovation among the underprivileged;
- Engage in applied research on social development projects and programs;
- Train professionals and skilled workers in social development for a more effective implementation of projects; and
- Encourage corporate executives and PBSP member companies to participate in PBSP programs by sharing their time and expertise.

To commemorate PBSP's twenty-fifth anniversary in June 1995, the Board of Trustees and Executive Director Rory Tolentino were to develop a vision statement for the next twenty-five years. Tolentino explains that the vision was being revised to take into account the changed operating environment and would be formulated with the participation of all member companies. Several vision statements were circulating to member companies, who would provide feedback through a referendum. This endeavor was expected to be the precursor to a decentralization process whereby future PBSP projects would aim to develop the areas where members companies operate.

PBSP communicates its vision and mission through various publications distributed to staff, corporate members, and the public, especially private volunteer organizations which are interested in embarking on development projects. PBSP also turns to the national

media and in-house publications of member companies to generate awareness about its activities.

## **Governance Structure**

### **Board of Trustees**

Steering PBSP towards the attainment of its vision and mission is the Board of Trustees, which is elected annually from representatives of member corporations. The Board is composed of the most notable personalities within the business community who, in addition to individual qualifications, bring the commitment of their companies to the PBSP cause and pledge a portion of each corporation's profit. Originally fifteen in number, the Board was increased to twenty-one in 1992.

The Board of Trustees determines strategies and policies, charts the organizational direction, and ratifies the decisions of its Executive Committee. It conducts a quarterly review of the Foundation's performance and holds bi-monthly meetings on PBSP concerns. In the early years, Board meetings were held quarterly, but since 1986, they are held more frequently to keep pace with PBSP's growth.

While elections for Board members and officers are held every year, longevity characterizes the terms of Board officers. In twenty-five years of operation, PBSP has had three Presidents and fifteen chairpersons. Current Chairman, Andres Soriano III, has held the position since 1987. President Luis Perez-Rubio has held the post since 1989, and is a former chairperson. Former Executive Director Ernesto Garilao sees such continuity as important, noting that it has "provided for continuity in operations and made possible the nurturing of [PBSP's] values and culture."

Tan cites three reasons for the high level of commitment of PBSP's Board members: first, they genuinely accept the stewardship responsibility implicit in becoming a PBSP Board member because of their profound personal values; second, they believe that a better socio-economic situation in the country ultimately is better for business; and, third, they work in a cooperative fashion on the Board.

The Board reports on the activities, accomplishments, and financial status of the Foundation to members annually. The Board is accountable to donors and partners for the utilization of project funds, and to the Department of Science and Technology for compliance with regulations. Board members have strong connections to government and the private sector and are instrumental in building linkages with them.

Several former PBSP officials accepted key posts in President Corazón Aquino's government in 1986.<sup>1</sup>

### **Board Committees**

A nine-person Executive Committee (EXCOM), composed of PBSP's officers and headed by the Chairman and President, exercises all powers necessary for the management of the affairs of the Foundation between meetings of the Board of Trustees. The EXCOM meets every other month with the executive director, who is in charge of the day-to-day activities, and performs the following functions:

- Approves projects larger than P500,000 (approximately US\$20,000);
- Monitors programs of the Board Committees; and

<sup>1</sup> Among them were Rizalino Navarro, former PBSP Chairman and now Secretary of Trade and Industry; Roberto Romulo, former Treasurer and now Secretary of Foreign Affairs; and Ernesto Garilao, former Executive Director, now Secretary of Agrarian Reform. Previously, former Vice-Chairman, Jose Cuisia, headed the Central Bank, and Attorney Tan was Commissioner of the Bureau of Internal Revenue. There were several ambassadorial appointments from the Board and PBSP's Mindanao Chairman was made Presiden-



- Reviews and recommends policies to the Board.

During the organization's early years, the Board created three Regional Committees — Luzon, Visayas, and Mindanao — to decentralize operations. These committees were scrapped in 1979 when membership contributions decreased and companies were under pressure from the Marcos government to give to “politically wise” causes. In 1986, when the government leadership changed, PBSP restored the Regional Committees, which provide strategic direction and monitoring to the region's programs, and assist in resource mobilization and partnership development with government, donor agencies, and the business community. They can approve projects up to P500,000 (US\$20,000).

In 1994, there were a number of special interest committees, which report directly to the Board and perform largely advisory roles. Among them were the:

- Membership Committee — to direct membership expansion and involvement program;
- Resource Mobilization Committee — to approve resource mobilization plan and develop/maintain new co-financing schemes;
- Program Audit Committee — to recommend management control systems and reviews external and internal audit;
- Center for Corporate Citizenship Committee — to direct the promotion, practice, and critical review of corporate citizenship in the

Philippines and the Asia-Pacific Region; and

- Small and Medium Enterprise Credit (SMEC) Committee - to provide direction and guide policy formulation for the SMEC program, which provides a liquidity facility to finance institutions lending to small and medium enterprises outside Metro Manila.

According to Associate Director Salazar, project beneficiaries participate in the decision-making process through both formal and informal means. Since 1993, PBSP has conducted annual regional and national consultation sessions to get comments and opinions on PBSP's undertakings from their beneficiaries. Regional consultations are handled by the three regional committees while the national consultation is an activity of the entire Board. Outputs from the consultations provide input into Board decision-making and planning. Informally, beneficiaries participate in the decision-making process through program staff who monitor their projects and report their concerns to the Board.

## Organizational Dynamics

### Relationship between the Executive Director and Board

The Executive Director heads the professional staff of PBSP and manages its day-to-day affairs (Annex 1). Other tasks include relationship-building with the Foundation membership, donors and clients. During PBSP's existence, there have been five executive directors.

Ernesto Garilao, the most recent executive director, was the longest serving, holding the



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position from 1978 to 1992. He had worked for the Foundation since its inception in 1971, starting as a project officer and moving to senior management positions. The Board chose Garilao as executive director from among the PBSP professional staff based on the recommendation of the outgoing Executive Director. Garilao took a ten-month study leave in 1986-1987, during which Ruth Callanta served as acting executive director in his absence.

Garilao's predecessor was Tan, who served concurrently as president and executive director of PBSP from 1974-78, remaining president until he became Ambassador to Germany in 1989. Tan was chosen for the position because he was a lawyer-businessman and he had a strong interest in the organization.

The first executive director, Jesuit Fr. Horacio de la Costa was selected by the Steering Committee based on his reputation as a scholar and a priest. He was succeeded by Manuel Ylanan of Proctor and Gamble, who was chosen because the Board wanted someone with business experience.

The current executive director, Aurora (Rory) Tolentino worked for PBSP for fifteen years before her appointment as executive director, when Garilao was appointed by Philippine President Fidel Ramos to a Cabinet position.

A new executive director usually is chosen from among the next in rank within the professional staff. Formerly, the incumbent director eyed his successor and developed a mentor relationship. Now, Tolentino explains, the executive director selection process is based on a rating system. As PBSP has become more complex, the criteria of understanding development work, knowing PBSP, and having the ability to relate to companies and the Board have become

more important.

The relationship between the Board and the Executive Director through the years has been characterized as smooth. The first three Executive Directors were well-respected individuals within the business community. Garilao and Tolentino have also had very good relationships with the incumbent president, which helped in their dealings with the Board. In all cases, the President bridged the gap between the Executive Director and the Board. In addition, during the initial months after a new executive director was installed, visits by the PBSP President were frequent and viewed as a way to provide guidance to a new executive director.

Tolentino sees the management of PBSP's "external publics," such as member companies, the Board, and donors, as a task in which she must be personally involved. One of her difficulties is keeping up with the demands of Board committees. She is an ex-officio member in terms of attending meetings and maintaining good personal relations with each and every Board member. As a result, she delegates much of the day-to-day affairs to the different levels of the management staff. One way Tolentino manages time with Board members is by pinpointing strategic members with whom she needs to discuss the demands of PBSP's programs. For example, she has asked Soriano, the current Chairman, to open doors with foreign donors through his contacts with ambassadors and finance ministers. (As CEO of San Miguel Corporation, one of the country's largest manufacturing companies, Soriano often accompanies President Fidel Ramos on official visits to Philippine trading partners.) Tolentino says foreign funders are more willing to contribute to PBSP's programs after seeing and hearing about prominent businessmen

involved in development work.

Tolentino is concerned about ways to maintain high motivation among Board members. She believes that the active committees within the Board provide a critical means for members to be involved and see concrete results. Another way is through the Foundation's decentralized structure: For instance, when Ricardo Pascua, President of the Metro Pacific Group, a multinational conglomerate, asked how he could make a meaningful contribution to PBSP, Tolentino asked him where he was born. When he replied that it was Quezon Province, she described PBSP's work in the province through its Luzon office. Pascua decided to "adopt" Quezon Province and became, in effect, the godfather for PBSP for Quezon. Such personal commitments and identifications with specific development areas are "highly motivating" to Board members, Tolentino concludes.

During Callanta's 1986-87 tenure as acting Executive Director — which coincided with PBSP's fourth five-year planning cycle — the Board made two strategic decisions that Tolentino concludes contributed significantly to the Foundation's long-term financial sustainability. She believes the ability to make these decisions, described below, was based on the close working relationship between management staff and the Board.

The first decision was to tap foreign funding support more aggressively. Callanta and the Board recognized the opportunity that the new image of the Philippines provided for attracting foreign development aid, but they also foresaw eventual donor fatigue. They decided that PBSP would utilize foreign funds to finance projects for five years, but the organization would continue to build the Foundation's endowment through corporate member-

ship contributions. After five years, the earnings on membership contributions replaced the project funds supplied by foreign donors.

The second strategic decision was to once again decentralize PBSP's structure, reestablishing regional offices with decision-making authority in Visayas and Mindanao in 1986. These offices were initiated and directed by Board members whose companies were situated in these regions, and PBSP was transformed from a Manila-based foundation to a regionally dispersed organization. With active Board members working to operationalize the regional offices, corporate members and contributions from Visayas and Mindanao increased. The decentralization also led to a more area-focused development thrust for the Foundation, and placed PBSP in a good position to bid for donor funds when donors moved to area-based funding strategies.

### **Relationship Between the Board and Staff**

There is a consistent view among PBSP's past and present Board members and Executive Directors that PBSP's success and staying power is attributable equally to its Board as to its competent and committed professional staff. PBSP co-founder Dee says that, "without the Board PBSP will continue to exist, but without its staff, it will disintegrate."

There is consensus among many observers that good relations exist between the Board and PBSP's staff. Staff discuss their needs openly with the Board, and the Board tries to meet them. Staff suggestions on project implementation generally are approved. Board members lean heavily on the staff to provide

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them with field-based feedback and suggestions.

Tan attributes this good relationship to three factors:

- The long working relations between Board members and the Executive Director;
- The active involvement of the Board members in projects of their choosing. Tan says Board members visit these projects regularly, paying their own expenses. The staff appreciates the value of a “big man” interacting with the project beneficiaries, staff develop pride in the project, and Board members appreciate the work accomplished by the staff; and
- The efforts by staff to “conscientize” Board members to field realities.

Tan relates an anecdote of how staff do the last:

One time as President, I had to visit a PBSP project in Mindanao Province. Upon reaching the staging point by car, the Project Officer led the way to the project site by foot. We had to walk for one and a half hours! After the visit, the Project Officer again led the way....this time [via] a short cut which took us merely ten minutes!

Rather than feeling deceived by the “trick,” Tan says the long walk made him realize what the PBSP staff go through daily to make sure PBSP’s projects succeed.

Things are not always smooth sailing between the Board and the staff. One area of disagreement is the definition of a successful project. Tan presents the Board’s view when he estimates that PBSP’s batting average as far as project success is 60-40.

Sixty percent of our projects are successful in a sense that they are economically self sustaining. The other 40% were failures in the sense that economic sustainability was not achieved. The staff disagree with this and says that even if there is no economic sustainability, the mere fact that the people have been organized, trained, and made aware is enough [to be considered] a success.

This debate has been ongoing since PBSP was founded, but the tension it generates is manageable because the staff and Board share a common objective. In addition, PBSP has matured to the point that the Board and staff respect each others’ viewpoints, however different these might be.

Tan emphasizes that the staff compensation policy is to “pay them well.” This policy ensures the professionalism of PBSP’s social development work because staff can decently raise a family with a job at PBSP. He also says that the Board makes sure that the staff get as much international exposure as possible through training, attendance in conferences, and other professional recognition.

### **PBSP’s Relationship with Member Companies**

“Maintaining PBSP membership is very hard,” says former Executive Director Garilao. “The fact that [companies] stayed on is a miracle. Because they don’t get exposure for their donation, we often get in trouble with the [companies’] PR guys.”

A casual conversation with an employee of Filipinas Shell Foundation provides another glimpse into this problem. PBSP operates as an independent entity with its own programs.

If a member company wants to avail itself of PBSP's services — community organizing work or training management, for example — it must pay a fee. This procedure is questioned by an employee who feels that the relationship is one-way. Since Shell now has a foundation of its own which performs social development work, staff of the Shell Foundation question the relevance of supporting PBSP.

Robert Calingo, one of PBSP's current Associate Directors notes that currently PBSP receives only two-tenths (20%) of the 1% of before-tax net income that a corporation allocates for social development. Because members would like to do their own social development work, eight-tenths of the 1% remains

with the company for its own use.

Trustee Dee believes that PBSP's relationship with its members should not be based only on the 1% allocation for social development. He asks:

What happens to the 99% of the company's earnings? If the 99% is spent on business practices which are inconsistent with development like wanton cutting of trees, polluting the environment, or selling the uncontrolled consumption of alcohol, then the 1% becomes "conscience money." PBSP's social development philosophy must permeate the whole company. This is the only way true development can be achieved in the Philippines since it is the

**Chart 1: PBSP Strategies and Program Directions**

Period	Main Strategy	Major Models
1975-81	Prototype Developer	Integrated Community Development
1976-80	Small Projects Funder (many project areas)	Proponent-led
1981-85	Projects rationalized in four program areas	Local Resource Management (LRM)
1986-90	Program further focused by poverty group and geography	Provincial Development Strategy
1991-95	Programs rationalized with area resource management	Area Resource Management (ARM)

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private sector which controls the majority of the country's financial resources and not the government.

from international donors and grantmakers, or developing linkages with partner institutions in government.

Arousing social concern in other companies is the work of the Board's Membership Committee and the Center for Corporate Citizenship (CCC). The Membership Committee attracts new members through video and oral presentations by five to seven Board members. Members say that having CEOs of top Philippine corporations talk about corporate social responsibility is very effective in making the point. After these membership drives, the CCC provides member companies with information on ways and means by which companies can adhere to PBSP's development principles.

According to Tan, corporate members drop out of PBSP for two reasons: business losses, or a change in the CEO without the commitment being passed on to the successor.

### **Governance and the National Political Situation**

During martial law (1972-1984), the work of non governmental organizations (NGOs) was always suspected by the Marcos government. PBSP was not exempt from suspicion, but the important positions held by Board members helped insulate it from the adverse effects of this suspicion.

When President Aquino took over the government in 1986, seven PBSP Board members were asked to serve in government posts. Although these appointments demonstrated the high regard the new government had for PBSP's Board members, the exodus almost decimated the Board. Still, their departure also supported PBSP in the sense that its friends were in key positions which helped it in strategic activities such as raising funds

## Program Operation and Evolution

### Program Priorities and Evolving Strategies: The First 20 Years

Through the years, PBSP strategies and programs have evolved to respond to needs and opportunities in the environment. Every five years, the Foundation charts its development agenda in a strategic plan that is the result of a process in which both the PBSP Board and staff participate.

The first step involves laying the groundwork for the planning workshop, which is done by staff who are the closest to the field. Led by the Executive Director, they review programs and identify failures, successes, and problem areas. They highlight potential new areas of concern which PBSP may want to address in the next five years and also identify special projects. These discussions are collated into a planning document and presented to the Executive Committee.

In the second step, the Executive Committee and the staff brainstorm together, discuss the planning document, examining the findings and recommendations. Although the document is carefully scrutinized by the members of the executive committee, Tan says that staff's recommendations are seldom rejected. The third step occurs when the full Board and staff discuss a refined planning document. Board members ask questions and engage in deep debate.

As a result of this process, the eventual plan that emerges is relatively well thought-out, well-discussed, and well-understood by both the Board and the staff. PBSP's strategies and program directions through the years are summarized in the chart above.

### Period One: 1971 - 1975

As already noted, PBSP's founding came about at a time of great political and economic turmoil in the Philippines. The business community was shaken by the growing discontent and violence in the country, and was moved by fear, self-preservation, and conscience to take action.

As an initial strategy, the Foundation pooled member companies' resources to undertake large prototype development projects in low-income housing, community development of a squatter relocation site, integrated community development of a geographic area, and applied nutrition. The aim was that each could serve as a model for other projects and could be readily replicated.

Assistance was largely for planned interventions in which PBSP gave the initial push and people were expected to ultimately help themselves. PBSP measured success by the impact of a project on the quality of life of the community and the project's prospects for replicability in other areas.

### Work Program

During the first five years, PBSP focused on the following:

- Development of two prototypes, the Mandaluyong Workers Housing Project and the Laguna Rural Social Development

- Project;
- Organization of a training program for social development managers;
- Promotion of wider and more intensive involvement of the private sector in social development;
- Research studies on all projects assisted by PBSP to provide the research infrastructure for the prototypes, and at the end of the five years, to consolidate research findings and field experience for dissemination to other institutions and organizations; and
- Assistance to projects meeting priority criteria.

### Key Lessons

The Foundation learned that an integrated approach to community development, with basic services such as shelter, nutrition and education as entry points for development interventions, was critical to the success of some of its initial projects. During this period, PBSP also developed a community organizing model which trained people to become catalysts in the organizing process. This method brought community organizing to the community level and professionalized development workers into what would later become a social development industry.

### Period Two: 1976 - 1980

Under martial law in the 1970s, the economy continued to stagnate, and disenfranchised sectors of society were gravitating towards the strengthening insurgency movement. Society became more polarized as the Marcos government paid increasing attention to

urban projects to showcase “development under the new society” while neglecting the countryside. Within the Church, liberation theology imported from Latin America led to the organization of Basic Christian Communities (BCCs) especially in Visayas and Mindanao provinces. The development of BCCs was an attempt to continue rural organizing work without attracting the wrath of the military.

PBSP’s program focused on consolidating different schemes proven effective in similar projects and testing them in wider contiguous areas. From a prototype developer, PBSP shifted to the role of disseminator of proven appropriate technologies for the rural sector. It replaced the single pilot program approach with a small projects approach complemented by an integrated area strategy in Laguna, Pampanga, Jolo, and Calbayog.

The lack of capable implementing structures in most provinces forced PBSP to work to form new local structures or strengthen existing institutions to effectively manage development projects. Most of its local partners were church-based and the bulk of its development work and funds went into direct training of workers, beneficiaries, and community groups. Consistent with its intent to develop local capabilities, PBSP supported the establishment of regional training centers through three private institutions: the Jolo Social Development Management Training Center with Notre Dame de Jolo College (for Mindanao), Central Philippines University in Iloilo (for the Visayas) and the Kaunlaran Multi-Purpose Training Center (for Luzon).

The Cooperatives - Self Employment Assistance Program (COOP-SEAP) became PBSP’s centerpiece program during this period. Despite the poor record of Philippine coopera-

<sup>2</sup> Garilao, E., *PBSP: Can It Be Replicated?*, research paper.



tives, the Foundation saw their potential value given the right inputs. Unlike the government program that relied heavily on incentives, COOP-SEAP used organizing techniques to build the equity and lending base of participating cooperatives. The Foundation provided assistance to ensure that cooperatives were not overly leveraged in the process. In return, these co-ops gave credit and technical assistance to lower income sectors for income-generating projects. The program was pilot-tested in Dumaguete, Antique, Laguna, Jolo and Navotas, and was later replicated in large-scale expansion. Projects ranged from rice production to the productive use of natural or waste materials and herbal medicines.

### Work Program

The funding priorities for the second five years were:

- Area development, particularly the Laguna Rural Development Prototype and the Dumaguete Area Development Program;
- Prototype development: PBSP encouraged the development of schemes which had promise for fuller development in rural and urban sites. Support went into work with cultural minorities, small-scale industry development, functional literacy, appropriate technology, and applied nutrition programs for women and youth;
- Assisted projects: PBSP continued to assist individual projects meeting basic community needs, addressing priority needs of specific areas, and meeting needs arising from earlier assistance; and
- Training: PBSP wanted to develop regional training centers which would help organi-

zations and groups engage in development projects to attain a higher level competence in social development management. Three regional training centers were set up, and each was to mobilize resources to sustain their operations.

The Foundation tapped individual corporate executives and managers to offer specific, time-bound technical assistance to projects. While not organized systematically, such technical assistance became the forerunner of the Corporate Fellows Program established in the late 1980s.

### Key Lessons

In its second five years, program interventions coupled training with social preparation. The value of organizations as local catalysts for development became evident through the results of PBSP's work with cooperatives under COOP-SEAP. PBSP developed a track record and gained credibility as an organization. Garilao believes this was made possible by attending to four major concerns:<sup>2</sup>

**Building the proponent NGO's capability:** After discovering that many NGOs lacked the capability to manage projects well, PBSP implemented a management training program and also gave grants to educational institutions to set up social development management training centers. Institution building became a major program of the Foundation and formed the base in developing a wide network of proponent organizations in the provinces;

**Building staff capability:** PBSP provided training programs for the staff in addition to giving them intensive supervision and on-the-job coaching;

**Focusing the program of assistance:** To sup-



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port the implementation of prototype programs, PBSP provided grant assistance to proponent organizations. It engaged in community organizing, institution building, productivity improvement, enterprise development, and technology development and dissemination; and

Maintaining the membership: From an initial fifty companies, the membership reached 150 in 1974 then steadily decreased to 112 by 1979. This prompted the Board to take steps to maintain major corporate contributors. One strategy was to encourage the membership to see the Foundation's work in the countryside through project visits.

### **Period Three: 1981 - 1985**

As the Marcos government claimed overwhelming victory in a rigged election, violence mounted. Foreign creditors began to squeeze the government for repayments and a moratorium on debt repayment drove investors away. In August 1983, Senator Benigno S. Aquino was assassinated upon his return from exile in the United States, and the Philippines was propelled into political turmoil. In 1984-85, the economy shrank by 10%.

PBSP began to rationalize its multiple small projects orientation into major program areas — Community Organizing, Livelihoods and Social Credits, Basic Services, and Appropriate Technology.

The proliferation of private voluntary organizations during this period led to a phenomenal increase in PBSP-supported projects implemented in close to sixty provinces. The Foundation channeled the bulk of its efforts and resources to the countryside. This strategy

required PBSP to assume a greater role in providing the needed resources, technologies and capabilities to enable local partners to implement their projects effectively and efficiently. The Foundation developed a new framework for organizational assistance as a result of Garilao's 1982 graduate work at the Asian Institute of Management: It shifted its training emphasis from development of individual leaders to organizational growth, which served as the basis for the institution-building model developed and adopted in the next period.

## Work program

The Foundation focused its resources on three major program areas:

- **Food Assistance:** This built upon communities efforts to achieve self-reliance and self-determination through income-generating activities organized around food production. Projects were funded to support lowland and upland agriculture, aquaculture, and livestock development;
- **Small Business Program:** PBSP provided assistance to non-food economic enterprises, such as manufacturing, services, or trading in an attempt to address the livelihood needs of low-income beneficiary communities. Projects funded included community credit, cooperative assistance, and microenterprise development; and
- **Human Resource Development:** The program provided assistance for community organization, social development management, and skill training for employment.

In addition, PBSP launched several initiatives through a newly created Special Programs Unit — Local Resource Management, the Northern Samar Farmers Assistance Development, the Metro Manila Livelihood, and the Family Welfare program. All sought to test various methods for organizing and institution-building to achieve specific planned outcomes.

The banner program of the previous five years (1976-80), COOP-SEAP, was further refined into the Rural Agricultural Credit Financing Program as a mechanism for channeling additional resources into the small farmer sector. This program was the first of many management

contracts PBSP entered into with USAID.

During the third five years the technical assistance provided by member companies in the previous period was reorganized into the Small Industries Program funded by a World Bank contract. This program sought to link companies directly with communities in commercial ventures to provide technical expertise and, more importantly, to market local products and services.

During this period the success indicators for programs and projects continued to be active participation of target beneficiaries in specific programs. Capacity-building schemes for social preparation and partnership development, which the Foundation largely learned from the Local Resource Management experience, enabled PBSP to effectively carry out the programs.

## Period Four: 1986 -1990

When PBSP drafted its fourth Five-year Plan in 1985, the country had not recovered from the political crisis brought about by the Aquino assassination. The population was increasingly politicized, the insurgency continued growing, and unemployment reached 23%. Marcos's attempt to call a snap election and then steal the victory from Corazón Aquino led to the People's Power Revolution in February 1986. Under new political leadership, the Philippine economic climate shifted, and foreign investors renewed their trust in the country. Growth continued until 1991, when the Gulf War erupted and the anticipated oil crisis drove oil prices well above prevailing rates.

The nationwide program approach to development proved to be difficult to manage due to

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limited resources and increased demand. In 1986, prompted by the graduate work done by then-Associate Director Ruth Callanta at the Asian Institute of Management, the Board adopted a poverty group focus for its programs. Five major poverty groups were identified: landless rural workers, upland farmers, small lowland rice farmers, artisanal fishermen, and urban poor. All except the last group were tied to a particular resource base. Then PBSP asked, “Where are the poor?,” and it identified fifteen provinces as the primary locus for its development assistance.

Thus was born the Provincial Development Strategy which sought to support a growth model that was proponent-led and resource-based. Field offices were spun off as separate NGOs in a strategy to “clone” PBSP-like NGOs — the Antique Development Foundation, Capiz Development Foundation, Eastern Samar and Western Samar Development Foundations — to lead local development efforts.

To establish growth in the fifteen provinces, PBSP identified additional lead proponents under a Provincial Development Foundations program. It was projected that if inputs were provided in organizational development and institution building, these NGOs would become major development organizations in their own provinces. The models that proved successful were: Davao del Norte with its strong rice and multi-purpose cooperatives; South Cotabato through the South Cotabato Foundation; and Nueva Ecija. In all three cases, development was anchored by local institutions or federations and linked to a productive resource which poverty groups could utilize to their advantage. The resources invested resulted in considerable income gains for the groups involved.

The need to develop a broad range of local institutions and structures based on the above successes shifted PBSP’s training framework from organizational growth to institution building, and the training arm of the Foundation was renamed the Social Development Management Institute.

The Board’s policy of placing a cap on non-membership monies coming to PBSP changed in 1986 as it sought to take advantage of the opportunity offered by renewed donor assistance (under the Aquino government) and replaced membership contributions with donor funds for its development projects. Membership contributions were invested as part of the Capital Fund (see chapter on Finance).

### **Current Programs and Strategies (1991 - present)**

The PBSP strategy for social development in the 1990s is Area Resource Management (ARM) which targets impact areas or contiguous clusters of three to five municipalities. The approach relies on organizing poor communities and helping them gain access to basic resources, infrastructure and social services, new skills and technologies, credit and markets. It evolved out of the recognition that the Provincial Development strategy focus was too broad for any one organization to undertake, and was helped by the passage of the new local government code in 1991 and the devolution of power from Manila.

PBSP outlined the framework for implementing ARM through an institutional brief as follows:

ARM is a sustainable development strategy focusing on optimal use of resources in an

area, taking into consideration existing socio-economic, ecological and organizational systems.

Within the socio-economic system, poverty groups will be assisted to gain control over resources and eventually be owners of anchor enterprises. Efforts shall focus on the development and optimum use of the coastal, lowland, and upland resources.

Within the ecological system, the balanced use of, conservation, preservation and regeneration (as needed) of the natural resources shall be pursued. Thus, while the land and marine resources are harnessed for optimum production, they shall also be preserved so that succeeding generations may benefit from these resources.

Within the organizational system, public-private development partnership will be initiated to facilitate development work: non government and people's organizations shall be strengthened and tapped to plan and implement development programs; corporate sector, international and local donors shall be encouraged to invest their resources to complement efforts in the area; and government shall be encouraged to actively participate through legislation and enforcement of policies and the delivery of basic services that will provide better opportunities for the poverty groups.

After four years, the ARM program operates in twelve provinces. PBSP has also developed special programs that form part of its portfolio for the early 1990s (see details in Annex 2).

### **Recipients and Beneficiaries**

The primary intention of PBSP's founding members was to make resources available to existing organizations involved in development work but who had difficulties mobilizing those resources themselves. PBSP's role today, as stated in the 1991 Annual Report, is "to encourage, motivate and assist in the development of effective social development organizations which carry out the development projects." It gives support to specific projects meeting a basic community need or problem, not to organizations or institutions per se.

To fulfill PBSP's objective of improving the quality of life of the poor, it extends credit to social development organizations and community groups that have feasible economic proposals but can not obtain a commercial loan. To

ensure successful implementation of economic projects, PBSP provides inputs in production, management, organizational development and technical skills training.

The ultimate beneficiaries of PBSP's grants are low-income communities comprised of: farmers, rural workers, women, youth, urban poor, disabled persons, fisherfolk, landless rural workers, drug addicts, victims of calamities and cultural minorities. Since 1986, PBSP has identified its service area as fifteen provinces with a high incidence of poverty. PBSP fine-tuned its provincial development strategy in 1991 to focus on impact areas — clusters of three to five municipalities within the priority provinces. Noteworthy projects elsewhere continued to be assisted through brokering or co-financing schemes.

### **Grant Mechanisms and Procedures**

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## **Application Procedures and Grant Terms**

Grant application approval for the different PBSP funding schemes normally follow a similar format. Roxas admits that, in the beginning, the only thing clear to the Board were three criteria for implementing projects — viability, self-sustainability, and replicability. Rigorous requirements for project design, approval, and evaluation were applied for projects to the extent that people accused PBSP of being stricter than a bank.

PBSP gives financial assistance in the form of financial advances (loans) and grants. Financial advances are payable within three to five years, with an administrative charge of 3 to 12% per annum on the outstanding balance. The Foundation gives financial advances to all income-generating projects because it regards the financial advance as a tool for training communities to pay for the cost of their development. However, it gives grants to the project component which provides for the education and training of the beneficiaries in social organization, social education, and management. It gives grants first, or simultaneously with, financial advances to prepare the community for undertaking income-generating projects.

PBSP expects the project sponsor (proponent) and the beneficiary community to give a counterpart contribution. This contribution is determined on a case-by-case basis depending on the nature of the project and the local resources available. It may take the form of manpower and services, use of facilities, or cash.

PBSP has established guidelines for providing loans or financial advances. These vary according to the kind of recipient organization. For example, if it is a credit union, the loan

shall not exceed 30% of the past year's production loan portfolio; if it is for a social development organization the loan may not be for more than within the range of P100,000; and if the loan is for a community group, it may not exceed P20,000.

One of the PBSP's primary strengths is that it not only functions as a funding resource, but also plays the role of developer of managerial and technical skills. Technical assistance takes three forms: training for project management and staff; project development and monitoring of project operations by a PBSP project officer; and research to evaluate projects in relation to its objectives and impact on the beneficiary community.

As part of its assistance to project management, PBSP also undertakes community education programs, which involve individual skills training, group building and institution building. The ultimate aim is to devolve the educational function to the partner organizations.

## **Grant Monitoring and Evaluation**

The Foundation's program officers are well trained to conduct project monitoring, and extend technical assistance and monitor all projects through the regional offices. Monitoring takes the form of field visits during which the program officers extend hands-on consultancy services to PBSP's grant and loan recipients.

PBSP also monitors and evaluates projects through applied social science research, which is an in-house project that has influenced the planning, implementation and evaluation of development programs. PBSP tests and validates the effectiveness of social

development programs it has initiated or assisted, and identifies factors that have contributed to or hindered the project's performance.

### **The PDAP Monitoring Mechanism**

The Philippine Development Assistance Program (PDAP) is a mechanism that seeks to forge partnerships between Canadian and Philippine NGOs to assist poor communities in the Philippines. PBSP's involvement with PDAP was its first experience in brokering funds from external donors for its proponents without providing counterpart funds of its own. Monitoring responsibilities for PDAP-assisted projects are shared by PBSP and the proponent, and follow some basic guidelines.

At the start of the project, the proponent is expected to conduct a baseline survey of target beneficiaries. This would be used to measure the project impact at the end of the project term. The proponent is expected to submit descriptive and financial reports to the Canadian partner every three months for the duration of the project. The descriptive reports must show the progress made in the implementation of the project, the problems encountered, actions taken and outputs and effects achieved during the period covered by the report. The financial reports must reflect the total disbursements received from the Canadian partner, other sources of funds tapped, total expenditures for each project component, and a variance analysis between planned and actual running expenses of the project and other financial statements.

Once a project is approved, PBSP makes a visit at the project start-up to insure that the systems and procedures specified in the pro-

posal are in place. PBSP visits the project site every four months then submits reports to the Canadian partner. PBSP is expected to conduct regular audits of the project's financial reports. A twelve-month project must be audited twice; longer projects must be audited at least annually.

PBSP is also responsible for ensuring that the proponent NGOs make the necessary submission of reports to their Canadian partners. It is also required to submit an Annual Project Status Report to the Philippine Secretariat as inputs for the annual assessment of projects. PBSP receives the equivalent of 7% of project costs to cover staff time, travel costs and per diems, and general overhead expenses incurred in the monitoring of projects.

### **External Program Review**

Sycip, Gorres, Velayo and Co., one of the leading accounting and auditing firms in the country and a PBSP member company, has been commissioned by the Foundation to conduct regular external program reviews. Their work is designed to help PBSP assess the:

- Impact of selected programs/projects on intended beneficiaries in relation to the expectations set in the projects' objectives;
- Performance of selected proponent organizations in effectively implementing the projects with available resources;
- Compliance by proponents with the terms and conditions set forth in the Program Plan of Action; and
- Application and administration of the Management Reporting and Account-



ing                      System Installation to improve  
the propo-                      nents' systems and  
procedures.

In 1991, PBSP further institutionalized the monitoring and evaluation systems when it created an Internal Audit Unit and hired regional financial analysts to provide financial program monitoring of projects.

### Program Impact

Impact evaluations conducted in 1975 and 1980 asked PBSP-assisted individuals to identify ways in which they had benefited. They listed the following, among others:

- Acquisition of new knowledge and skills in such areas as farm management, swine/live                      stock raising, soil conservation, bookkeeping                      basic business management, reading and writing;
- Positive attitudes/values toward community                      and family (improved interpersonal                      relationships among members; more                      cohe- sive organizations);
- Increased/additional income (ability to send children to school, acquire appli- ances);

Community benefits/improvements through services to all community members; lower                      priced goods; availability of consumer                      goods; better health and sanitation; and

- Employment and new sources of liveli- hood.

In 1988, PBSP conducted another impact review to assess the results of the institution- building and enterprise program. Among its findings were that:

While PBSP had upgraded its NGO partners in terms of their capacity to implement better programs and projects and increase geo- graphic reach, they were not yet at levels where they could implement significant enter- prise programs or absorb larger amounts of resources. Most were still financially unstable, surviving from grant to grant, and had not reached the stage where they looked seriously and responded at specific enterprises which would accelerate the development of the province; and

In terms of livelihood, PBSP's package of community credit programs, often providing for micro-enterprises, generated substantial income increases of between 25-33% though still lower than the poverty threshold.

PBSP's performance review covering the peri- od 1970 - 1994 showed that the Foundation provided a total of P898 million (US\$45 million at an average rate of P20 = US\$1.00) in finan- cial assistance to 987 NGO-partner organiza- tions implementing 3,195 projects benefiting 1.6

million of the Filipino poor in sixty-five provinces nationwide.

A 1993 study on PBSP's implementation of community education programs shows that the impact of PBSP's efforts in educating the community is limited. Only a few (twenty-nine) proponent organizations have accepted the challenge of assuming the educative function on a regular basis, and most of their programs

are tied to specific projects rather than focused on institutional growth. Although PBSP attempted to devolve the educative function to its proponents, it has not succeeded in institutionalizing the process.

For the Area Resource Management program, its latest undertaking, PBSP has drawn up a new set of impact indicators:

- Presence of operational anchor industries in priority provinces benefiting a significant portion of the poor;
- Existence of pro-poor, multi-sectoral partnerships;
- Beneficiaries' degree of control over production, marketing, and processing aspects;
- Reduction of poverty incidence;
- Demonstration of management capabilities of partner organizations;
- Member company involvement in the Area Resource Management programs;
- Existence of local government policy support for the Area Resource Management programs;
- Reduction of vulnerability of disaster effects; and
- Presence of regular programs resulting in increased equal opportunities for women and reduced environmental deterioration.

### Problems Encountered

During its first five years of operation, the Foundation's most glaring problem was the limited number of groups/proponent organizations with which it could work. Few groups

had basic, functioning management skills to run their respective projects. This problem was formally acknowledged by the Board of Trustees in its first annual report, published in 1971. It reported that out of 128 proposals received, only sixteen were approved for PBSP assistance while forty-one were under pending development work.

In 1972, the Board noted that there was an acute need for training proponents in management. Associate Director Calingo confirms that one of the problems during the first five years of PBSP's operation was beneficiaries' lack of absorptive capacity. After twenty-four years, there is no longer a dearth of competent proponents to handle social development projects. PBSP's concern nowadays is how to reach more of the country's poor who have mushroomed according to non government statistics from 45% in the early 1980s to nearly 60% of the population in the early 1990s.

According to Gil Salazar, Associate Director in charge of the Special Programs Group, most of the problems PBSP encounters are complaints from proponents and beneficiaries regarding the interest rate of loans, the voluminous reporting requirements and the strict criteria and requirements for grants and loans.

### The Foundation's Workforce

By December 1994, PBSP was composed of 291 professional staff under the supervision of the Executive Director. The workforce is organized into seven major functional groupings as follows:

- *Executive Office*
  - Center for Corporate Citizenship
  - Constitutional Development Communications Unit
  - Membership and Corporate Involvement

<sup>3</sup> The P figures in the following sections have been converted to US\$ figures based on the average exchange rate(s) for the year(s) discussed. Percentages are based on the P



Unit	<ul style="list-style-type: none"> <li>• <i>Operations Group</i> <ul style="list-style-type: none"> <li>Luzon Regional Operations</li> <li>Upland NGO Development Assistance Program</li> <li>Visayas Regional Operations</li> <li>Mindanao Regional Operations</li> </ul> </li> <li>• <i>Special Programs Group</i> <ul style="list-style-type: none"> <li>Local Development Assistance Program</li> <li>Small and Medium Enterprise Credit Program</li> <li>SSS Membership Assistance for the Development of Entrepreneurship</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>• <i>Internal Audit Unit</i></li> </ul>	
<ul style="list-style-type: none"> <li>• <i>Technical Services Group</i> <ul style="list-style-type: none"> <li>Social Development Management Institute</li> <li>Research and Publications Unit</li> <li>Center for Rural Technology and Development</li> <li>Decentralized Shelter for Urban Development</li> </ul> </li> </ul>	
<ul style="list-style-type: none"> <li>• <i>Finance and Management Services Group</i> <ul style="list-style-type: none"> <li>Finance Unit</li> <li>Human Resource Development Unit</li> <li>General Services Unit</li> </ul> </li> </ul>	
<ul style="list-style-type: none"> <li>• <i>Corporate Planning Group</i> <ul style="list-style-type: none"> <li>Management Information Systems Unit</li> </ul> </li> </ul>	The 1994 PBSP organizational chart in Annex 1 provides an orientation to the relationship among these functional groupings. The present structure has evolved from several changes in the organizational structure brought about by the

**Table 1: Revenue Sources of PBSP 1971-1976**

Revenue	% Contributions	Variance
Membership Contributions	68% of total income	down from 91%
Interest Income	28% of total income	up from 8%
Other Income	4% of total income	up from 1%

growth of the Foundation and changes in its thrusts.

### **The Changing Organizational Structure**

PBSP's staff was initially composed of a combination of professional social workers and young committed business professionals. In the early 1970s, the staff was grouped according to stages in project assistance, specifically project screening, support services, and prototype development. Toward the late 1970s they were regrouped according to operations and geographical coverage.

In the 1980s, PBSP was organized according to core and program staff. The Program staff's status was co-terminus with the program in which they were involved while the core staff occupied regular positions in the Foundation. Unless they voluntarily resigned or were terminated for cause by the Foundation, they would continue to occupy these positions. Core positions belonged to operations, training, research, executive office and support services units. In the 1980s, a support services unit took over the tasks of personnel policies administration, job evaluation and salary administration and other administrative concerns.

PBSP's staff has grown dramatically since 1982, when it numbered fifty. In 1983, the Board issued a mandate for the staff to aggressively disseminate PBSP technologies, provide technical assistance, and mobilize resources. As a result, new programs were introduced, and PBSP entered into management and training contracts with government and international donors. It also established five provincial offices. By 1985, the staff numbered 115.

Perhaps the most critical job among the pro-

fessional staff belongs to the Program Officers at the regional and field offices, who have a direct hand in project development, monitoring, and evaluation. Part of their job is to assist the

proponents in the various stages of the project, from the development of a proposal to monitoring and assessing the progress of the project.

Two basic criteria are used to recruit project officers: academic background and previous experience in social development. Until 1982 about six out of ten project officers had backgrounds in the social sciences. The other four were graduates in business or related fields.

New project officers received intensive in-service training which normally lasted for one year. With the addition of new programs at a rapid pace, the training process has been shortened. For Associate Directors and the Executive Director, training includes being sent to graduate courses in management in the Philippines and abroad.

Staff turn-over, especially among program officers, has been relatively high. One cause is the higher salaries and better benefits offered to the highly skilled and marketable staff by agencies such as UNICEF, FAO, or other companies.

The rapid increase in programs/activities since 1982 — and the Foundation's concern for a lean organization, low operating costs, and quality performance — meant that core staff have had to assume additional responsibilities, although their training has lagged. Consequently, personnel problems began to surface due to inadequate supervision and varying levels of skills and competencies.

<b>Table 2: Grants vs. Financial Advances (in millions)</b>				
<b>Type/Period</b>	<b>1st 5 yrs.</b>	<b>2nd 5 yrs.</b>	<b>3rd 5 yrs.</b>	<b>Total</b>
Grants	P16.09 (US\$2.05)	P30.11 (US\$4.08)	P20.78 (US\$1.37)	P66.98 (US\$6.778)
Financial Advances	P9.6 (US\$1.375)	P14.82 (US\$1.973)	P23.34 (US\$1.549)	P47.32 (US\$5.214)
Total	P25.69 (US \$3.68)	P44.93 (US\$5.981)	P44.12 (US\$2.928)	P114.30 (US\$11.993)

<b>Table 3: Capital Fund (in millions)</b>		
<b>Year</b>	<b>Amount (Cumulative)</b>	<b>% Increase (based on P amounts)</b>
1971-76	P5.2 (US\$0.745)	-
1976-81	P16.8 (US\$2.237)	223
1981-86	P35.7 (US\$2.369)	112

<b>Table 4: Interest Income vs. Membership Contributions (in millions)</b>				
	<b>Amount</b>	<b>% Inc/(Dec)</b>	<b>Amount</b>	<b>\$ Inc/(Dec)</b>
1971-76	P3.5 (US\$.501)	-	P38.65	-
1976-81	P15.69 (US\$2.089)	348	P37.65	(3)
1981-86	P31.65 (US\$2.100)	102	P24.46	(35)
Total	P50.84		P100.76	

## Financing PBSP

### Funding Sources

PBSP's member corporations agree to commit 1% of pre-tax net income to social development purposes. In the early years, PBSP administered 60% of this amount, and the remaining was left for use at the company's discretion. In 1989, the PBSP Board reduced the amount it administered to 20% due to the difficulty of collecting the 60% during the recessionary early 1980s.

The realization that contributions were inadequate to sustain foundation projects through the years led PBSP to build a Capital Fund and generate funds from other funding agencies and international donors through co-financing and brokering schemes. However, multiple sources of funds require more people and a more complex financial system. Further, various donor agencies restrict use of their funds to specific project purposes.

Certain PBSP restricted funds are used as financial assistance to qualified proponents. The restrictions are set by the respective donors. This financial assistance is recorded as grants paid for accounting purposes, as arranged with the donors, but is subject to repayments by proponents. An annual interest rate of 3% to 24% is charged to cover administrative costs. Restrictions vary among the different donors. According to Associate Director Salazar, USAID is the most restrictive.

### Fundraising Methods <sup>3</sup>

Gil Salazar clarifies that the Foundation very seldom engages in the kind of fundraising he describes as one-shot efforts to raise funds. They are more concerned with building long-

term financial sources. PBSP has accomplished its aim of building long-term financial resources through a combination of strategies.

### 1971 - 1976: Building the Financial Base of the Foundation

During its first five years, PBSP sought to generate the majority of its resources from member companies. Board policy was to direct 90% of PBSP's revenues to projects and only 10% to operating costs. The financial strategies revolved around the recruitment of more members to increase contributions/donations. Personal invitations, a public relations campaign, and follow-ups were conducted by the Board.

The strategy yielded significant results. From an initial fifty, PBSP's membership reached 150 in 1973-74 and closed at 124 in 1975-76. Membership contributions during the period totaled P38.65 million (US\$5.537 million) — 91% of PBSP's total income of P42.56 million (US\$6.110 million). The additional income was derived from administrative charges and interest income. Of the total income, P25.25 million (US\$3.617 million) was allocated for project assistance while P4.77 million (US\$683 thousand) went to operating expenditures.

In 1975, PBSP set up Projects Completion Fund (which was later converted into a Capital Fund) because, Tan explains:

In 1975 ... we were not sure how long we would survive as a donor institution because the government had plans of setting up a similar organization to PBSP. ... contributions would be made mandatory by law and the voluntary contributions to PBSP would become a duplication. The Projects Completion Fund was set up so that in the event we

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were abolished, we would have the funds to see through our commitments to our proponents and staff.

### **1976 - 1981: Strengthening the Financial Base**

Membership contributions declined from P11.4 million (US\$1.576 million) in 1975 to P8.7 million (US\$1.169 million) in 1976. Thus, diversification and broadening of the Foundation's resource base became imperative. The following strategies were employed:

- Conversion of the Projects Completion Fund to a Capital Fund;
- Undertaking co-financing (joint venture) programs with other donor agencies; and
- Reducing operating costs.

Interest earnings were to be generated by investing the corpus in fixed-income securities. In terms of the co-financing strategy, Tan explains:

... as programs became bigger, and the peso could buy less, we had to swallow our pride and accept co-financing funds. There was also the realization that the problems we were trying to address were too big to handle for us to just rely on corporate contributions.

Observers of local NGOs such as Jean Miralao, of the Philippine Social Science Center, comment that this move went against PBSP's purpose of tapping private corporate resources for development. In the process, she says, "PBSP crowds out smaller NGOs which need the donor money more than PBSP." But Dee responds by saying that donor agencies came to PBSP because they see concrete results in what it does. According to him, if PBSP does not accept donor money it will not necessarily go to smaller NGOs.

Among the radical cost-cutting measures

taken was a retrenchment program which led to a lean but highly-skilled and better-paid staff. PBSP also closed its regional offices in Visayas and Mindanao.

The Foundation's financial performance during this period improved. Despite the poor state of the economy and decrease in membership contributions, total revenues increased by 30% over the preceding period. This increase was accounted for by interest income. The following table shows the breakdown of total revenues generated and the percentage contribution of the various sources.

By 1980, thirty-seven companies accounted for 86% of contributions to PBSP — a very narrow base of dependence. However, the fact that voluntary member contributions reached P76 million (US\$10.488 million at P7.246 to US\$1 average exchange rate for the period) during the first decade showed the commitment of membership toward the mission of PBSP.

After the Foundation was accredited by USAID for its PVO Co-Financing Program and by the United Nations as a NGO, which gave it more access to external donor funds. The increase in revenues through sources other than membership contributions enabled the Foundation to increase project assistance from P25.25 million (US\$3.485 million) to P45 million (US\$6.210 million). Operating costs decreased by 3%.

### **1981 - 1986: Optimizing the Financial Base**

This period was marked by increasing poverty and deteriorating law and order in the Philippines. However, as the environment presented more opportunity to serve the poor, the third five-year phase of PBSP development was characterized by growth and expansion of its program and over-all operations. Financially, PBSP's objective for the period was leveraging funds by diversifying the resource base and supporting financial requirements of expanded

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services.

Tan had this to say about PBSP's mobilizing outside resources:

We did this in many ways. First, we did what is known in business as venture capital investment. PBSP did the work in specific areas and if we found out that a foreign donor organization was interested in this area we asked the donor agency to enter into a co-financing arrangement to expand the project. We only did this after we had assured ourselves that the project was viable and had shown tangible results....

We also started packaging our expertise and technology for sale....As our work became more visible, the other donor agencies also became interested.

### **Co-financing Scheme with Donors**

The co-financing scheme with donor agencies aimed to undertake joint programs with international organizations; use PBSP as a channel of foreign monies; and manage contracts for research studies for international organizations on a selected basis.

PBSP's conditions for accepting co-financing projects were:

- It would set no ceiling on the amount of co-financing funds in any one year, nor would there be a ceiling on funds to be sourced from any one agency.
- Co-financing funds would be accepted only if PBSP was in complete control of planning, implementation and monitoring of the projects including funds disbursements; and

- PBSP must have complete control over the project staff, including selection.

During this period, PBSP was able to mobilize P35.9 million (US\$2.382 million) in co-financing programs and management contracts from both local and international agencies such as USAID, Ford Foundation, Iwatani Naoji Foundation, Australian International Development Assistance Board, International Development Research Centre, Foundation for International Training, UNICEF, and several Philippine government agencies.

### **Increase in Loans vs. Grants Assistance**

During the 1981-86 period, the amount of financial advances (loans) allocated to projects exceeded that allocated for grants. The advances were repayable over a period of three to five years, with administrative charges ranging from 3% - 14% per annum. Repayments of financial advances contributed a major amount to the Capital Fund which reached P35.7 million at the end of PBSP's fifteenth year.

### **Other Methods**

- Generation of interest income on the corpus of capital fund: As expected, membership contributions went down but the slack was compensated for by a substantial increase in interest income. This is shown in the table above.
- Generation of income from training fees: In 1984, PBSP began to conduct its own training programs both for its proponent partners and for other organizations. The training programs were held in private



properties leased by the Foundation to avoid substantial fixed costs. In 1985, training activities generated around P300,000 (US\$16,123) in profits. Later, the decision was made to institutionalize training operations in the form of a separate income-producing institute.

- Maintaining cost levels as a percent of total income: Operating expenditures grew with the expanded services PBSP was providing. This amounted to P9.9 million (US\$657 thousand) for the period 1981-86, compared to P4.77 million (US\$658 thousand) in the previous decade. However, these figures reflect an average of 15% (of total income) used for operating expenditures, well below the 30% allowed by law.

#### 1986-1991: Looking Beyond Membership Contributions

This was the period of “people power” and new international interest in the Philippines was translated into increased international aid/assistance to the country. As a UN-accredited NGO, PBSP received offers to manage donor funds, train NGOs in project implementation, and provide consultancy and technical assistance to community workers on-site.

For this period PBSP’s financial objective was to establish its viability even without membership contributions. The strategies were:

- The creation of strategic business units to support the program of work and generate income to cover overhead costs. PBSP expanded its training facilities through the Center for Rural Technology Development, and opened the Social Development Management

Institute. An NGO Resource Center was established in 1987 to provide an array of services to NGOs, such as marketing, registration and accreditation, office services and office space, all at reasonable prices;

- Diversification of Investments Portfolio: PBSP invested 80% of its portfolio in fixed-income instruments and 20% in common stocks. The fixed-income portion was the Foundation’s main defense against the erosion of principal and the main source of cash earnings, while the common stock portion was the main vehicle for growth. An Investments Committee, headed by the treasurer and composed of five representatives of member companies, mostly bankers, took charge of implementing the investment strategy. It was guided by four criteria in the management of the capital fund: safety of principal, growth of principal, liquidity, and diversification. In 1991, the return on the investments of the trust fund was 21.56%, 18.15% in 1992, and 43.17% in 1993;

- Increased collection of financial advances: Recoveries of financial advances represented a major source of income for the Capital Fund. The administrative charges collected were used to defray part of the Foundation’s operating costs; and

- Reduced operating costs. This was done by streamlining systems and procedures and acquiring productivity tools such as personal

<sup>4</sup> PBSP allows its management staff to take up to one year of sabbatical leave for training and higher education.

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puters.

These strategies, as well as those of the previous years, established PBSP's financial viability. At the close of its second decade, the organization's financial indicators are on the upswing. With the change in government leadership, the economic conditions became generally better and this was reflected in the Foundation's finances.

In 1990, PBSP received restricted donations or donor-advised funds from members and non-member companies in the amount of P16.25 million (US\$688 thousand) in response to the major disasters that plagued the country. PBSP expects restricted funds to increase in the future.

Total membership contributions from 1971 - 1990 were P162.41 million (US\$14.928 million); interest and other income - P106.9 million (US\$9.825 million); and co-financing grants - P152.52 million (US\$14.018 million). In 1990, membership contributions dropped to only 19% of the total income for the year. Interest and other income amounted to 14% and co-financing grants accounted for 67% of the total. The complete financial profile of the Foundation from 1972-1993 is shown in Annex 4.

## **Financial Management**

### **Budgeting**

PBSP's budgeting procedure is an integral part of its planning process. The strategic plan is prepared every five years and along with it, a five-year budget for the organization's operations. This budget is flexible and later refined into annual budgets. The annual budgets are further detailed into semi-annual and quarterly

budgets. After the first year, the budget is reviewed and the succeeding budget plan adjusted accordingly.

### **Auditing System**

The Foundation has an Internal Audit Unit that audits all financial transactions up to the proponent level. It is responsible for the continuous monitoring of high-risk projects to minimize liabilities arising from disallowable expenditures and noncompliance with donor policies. It is also responsible for implementing a management reporting and accounting system for proponents and upgrading training for PBSP staff.

Externally, PBSP contracts an independent accounting firm annually to examine its assets, liabilities and fund balances, and the related statements of income, expenditures and changes in fund balances in accordance with generally accepted accounting rules and standards. PBSP prepares its financial statements on the basis of cash receipts and disbursements except for provisions for depreciation of certain properties and equipment, provisions for possible losses on receivables, and accrual of interest income and expenses. It recognizes donations, contributions and related assets when received rather than earned. It also recognizes committed grants and expenses when paid rather than when incurred or committed.

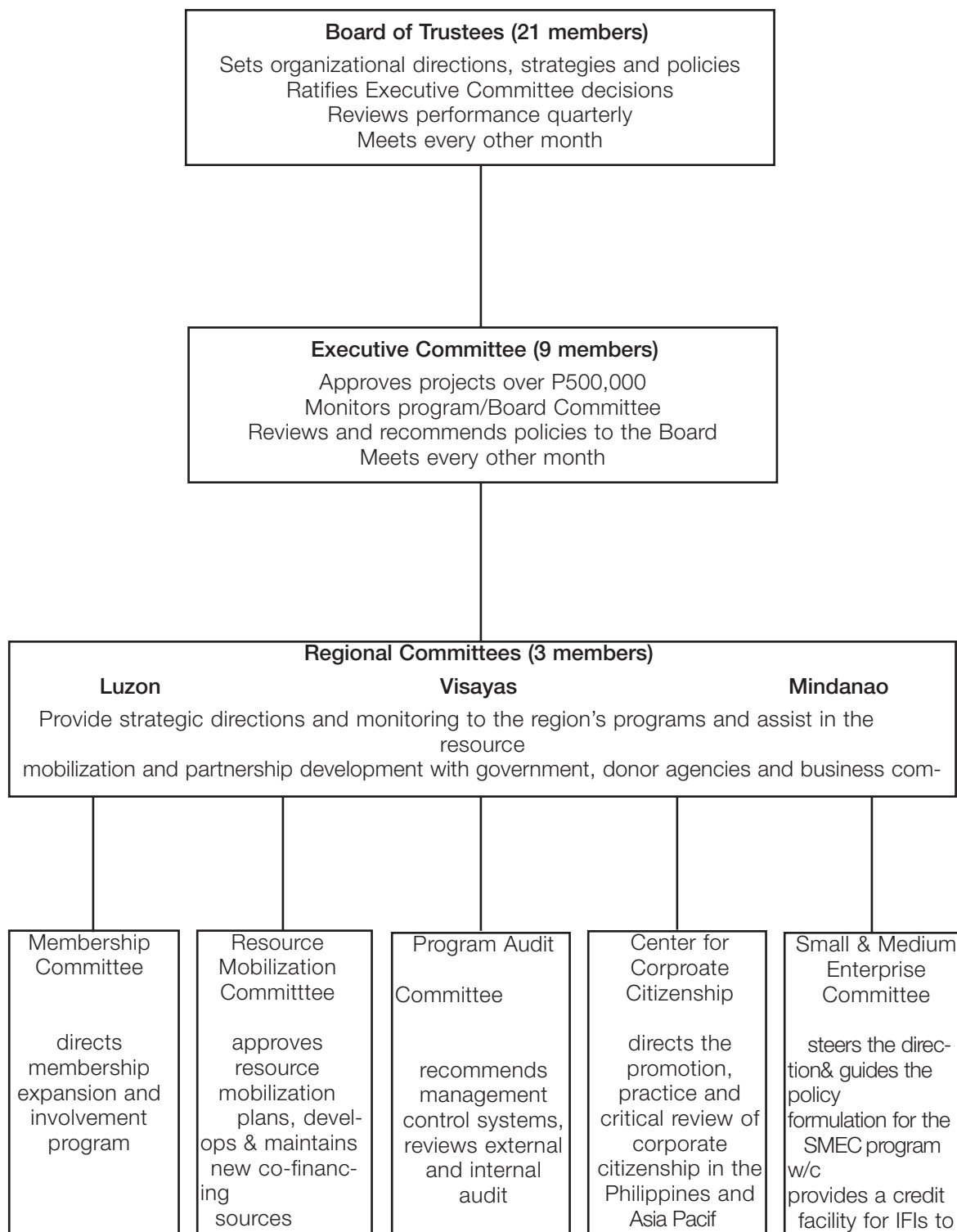
### **Internal Control in Fund Administration**

All of PBSP's projects are reviewed and approved by elected representatives of the membership who serve either on the regional committees for Luzon, Visayas, and Mindanao, or on the Board of Trustees. There is

also a Program Audit Committee which “assists the Board of Trustees in carrying out their responsibilities as they relate to the organization’s accounting policies, internal controls, financial reporting concerns and financial results. It is responsible for monitoring the Internal Audit Unit and its activities through which it exercises its function.”

To further improve control over the utilization of funds, PBSP established an internal audit system to determine the amount of funds which can be realistically handled by a proponent. Likewise, PBSP conducts an external program audit where systems and procedures of assisted projects are reviewed every year to determine their ability to achieve project objectives and facilitate internal management and financial control. Such audits recommend means to improve the projects’ ability to be more effective and efficient.

## Annex 1: Philippine Business for Social Progress Organizational Structure: Board and Committees



## Conclusion

The year 1995 was especially significant for PBSP — marking a quarter of a century that saw one middle class uprising, three Presidents, seven coups, and communist and Muslim insurgencies. While the changed political situation has sidelined fear and self-preservation as prime agenda items for Philippine business, the problem which drove the country to the brink of the precipice in 1970 is still very much around — poverty.

After twenty-five years of trying to attack poverty, what has PBSP learned? What more should it do? Executive Director Tolentino says answering these questions is no longer the work of just a small group of businessmen. PBSP now has a real constituency — 174 member companies who want a voice in charting PBSP's next twenty-five years. PBSP is still in the process of constructing a new vision and a mission statement has yet to come out of this. However, four tentative directions can be gleaned from the views of PBSP's current and former Board members, founders, and its management staff.

One direction is the continuing quest for greater competence, effectiveness, and efficiency in what PBSP has been doing for the past twenty-five years. The basic idea is to further improve Area Resource Management through better linkages, proponent development, resource mobilization, and social preparation.

Another direction is the devolution of social development functions to member companies themselves — a profound decentralization which would encourage and enable the companies to engage in social development work

in their areas of operation, with PBSP serving as enabler and consultant.

A third possible direction is intensifying the work of PBSP's Center for Corporate Citizenship in enabling business organizations in general, not just member companies, to look at societal issues more deeply, and decide collectively how they want to contribute to solutions. A number of initiatives have been undertaken by the CCC — including organizing a Consensus Group on Business and Education and one on Business and the Environment. These groups are chaired by and composed of prominent businessmen who are not necessarily members of PBSP. They have discussed and proposed solutions to issues such as the improvement of science and technology education in the country, and the cleaning up of Metro Manila's air and river systems. The Foundation's CCC gives the impetus for the organization of these consensus groups and the secretariat support they need.

The fourth direction, espoused by Dee, is going back to the very roots of the problem — business itself and the way business is conducted. The basic idea is that PBSP should work to redefine and redirect the business policies of member companies so that these conform to the essence of its social development philosophy. It should ensure that there is no more distinction between what a member company does in its business undertakings and what it does for social development. If PBSP is able to do this, then it is actually channeling 100%, not just 20% or 1%, of Philippine business resources to social development. Once this is done, Dee says, then true development and real peace will be achieved in the country.

### Lessons Learned And Challenges

The following sections are attempts to draw some lessons learned from PBSP's experi-

ence and to project what may lie ahead.

- Reason for Being is Key: PBSP's founding was both relevant and urgent for its members. In the unstable situation of 1970, the vision or purpose (need for business to undertake social development programs) was clear even if the question of strategy was not. The PBSP experience shows that at inception, it is vital for civil society

resource organizations to have a clarity of vision — which is what sustained the organization to the point where it had enough ground experience to learn how to go about social development. This staying power contributed to its credibility among company funders, external/donor funders, the NGO community, and target beneficiaries which, in turn, contributed to sustainability.

- Commitment: The initial push and shepherd- ing of PBSP by a core of five leading businessmen was vital, especially in the face of initial failures and cynicism. Passing on this commitment from generation to generation has also been critical and was done by ensuring that involvement in PBSP became part of the corporate agenda of companies rather than individuals.

- Hands-on leadership role model: The Board of Trustees of PBSP is a working Board not only in terms of managing the Foundation but also in terms of field exposure. It is not a rare instance that PBSP's field workers encountered Board members in the project sites — a characteristic which makes

PBSP's staff call their Foundation a "Board-led" organization. This leadership style has been effective in motivating PBSP's staff to carry heavy workloads and in drawing the Foundations' staff and Board members together in a learning culture.

Four structural elements contribute to the formation and nourishment of this culture:

1. The structure of shared leadership, in which there is mutual respect for each others' area of competence and role in running the organization;
  2. The deliberate and designed learning routine in the form of regular five-year strategic planning sessions;
  3. The system of sabbaticals<sup>4</sup> for PBSP's management staff, which often results in new perspectives and strategic innovation being introduced in the Foundation; and
  4. The system of close coordination between PBSP as a funder and the proponent NGOs as the recipients of grants and/or loans, which enables interaction and joint learning.
- Staff's role in managing PBSP: From the founding of PBSP, its leaders have relied on professional staff to provide them with initial development ideas with which the organization can experiment. The competence of the staff, borne out by PBSP's deliberate effort to professionalize them, contributes to effective management of projects. They ensure the organization stays true to its vision by keeping it in touch with field realities, and they earn it credibility among the other players in

development work — smaller NGOs and foundations operating in the same areas as PBSP.

- "A heart with a mind and a mind with a heart" style of program management: As some of PBSP's founders like to emphasize, right from the start, the institution's objective in supporting social development was to promote viability and self-sustainability.

While not all of its projects turned out to be viable and self-sustainable, PBSP's system of project identification and evaluation incorporated business methods of loan appraisal, assessment, and administration which rivaled even those of commercial banks.

At the same time, PBSP saw the need for people-centered approaches which sought to develop people's values as well as capabilities and skills to fulfill their development potential. To this end PBSP made community organizing part and parcel of their programs. With this twin approach, PBSP has been able to maintain a respectable track record of successful development projects.

- The bottom line — credibility: With its successful and sustained presence in the Philippine social development scene, PBSP earned for itself credibility with several critical groups. Potential corporate members see in PBSP a respectable avenue for their development efforts given that the Foundation's leaders come from top business companies. Donor agencies see in PBSP an NGO that can deliver field results and has the capability of sustaining and supporting its projects with adequate financial and administrative machinery. They also see a



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lot of leveraging potential with PBSP as their partner. And the third group with which PBSP has established credibility is composed of other NGOs, its proponents, and its beneficiaries.

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Ms. Ruth Callanta, PBSP Acting Executive Director, 1986-88

Mr. Jerome Casals, PBSP Program Officer

Mr. Howard Dee, PBSP Co-founder, former board member

Mr. Ernesto Garilao, PBSP Executive Director, 1978-1991

Mr. Oscar Hilado, PBSP Vice-Chairman, Executive Committee

Ms. Jean Miralao, Director, Philippine Social Science Center

Mr. Sixto Roxas III, PBSP Co-founder

Dr. Gil Salazar, Group Director for Special Programs

Atty, Bienvenido Tan, PBSP Co-founder, former President and Executive Director, Chairman Luzon Regional Committee

Ms. Aurora Tolentino, PBSP Executive Director  
Program Officer, Filipinas Shell Foundation

## Annex 4: Philippine Business for Social Progress

### Financial Data 1982-1986 (in thousands US\$)\*

Item	1982	1983	1984	1985	1986
<b>Revenues</b>					
Membership Contributions	610	430	270	280	240
Grants & Other Contributions					140
Investment Income	480	380	330	490	440
Training Income (Net)					
Repayments					
Other Income	50	80	30	40	9
<b>Total Annual Revenue</b>	<b>1,140</b>	<b>890</b>	<b>630</b>	<b>810</b>	<b>910</b>
Cum. Membership Contrib.	11,130	11,550	11,830	12,100	12,340
Cum.Total Revenues	15,330	16,210	16,840	17,640	18,540
<b>Financial Position</b>					
Total Assets	5,010	4,200	2,990	3,030	3,270
Total Liabilities	100	50	70	50	260
Total Net Worth	4,910	4,150	2,920	2,980	3,010
<b>Capital Fund &amp; Fixed Assets</b>					
Capital Fund	2,440	2,500	1,870	1,810	1,890
Fixed Assets	350	270	190	210	280
<b>Program Assistance</b>					
Financial Advances	180	260	200	380	410
Grant Assistance	230	340	210	260	330
Total Annual Program Assistance	410	600	400	640	740
Cum. Program Assistance	9,610	10,210	10,610	11,260	12,000
<b>Administrative Overhead</b>	<b>260</b>	<b>200</b>	<b>240</b>	<b>200</b>	<b>170</b>
* P to US\$ Exchange Rate	8.540	11.110	16.700	18.610	20.390

## Annex 4: Philippine Business for Social Progress Financial Data 1987-1990 (in thousands US\$)\*

Item	1987	1988	1988	1989	1990
<b>Revenues</b>					
Membership Contributions	540	630	210	630	800
Grants & Other Contributions	90	1,630	210	630	800
Investment Income	310	170	90	320	340
Training Income (Net)	10	30	30	60	120
Repayments		100	60	160	130
Other Income	30	160	30	320	50
<b>Total Annual Revenue</b>	<b>980</b>	<b>2,720</b>	<b>630</b>	<b>2,120</b>	<b>2,240</b>
Cum. Membership Contrib.	12,880	13,500	13,710	14,130	14,930
Cum.Total Revenues	19,510	22,220	22,890	25,500	29,790
<b>Financial Position</b>					
Total Assets	3,710	4,060	4,050	4,810	5,620
Total Liabilities	48,000	510	40	150	100
Total Net Worth	3,230	3,550	4,010	4,660	5,520
<b>Capital Fund &amp; Fixed Assets</b>					
Capital Fund	1,880	2,020	1,970	2,230	2,300
Fixed Assets	740	910	920	1,030	1,040
<b>Program Assistance</b>					
Financial Advances	430	450	330	620	740
Grant Assistance	470	730	350	1,920	2,800
Total Annual Program Assistance	900	1,180	680	2,540	3,540
Cum. Program Assistance	1,290	14,080	14,760	16,620	20,170
<b>Administrative Overhead</b>	<b>190</b>	<b>260</b>	<b>190</b>	<b>490</b>	<b>660</b>
* P to US\$ Exchange Rate	20.57	21.10	21.10	21.74	24.31

## Annex 4: Philippine Business for Social Progress Financial Data 1991-1993 (in thousands US\$)\*

Item	1991	1992	1993
<b>Revenues</b>			
Membership Contributions	1,330	1,100	1,310
Grants & Other Contributions	3,570	3,580	4,230
Investment Income	420	410	360
Training Income (Net)	90	40	-3
Repayments	100	440	590
Other Income	50	80	110
<b>Total Annual Revenue</b>	<b>5,560</b>	<b>5,650</b>	<b>6,597</b>
Cum. Membership Contrib.	16,260	17,360	18,670
Cum.Total Revenues	35,260	40,810	47,400
<b>Financial Position</b>			
Total Assets	5,340	6,160	6,040
Total Liabilities	120	180	300
Total Net Worth	5,220	5,980	5,740
<b>Capital Fund &amp; Fixed Assets</b>			
Capital Fund	2,240	2,690	2,860
Fixed Assets	960	1,050	930
<b>Program Assistance</b>			
Financial Advances	1,600	890	980
Grant Assistance	3,520	4,840	4,100
Total Annual Program Assistance	5,120	5,730	5,080
Cum. Program Assistance	25,280	31,010	36,090
<b>Administrative Overhead</b>	<b>740</b>	<b>990</b>	<b>950</b>
 * P to US\$ Exchange Rate	 27.480	 25.510	 27.120

## Notes