I. How is CSO accountability and transparency addressed in the Philippines (e.g., which laws, which self-regulation mechanism or another model)?

1.1. Public Regulation Initiatives

- **Laws:** There are various laws that govern the operation of different types of non-profit organizations, including the Corporation Code, the Cooperative Code, and the Labor Code.

- **Registering Agencies (primary registration):** A CSO may obtain legal personality from any of the following four state agencies: Securities and Exchange Commission (SEC), Cooperative Development Authority (CDA), Department of Labor and Employment (DOLE) and Housing and Land Use Regulatory Board (HLURB). CSOs are obliged to regularly report and disclose information in relation to their operations, such as the audited financial statement, which must be submitted annually. Also, a certificate of donation for each donation received should be submitted to the donor, and the Bureau of Internal Revenue. The SEC also requires that organizations to undertake the following: i) registration or stamping of membership book; ii) submission of general information sheet and the minutes of the annual meeting; iii) submission of the audited financial statements, iv) submission of affidavit of non-operation (if this is the case), v) notice of postponement or non-holding of annual meetings, and vi) report on death, resignation, cessation to hold office of a director, trustee, or officer.

- **National Government Agencies (secondary registration):** National government agencies have developed accreditation systems, or at a minimum, have set up CSO liaison desks with screening and accreditation functions. These agencies include the following Departments: Environment and Natural Resources, Agrarian Reform, Trade and Industry, and Agriculture and the National Economic and Development Agency. Accreditation is a requirement for specific state-sponsored programs or project participation.
1.2. **Self-Regulation Initiatives**

- **Code of Conduct for Development NGOs**: In 1990, the Caucus of Development NGO Networks (CODE-NGO) established a Code of Conduct for Development NGOs in order to strengthen the accountability of individual organizations. CODE-NGO is a network of 12 national and sub-national CSO networks with around 1,600 base organizations.

1.3. **Mixed Regulatory Initiative**

- **NGO Certification and Donee Institution Status**: The Philippine Council for NGO Certification (PCNC) is authorized to certify CSOs applying for donee institution status with the Bureau of Internal Revenue (BIR), as long as these non-profit CSOs meet the minimum criteria for organizational governance and financial management and accountability in the service to underprivileged Filipinos.

II. **What is the NGO Certification about?**

2.1. **What is the aim of the NGO Certification and what are the main issues it addresses?**

PCNC aims to improve the effectiveness of Philippine CSOs in order to become increasingly accountable, credible, and capable in providing services to those in need and to be instrumental in creating a culture of giving.

2.2. **Was the NGO Certification model established with the participation of the CSOs?**

The Department of Finance challenged the CSO community to establish a self-regulatory mechanism and body which could certify the legitimacy, accountability, and transparency of CSOs, especially those receiving donations from individuals or corporations in the Philippines. As a result, PCNC was founded by the six largest CSO umbrella organizations in the Philippines. After many meetings and consultations among CSOs and between the PCNC and the government, a Memorandum of Agreement (MOA) was signed between the Department of Finance and the PCNC wherein PCNC was authorized to accredit CSOs applying for donee institution status.

2.3. **Who is running the NGO Certification model and what is the proportion of the CSOs in the governing and the monitoring bodies?**

PCNC is a private voluntary, non-stock, non-profit corporation where the Board of Trustees consists of 11 members. Nine members are elected by the members of the PCNC during the annual membership meeting. These members have 3-year terms and each year 3 of them finish their terms so that elections are held for these 3
posts. In addition, government has two seats in the Board, one from the Bureau of Internal Revenue and another from the Department of Social Work and Development (DSWD).

2.4. What are the specific preconditions which shall be met to receive certification and donee institution status (e.g., term of operation, threshold)?

The following entities may apply for accreditation: 1) non-stock, non-profit, domestic corporations or associations organized under Philippine laws and operated exclusively for religious, charitable, scientific, youth and sports development, cultural or educational, social welfare purposes or for the rehabilitation of veterans; 2) Civic league or organization nor organized for profit but operated exclusively for the promotion of social welfare; 3) non-stock, non-profit educational institution. The organization should formally operate for at least 1 year.

2.5. How many CSOs benefits from the existence of the NGO Certification model?

There are altogether a bit less than 370 certified CSOs out of the approximately 125,000 SEC-registered organizations in the country. However, it must be noted that SEC registered organizations include a diverse range of types of organizations including many that would not need to apply for PCNC certification (e.g. transport drivers’ organizations, sports clubs, vendors’ associations).

2.6. What kind of benefits do the certified organizations enjoy (e.g., tax exemption, promotion)?

- **“Seal of Good Housekeeping”:** The certification helps the funding agencies and partners to decide which NGOs deserve support and encourages local donations to NGOs.
- **Self-assessment:** It provides opportunities for self-assessment and improvement, furthermore, valuable assistance for organizational strengthening.
- **Tax benefits:** Additional tax benefits accrue to the donors of CSOs with Donee Institution status hence they are entitled to full deductibility and exemption from payment of donors’ taxes.

2.7. How the implementation of the certification is monitored and evaluated?

PCNC certifications are valid only for 1, 3 or 5 years. At the end of the validity period, the CSOs must re-apply and undergo the evaluation process again so that PCNC can ascertain that they still meet the required governance and management standards.
Also, PCNC devised the Public Accountability System (PAS) as a clear process of investigating and acting on public complaints and feedback with the objective of ensuring that its’ member CSOs are accountable for the standards they have committed to uphold. The PAS invites public scrutiny on both PCNC's certification system as well as PCNC-certified NGOs.

III. How developed is the sector and how much do they cooperate to ensure successful implementation of the model?

Recent years have seen unprecedented interest in the issue of non-government organization (NGO) sector legislation and regulation. The number of the CSOs has rapidly increased; a CODE-NGO study in 2009 put the number of registered CSOs in the Philippines at 170,000 and there could be as many or more CSOs that are not registered. The Philippine CSOs have developed a strong reputation for the delivery of basic services to the poor and included in local & national consultations on important issues. However, still one of the main risks that was identified is the weak accountability of many CSOs and their boards to their stakeholders and the general public.

The number and diversity of Philippine CSOs also means that there are varying positions viz public regulation and even mixed regulation, such as the PCNC. Add to this the historical wariness of CSOs viz the government, especially as many of the CSO leaders now grew up during the martial law years. Thus, while a significant majority of Philippine CSOs see the important roles of appropriate public and mixed regulation and support these, there are also those who would like to have only self-regulation and even that only within their organization (i.e. shunning even self-regulation initiatives involving CSO networks).

IV. How does PCNC cooperate with the government in the implementation and compliance of the NGO Certification? How does PCNC ensure independence?

PCNC is officially recognized by the government through a Memorandum of Agreement (MOA) that was signed between the Department of Finance and the PCNC wherein PCNC was authorized to accredit CSOs applying for donee institution status. In addition, 2 representatives of government are part of the PCNC Board.

PCNC ensures independence from government thru the composition of its Board, where 9 of the 11 members come from CSOs and its membership, which is composed entirely of CSOs (those which have been certified by PCNC).

V. How accountability and transparency requirements relate to other models (if any). For example, do they complement or ignore each other?

Government agencies that regulate NPOs coordinate with each other only minimally even if there are issues of common concerns that could be discussed and
synchronized. Even the databases on CSOs of the four registering agencies and the other government agencies doing secondary registration are not linked.

The PCNC is linked to only one of the four registering agencies, the Securities and Exchange Commission. The PCNC is not geared to certify CSOs registered with the 3 other registering agencies (for cooperatives, for labor unions and workers associations and for homeowners’ associations) and there is no similar certification body working with these 3 agencies.

VI. What is the impact of the model so far? What are the main recommendations and lessons learned?

The present regulatory framework in terms of government registration and licensing of NPOs is very effective and the rules are clear to most organizations. Public regulatory agencies can also effectively investigate reports of abuse of CSOs and take action such as cease and desist orders to prevent or limit such abuse. Regular reporting to government by the CSOs and the availability of information on CSOs for public scrutiny has been improved in recent years. It must be noted, however, that government agencies still have to make full use of such information in CSOs as these are often just filed away instead of being studied to identify risks and vulnerabilities against which safeguards should be established as well as good practices that should be promoted.

CSO networks’ codes of conduct and other self-regulatory initiatives and the PCNC certification complement public regulation by ensuring a closer and more pro-active and yet CSO-sensitive scrutiny of the effectiveness of the governance systems of CSOs. However, such self-regulatory initiatives by CSO networks and the PCNC certification currently only reach a minority of the CSOs in the country.

The major recommendations then for strengthening the public and self-regulation initiatives in the Philippines include –

1) For government to link up and improve the CSO databases / information systems of the government agencies, and ensure that these data/information are regularly updated and reviewed to identify CSO vulnerabilities/risks and good practices;

2) For government to encourage and support CSO certification initiatives and self-regulatory efforts by providing recognition and incentives to these;

3) For CSOs and CSO networks to intensify their promotion of good governance practices and PCNC certification and also to review the certification requirements or develop other self-regulation initiatives to make these more suitable for smaller CSOs which have less resources.
VII. Useful links

- The website of the Philippine Council for NGO Certification: http://www.pcnc.com.ph/