

# Assessing the Philippine NGO Environment: Regulation, Risks and Renewal

## Highlights of the Philippine NPO Sector Report



CODE-NGO Policy Research Paper

Caucus of Development NGO Networks (CODE-NGO)  
(2009)

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## **About this report**

The contents of this Report have been developed by a multi-sectoral team (called the Local Advisory Committee or LAC) organized by the Caucus of Development NGO Networks, Quezon City, Philippines, from October 2007 to August 2008. Portions of this study can be quoted as long as the proper acknowledgement of the report authors can be made. The following is the suggested citation of this report:

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Disclaimer: The Charity Commission's International Programme supplied the framework and materials for this report, while the Caucus of Development NGO Networks secretariat and the Foundation for Media Alternatives provided the technical and administrative support in the development of this report.

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# FOREWORD

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This NPO Sector Assessment Report is a manifestation of the important contributions of non-government organizations (NGOs), people's organizations (POs), foundations, associations, cooperatives and other nonprofit organizations (NPOs) to the well-being of Philippine society.

It comes from a project that aimed to: 1) pilot test and assess the NPO Sector Assessment Tool developed by the Charity Commission of England and Wales ; 2) gather desk-based data on the NPO sector; 3) review the existing framework of NPO regulation in the Philippines and 4) identify key risks to the NPO sector.

After the Report was finalized and published in August 2008, copies were formally sent to the concerned government agencies. The report also formed part of the papers considered by the Assessment Team in September 2008 under the Financial Sector Assessment Program of the World Bank. The Team was composed of representatives from the World Bank and the Asia Pacific Group on Money Laundering. The report was also discussed with officials of the Social Development Staff of the National Economic and Development Authority (NEDA) and there are plans to call for an inter-agency meeting to discuss the report and its recommendations. This summary of the report has been prepared to aid in these and other follow-up actions, which we hope will lead to a more effective and enabling regulatory environment for Philippine NPOs.

This report has been born from the labors and support of many individuals and institutions. We gratefully recognize the assistance and guidance of the International Program of the Charity Commission of England and Wales, particularly Mr. Ben Evans and Ms. Sarah Jane Digby. We are also grateful for the support provided by the International Monetary Fund Regional Office for Asia and the Pacific, the UK Foreign and Commonwealth Office and the Philippine government.

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We would also like to thank the numerous government agencies and non-government organizations whose representatives participated in the Local Advisory Committee, provided information, were interviewed for this project and/or participated in the validation workshop, especially the Bangko Sentral ng Pilipinas (BSP), Department of Social Welfare and Development (DSWD), Cooperatives Development Authority (CDA), Department of Environment and Natural Resources (DENR), Securities and Exchange Commission (SEC), Association of Foundations (AF), Philippine Council for NGO Certification (PCNC), University of the Philippines National College of Public Administration and Governance (UP-NCPAG), as well as the Department of Health, Housing and Land Use Regulatory Board, Insurance Commission, Anti-Money Laundering Council Secretariat, Bureau of Internal Revenue, National Statistical Coordination Board and the National Economic and Development Authority.

The research and administrative support of the Foundation for Media Alternatives (FMA) is also gratefully acknowledged.

CODE-NGO was blessed to have worked on this project with highly committed and competent members of the Local Advisory Committee (LAC) and the Project Team. The LAC members are Atty. Celia Escareal-Sandejas (BSP), Ms. Raquel R. Ascaño (DSWD), Mr. Joey E. Austria (DENR), Ms. Ma. Alicia S. Bonoan (DSWD), Dr. Ma. Oliva Z. Domingo (UP-NCPAG), Ms. Marieta P. Hwang (CDA), Mr. Norman Joseph Q. Jiao (AF), Ms. Felicidad I. Soledad (PCNC) and Mr. Sixto Donato C. Macasaet of CODE-NGO. Mr. Arnel Garcia of DSWD was a member of the LAC from November 2007 until July 1, 2008, when he was promoted to Regional Director (Region 2).

The Project Team was composed of Mr. Randy Tuaño (Project Coordinator) and Ms. Josephine Tria (Project/Research Assistant) and was supported also by Mr. Al Alegre of FMA and Ms. Roselle Rasay, Mr. Cezar Belangel, Mr. Mike Timajo and the Finance and Administrative Unit of CODE-NGO.

We express to all of them our deep gratitude.

Anna Marie A. Karaos  
Chairperson  
CODE-NGO  
30 July 2009

## I. Introduction

Recent years have seen unprecedented interest in the issue of non-government organization (NGO) sector legislation and regulation. There are many reasons: the unprecedented growth of the global NGO sector; the increasing sophistication of the sector; the growth of multinational NGOs; a more complex relationship with government as partner, service provider, critic and rival; and a focus on the sector as a potential weak-spot in global anti money laundering and counter terrorist financing efforts. These factors put pressure on both governments and NGOs to identify the risks to the NGO sector and develop effective regulatory systems to protect and support the NGO sector.

In realization and awareness of the essential contribution made by NGOs to the cultural life and social well-being of Philippine civil society, a technical assistance project was provided by the Charity Commission of England and Wales through its International Programme, for the conduct of an NGO Sector Assessment. This report documents the summary of the findings of the assessment which was undertaken within the period of October 2007 to July 2008 pursuant to the pilot testing of an NGO Sector Review Tool developed by the Charity Commission of England and Wales.

The Project had several objectives: 1) to pilot test and assess the Tool; 2) to gather desk-based data on the NGO sector; 3) review the existing framework of NGO regulation in the Philippines and 4) attempt to establish key risks to the NGO sector.

For clarificatory purposes, this study utilizes the term “non-profit organizations” (or NPOs) as the broad definition of non-state agencies in the country. This is due to the fact that the term “non-government organization” in the Philippines connotes a specific type of organization with volunteer board members or trustees that provides a wide range of social and economic development interventions by full-time and mostly paid professional workers to primary organizations (Korten, 1990).

For the purposes of this report a non-profit organization has been defined as the following:

- an organization of several individuals;
- non-governmental, autonomous and self-governing;
- freely formed and run by a group of people;
- for a purpose which benefits a section of society;
- does not distribute a profit to its officers, board or members;
- be either registered or unregistered;
- is not a political party nor a microfinance organization; and,
- includes cooperatives and religious organizations.

This study acknowledges that there is even a broader section of the non-profit organization sector, including people's organizations, except for those registered by the SEC, the Bureau of Labor Relations and the Housing and Land Use Regulatory Board, which needs to be understood as these were not extensively reviewed in this study. This study also was not able to examine the role of local government units in regulating the NPO sector.

The project started in 2006, when representatives of the International Program of the Charity Commission of England and Wales (CC), a non-ministerial department in the United Kingdom that serves as the regulator and registrar of charities in England and Wales, conducted two workshops on NPO sector regulation in the Southeast Asian region. During the second workshop, Philippine representatives suggested that regulations on registration, supervision and monitoring of NPOs, as well as identification, investigation and prevention of misuse and abuse and the processes of dealing with such misuse and abuse be assessed. The CC agreed to provide technical assistance and conceptualized the Tool that was used in this project, and entered into an agreement with the Caucus of Development NGO Networks (CODE-NGO), a national network of NGOs, in September 2007, for the latter to be its partner in undertaking the project to pilot test and evaluate the Tool. The CODE-NGO organized a local advisory committee (LAC) consisting of five representatives from government and four representatives from the NPO community that supervised the implementation of the study.

The full report can be downloaded from the CODE-NGO website [www.code-ngo.net](http://www.code-ngo.net) and the Charity Commission website ([http://www.ngoregnet.org/country-information\\_by-region/Asia\\_and-Oceania/The\\_Philippines.asp](http://www.ngoregnet.org/country-information_by-region/Asia_and-Oceania/The_Philippines.asp)). Copies have been distributed to different government agencies and NPO networks.

## II. Profile of the NPO Sector

There are five types of non-profit organizations according to their legal type:

- a) Non-stock, non-profit organizations. The last estimate of the total number of non-profit organizations was made in 1997; according to Cariño (2002), this number range from a low of 249,000 to a maximum size of 497,000. It has been estimated by Racelis (2002) that the non-profit sector has a total income size of P 6.2 billion pesos to P 69.4 billion in 1997 prices with a mean of P 36.5 billion.

There are a total of 76,512 registered non-stock, non-profit corporations in the Philippines, as of March 2008, from data provided by the Securities and Exchange Commission. Around 51,363 non-stocks (or 67.1 percent) have been registered from 2001 to 2008, while the rest were registered from 1936 to 2000. A large proportion of those registered are 'other membership organizations' which comprise more than 40 percent of registered non-stocks.

A sample of 885 non-profit organizations was taken from the full SEC list by this study to check for data that can be obtained from the general information sheets (a listing of general corporate information on the entity) and audited financial statements (including states of income and expenditures, assets and balances and cash flows of the corporate entity). A significant proportion of these organizations are based in Metro Manila. Around a quarter of these organizations have submitted at least one annual general information sheet. These organizations also had an average of three staff, had an average of P 367,909.04 and P 105,114.65 of assets and liabilities, respectively, and an average income and expenditure of P 286,554.25 and P 282,364.93.

A subset of non-stock organizations are non-government organizations defined as intermediary agencies and organizations that operate with a full-time staff complement and provide a wide range of services to primary organizations. According to an Association of Foundations (AF) - Caucus of Development NGO Networks (CODE-NGO) survey of development NGOs in 2002, the total income of the NGO sector is P 12.3 billion. The survey found that NGOs, in summary, locate their main office in urban areas, provide services mainly for socially-marginalized groups such as women and children, and were dependent on foreign foundation grants and, to a lesser extent, on earned fees.



Another subset of non-stock organizations are people's organizations. POs are membership-based organizations formed largely on a voluntary basis (occasionally having full-time staff), function as community, sector, or issue-based primary groups at the grassroots (e.g. trade unions, environmental advocacy groups, peasant groups.). According to Buendia (2005), there were a total of 70,306 people's organizations in the Philippines in the late 1990s; in his count, he included cooperatives and trade unions as part of the universe of people's organizations.

- b) Cooperatives. A cooperative is defined under Republic Act 6938 or the Cooperative Code of the Philippines as “a duly registered association of persons, with a common bond of interest, who have voluntarily joined together to achieve a lawful common social or economic end, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking in accordance with universally accepted cooperative principles.” There were 70,154 registered cooperatives in the Philippines as of February 2008, according to preliminary figures obtained from the Cooperatives Development Authority. These included 21,068 operating cooperatives, 21,473 non-operating cooperatives, 15,427 cooperatives that have been dissolved and 12,286 that had their cooperative registrations cancelled.

In summary, by sheer numbers, cooperatives are one of the largest non-profit organizations in the Philippines. However, only a third of them are active. A significant proportion of cooperatives are based in regions surrounding Metro Manila, where growth in their numbers still continues to be considerable. While large cooperatives are only one percent of the total number, their total assets comprise 50 percent of the sector. Most of these large cooperatives are based in Metro Manila.

- c) Homeowners' Associations. There are 4,862 homeowners associations (HOAs) in the National Capital Region. Data on HOAs in other regions was not obtained since these are available only in the HLURB extension offices and not in the central office. In 2007, 730 HOAs registered with the HLURB.
- c) Labor Organizations. “Labor Organization”, according to Presidential Decree (PD) 442 or the Labor Code of the Philippines, means any union or association of employees which exists in whole or in part for the purpose of collective bargaining or for dealing with employers concerning terms and conditions of employment. There are a total of 17,021 existing workers organizations in the Philippines with a total membership of 1.9 million by the end of 2007. However, the growth of unions has been declining, with only 260 newly registered unions in 2007, down 29.9 percent from previous year figures. Of the total number of workers organizations, 16,893 are enterprise-based unions with a total membership of 1.6 million.
- d) Mutual Benefit Associations - According to PD 274, a mutual benefit association is one that is “any society, association or corporation, without capital stock, formed or organized not for profit but mainly for the purpose of paying sick benefits to members, or of furnishing financial support to members while out of employment, or of paying to relatives of deceased members of fixed or any sum of money, irrespective of whether such aim or purpose is carried out by means of fixed dues or assessments collected regularly from the members, or of providing, by the issuance of certificates of insurance, payment of its members of accident or life insurance benefits out of such fixed and regular dues or assessments, but in no case shall include any society, association, or corporation with such mutual benefit features and which shall be carried out purely from voluntary contributions collected not regularly and or no fixed amount from whomsoever may contribute.” (Chapter 7, Title 1, Section 390, of Insurance Code). The website of the Insurance Commission lists 20 registered MBAs, 15 of them based in Metro Manila, 4 in other parts of Luzon and 1 in Mindanao.

**Table 1. Estimated number of non-profit organizations**

Organization type	Estimated number	Source
Non-profit Organizations	249,000- 497,000	Carino (2002), based on 1997 data
1. Registered Non-stock, Non-profit Organizations	76,512	SEC (2008)
2. People's organizations	70,306	Buendia (2005)
3. Cooperatives	70,514	CDA (2008)
4. Homeowners' Associations	4,862	HLURB (2008, for NCR only)
5. Workers' Organizations	17,021	BLR (2008)
6. Mutual Benefit Associations	20	Insurance Commission (2008)

### III. Review of NPO Sector Risk Profile

A review of the vulnerabilities of non-profit organizations in existing studies was also briefly undertaken. The following is a listing of some of the issues and problems faced by these types of organizations, although these are focused on non-government organizations. A sample list of these vulnerabilities is the following:

- a) Dependence on declining volume of grant funding. Non-profit organizations have been traditionally dependent on foreign grants. Unfortunately, many of the largest NPO funding windows have been closing and this has affected the financial stability of these organizations (Gonzales, 2005).
- b) Intervention of political organizations in NPO decision-making processes. NPOs are vulnerable to intervention by politicians and political groups which have set up non-profit groups as a means of channeling their support to their constituents (Alegre, 1996).
- c) Lack of accountability of non-profits and non-profit boards to the general public. There have been several high profile cases in which non-profit organizations have mismanaged their funds due to the lack of board diligence. This has diminished somewhat the high regard of the general public of the NPOs' ability in handling resources.
- d) High staff turn-over and the lack of human resources especially at the middle and upper echelons. Cariño (2002) reported that this problem can be traced to the lack of sufficient financial resources, non-profits' deficiencies in human resource management and the lack of a system to strengthen leadership in these organizations.
- e) Lapses in financial management. Cariño (2002) cited an audit review of 42 NPOs which received government financial assistance in the 1990s showed that there were lapses in as much as 56 percent of the funds, ranging from non-submission of reports, lax accounting procedures to non-return of unused funds.
- f) Lack of clarity in measurement of outcomes and impacts. NPOs generally lack the capacity to measure their outcomes (i.e., utilization of their programs and projects), much less the impacts (changes in the welfare of their members or beneficiaries), of their programs and services (Abella and Dimalanta 2002).

The causes of these vulnerabilities are the following:

- a) Limited administrative capacity. Cariño (2002) noted that NPOs have been constrained by the technical competence required in developing public programs and projects; Gonzales (1996) noted that NPOs lack sufficient capacity in policy research and development, technical documentation, organizational management and social entrepreneurship.
- b) Pre-occupation with building donor relationships. According to Abella and Dimalanta (2003), this dependence on donor funding has led critics (and in some cases, even the NPOs' intended beneficiaries themselves) to accuse NPOs of pursuing programs and projects that reflect and promote donors' interests and agenda more than the needs of the target communities.

- c) Inactive boards and lack of clarity in board responsibilities; absence of administrative checks and balances. Aldaba (2001) and Abella and Dimalanta (2003) noted that most NPO boards are nominal, inactive, and/or disinterested in their governance functions as it had been quite common in the Philippines to have members of the board who are relatives and/or acquaintances of the chief executive.
- d) Limited influence in official development assistance (ODA) planning. Gonzales (2005) noted that non-profit groups are excluded from participating in planning and monitoring of official development assistance to the country.

## IV. Overview of the NPO Regulatory Environment

The existence of NPOs is justified under several provisions of the Philippine Constitution. These include the provisions on encouragement of “non-governmental, community-based or sectoral organizations that promote the welfare of the nation” (Article II, section 23), respect for the role of people’s organizations to “pursue and protect... their legitimate and collective aspirations.” (Article III, section 8), and promotion of rights of Filipino citizens to form unions, associations and societies (Article XIII, section 15), and of rights of people and their organizations to participate in all levels of decision-making (Article XIII, section 16).

In addition, the government has legislated socially progressive pieces of legislation that promote the welfare of marginalized groups, such as agrarian reform, and institutionalized mechanisms for participation of NPOs in national and local governance.

•NPOs are regulated through a combination of laws and administrative issuances. Registration is not required per se for the existence of non-profit organizations, but it is a requirement for NPOs to obtain a legal personality in order for them to be eligible to open bank accounts, to enter into contracts, and to raise public funds. NPOs obtain primary registration from the following:

- Securities and Exchange Commission or SEC (non-stock, non-profit organizations);
- Cooperatives Development Authority (cooperatives);
- Housing and Land Use Regulatory Board (homeowners' organizations);
- Department of Labor and Employment (labor unions and workers' organizations).

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Non-stock organizations are also required to regularly report financial and corporate information to the Bureau of Internal Revenue and the SEC.

Licensing refers to the authorization to undertake a specific practice or task, while accreditation refers to the official acknowledgment of the merits of a person, corporation, entity, or organization in meeting a set of standards required for the delivery of a specific service or for participating in a government program or process. Licensing is required to practice specific professions, while accreditation is usually a requirement for specific state-sponsored program or project participation. For a growing number of projects funded by ODA, it is the project itself that specifies both the selection criteria and mechanisms for non-profit organization, while NPO accreditation systems are effectively decentralized and devolved to the local government units. Hence, systems for licensing and accreditation vary depending on the orientation or specific purpose of particular national agency or local government units (Lerma and Los Banos 2002).

NPOs in the Philippines have taken the accreditation process a step further with their organization of a certification body– the Philippine Council for NGO Certification (PCNC), which certifies non-stock, non-profit corporations for donee status after a stringent review of their qualifications. The certification becomes the basis for the BIR's granting “donee institution” status to the organizations certified by PCNC. Additional tax benefits accrue to donors of donee institutions, including full deductibility and exemption from payment of donors' taxes.

Tax incentives given to the non-profit organizations include: duty and tax free foreign donations, and exemption from income tax. To avail of these incentives, NPOs must file a secondary registration with appropriate government agencies.

## V. Framework for NPO Sector Assessment

The framework utilized by the tool developed by the Charity Commission consists of six objectives that would cover each area of NPO regulation. These include the following:

- Establishment of NPOs, covering the assessment of the ease of establishment of different types of non-profits in the Philippines. Ordinary citizens have the ability to organize NPOs to pursue lawful purposes and the NPOs are subject to appropriate oversight by the government or by self-regulatory agencies.
- Proper identification of NPOs by regulatory agencies and the general public, which include the availability of information on NPOs. In this regard the ability of individuals to access information on NPOs, to use this information in a way that could be useful, and that the information is accurate and available on all types of NPOs, are important.
- Identification of NPO risks and concerns. This information is accessible, can allow for detection of vulnerabilities, and is accurate and available on all NPOs being regulated. Basic information on what NPOs are doing should be disseminated, and specific questions on NPO operations could be made available, if requested, subject to the appropriate standards of privacy.
- Investigating risks and vulnerabilities. The areas of assessment include the extent to which government or self-regulatory bodies are able to identify concerns and scrutinize risks and vulnerabilities. At the minimum, there is a competent authority that can investigate issues of abuse, and systems exist to proactively identify potential issues through information by stakeholders or through assessments by the regulatory authorities.
- Protecting NPOs, which include the ability of government or self-regulatory agencies to limit the risk of abuse and that responsible parties can be sanctioned. Regulatory authorities actually exist that can undertake actions when there is serious risk of abuse of NPOs and/or its beneficiaries, and can legally punish those who are responsible for abuse of NPOs.
- And lastly, mitigating risks includes the ability to advise NPOs on compliance with laws and regulations through the conduct of seminars and workshops and the promotion of best practices. NPOs should be regularly consulted on changes in regulatory rules and policies and that there is information available on NPO best practice.

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## VI. Assessment of Regulatory Agencies

Using the framework above, several government agencies were assessed in terms of their regulatory oversight to non-profit organizations. These include the Securities and Exchange Commission, the Cooperatives Development Authority, the Housing and Land Use Regulatory Board, and the Bureau of Labor Relations (as primary registrant agencies), and the Departments of Social Welfare and Development and Health, and the Insurance Commission. The Philippine Council for NGO Certification was also visited but not formally assessed.

### A. Securities and Exchange Commission (SEC)



The SEC is one of the primary registration authorities for NPOs, which under the Corporation Code, fall within the category of non-stock corporations, and two other special corporations listed under the Code, educational corporations and religious corporations (corporation sole and religious societies). The main office of the SEC is in Mandaluyong, Metro Manila, while there are also seven extension offices (in Baguio, Legazpi, Iloilo, Cebu, Davao, Cagayan de Oro and Zamboanga cities) that accept applications for registration. SEC is mandated both to be a regulator of the capital market, and at the same time, it functions as a registration body to grant juridical personality to those who want to establish a stock or a non-stock corporation.

On establishing NPOs, the SEC rules and policies on registering non-stock, non-profit corporations were found to be effective, efficient and well-communicated to the general public. This is evidenced by the huge volume of applications for incorporation as non-stock corporations that the SEC receives each year and the relatively swift and transparent manner in which application is required to be undertaken. The rules for application are generally known, as these are posted in the SEC website (<http://www.sec.gov.ph>) and published materials are also available in the SEC head office and in the regional offices.

There are some concerns, however, that small non-stocks may not be able to register with the SEC due to geographical limitations and incidental costs of travelling to main or extension offices for application purposes. The SEC also has formal and informal links with other government agencies with regards to application of specific types of non-stock, non-profit corporations. But the criteria/ rules of the SEC for referral of applications for registration to some types of government agencies, such as the Philippine National Police, for clearance are not clearly spelled out.

On identification of NPOs, information on non-stock organizations can be requested by the SEC from the Public Relations Unit for a minimal fee, or through a website facility called the SEC I-View. Electronic credits need to be purchased from the SEC main office for one to use the online service. All non-stock corporations are required by the SEC to submit general information sheets, signed by a corporation president or secretary and accompanied by a statement of management responsibility, and annual financial statements, audited by certified public accountants, yearly. The reporting and data accessibility requirements are generally seen to be uniformly applied to all non-stocks, allow NPOs to perform their work efficiently, are within the context of the needs of the sector, and are enforceable.

On identification of risks and concerns, the SEC has been aggressively cleaning up its register of corporations, trimming down the number of registered NPOs from a peak of approximately 152,000 in 2002 to less than 77,000 in March, 2008. SEC, by its legal mandate, can examine with thoroughness the reports and data submitted by NGOs but it reported that it does not have the human resources to review the volume of reports and data submitted. The SEC does not analyze data on NPOs.

The public is well aware of the complaints system of the SEC which is documented in internal rules and procedures which are conducted according to due process. The system is efficient as evidenced by the prompt handling and disposition of cases by the SEC, which would not have been the case if the concerns and issues were not fully identified.

On identification of concerns, the SEC has inherent powers under its charter to investigate complaints of wrongdoings by its registered NPOs for violations of the Corporation Code and other related laws, rules and regulations. The task is undertaken by the SEC's Compliance and Enforcement Department, which investigates complaints from the public. The CED informant stated that there are very few complaints filed or investigations undertaken against NPOs.

SEC acts on and investigates complaints against NPOs on the basis of complaints received from the public. Where the initial investigation finds that the facts may cause serious damage to the public, full investigation is conducted in accordance with its internal administrative procedures until a final disposition of the case is reached. SEC does not disclose the existence or non-existence of an investigation but, information about public enforcement actions are published at SEC's website.

The rules and procedures of investigation are uniform for all NPOs and are not based on proportionality, differing only in factual circumstances and legal requirements from where deviations in final dispositions of cases may result. The system is efficient as evidenced by the prompt handling and disposition of cases by the SEC.



On protecting NPOs, SEC has the authority to issue cease and desist orders however only if NPOs would have committed a violation of the Securities Regulation Code; if an NPO and its officers, directors and staff are found to have committed fraud relative to mismanagement of NPO funds (not related to securities matters as defined under the Code), the remedy of the members and/or beneficiaries is to file an application before the regular courts for a preliminary attachment and/or injunction over the NPO's assets and funds. The SEC, on its part, can impose administrative fines and penalties against the NPO, suspension or revocation of its certificate of registration, without prejudice to the filing of criminal cases before the regular court against the responsible officers, trustees and/or members. Despite these rules, there is still a general perception among the non-government members of the Assessment Team that it is not clear to them that such processes and policies are for the protection of the NPOs.

On mitigating risks, the SEC is also currently undertaking a dialogue with several NPOs to fine-tune policies on corporate governance for this sector. While the agency does not proactively disseminate NPO best practices, the agency has initiated efforts to partner with other regulatory agencies to understand and enhance the NPO sector. For example, as of February 2008, the SEC has been set to enter into a Memorandum of Agreement with DSWD with respect to coordination between the two agencies relative to social welfare agencies whose secondary registration, licensing and accreditation have been revoked. There are also moves to enhance existing MOAs between the agency and the Department of Health and the Professional Regulation Commission.

## B. Cooperatives Development Authority



The Cooperative Development Authority (CDA) is a government agency created by virtue of Republic Act No. 6939 in compliance with the provisions of Section 15, Article XII of the Philippine Constitution of 1987 which mandates Congress to create an agency to promote the viability and growth of cooperatives as instruments for equity, social justice and economic development. Republic Act (RA) 6939 was signed into law on March 10, 1990. The CDA is governed by a Board of Administrators consisting of a Chairman and six members appointed by the President and are chosen from among the nominees of the cooperative sector with two representatives each from Luzon, Visayas, and Mindanao. They serve for a term of six years without reappointment. The central office of the agency is located in Quezon City, while extension offices are located in the urban centers in all regions of the country.

On establishing cooperatives, the Cooperative Code has devised very clear-cut steps for the cooperative organizer and members to register their cooperative. Registration requires the submission of documents (including the Economic Survey, Articles of Cooperation and By-Laws duly notarized), bonds of accountable officers handling funds, and sworn statement of the treasurer duly notarized showing capital subscriptions in the entity. All applications for registration shall be finally disposed of by the CDA within a period of thirty days. Registration fees are collected depending on the type of cooperative and paid-up share capital.

These rules are straightforward and generally known to those who would like to form a cooperative. Sample forms are available at the CDA offices. There are some concerns, however, despite the fact that CDA extension offices have been set up all over the country, that small cooperatives may not be able to register with the CDA considering the attendant costs of travelling to the CDA extension offices for registration, which costs may be quite high compared to the income and assets of the cooperative. The registration processes have been observed to be applied fairly and consistently, and well integrated into the legal system.

On identification of cooperatives, information on cooperatives is generally available from the CDA upon request although the data is not available in their website as data retrieval is done manually. The CDA also publishes reports on the status of cooperatives that register with them. The CDA also issues a Certificate of Operation and Certificate of Good Standing to inform the public and other stakeholders of the current status of the cooperative. The CDA was scheduled to implement in early 2008 a cooperative identification number system to better monitor its list of cooperatives and to clean up the CDA registry. Each cooperative will electronically be given a unique number and this will be utilized for on-line transmittal of encoded data from the regional offices to the central office. The system of obtaining information on cooperatives has been observed to be transparent, fair and not unduly burdensome on the entities.

There have been recent efforts to improve the monitoring system of cooperatives and identification of their concerns through the redesign of the Cooperative Annual Performance Report, a system available at the CDA, which assesses the organizational and financial performance of cooperatives. Cooperatives are monitored through the COOP-PESOS system, a tool used by CDA which establishes performance standards of cooperatives with savings and credit services with respect to financial performance and compliance with administrative requirements. Cooperatives are also required to adopt the Statements of Financial Accounting Standards.

At present, CDA does not conduct a proactive identification of concerns. However, based on its records of complaints received, the nature of the misuse and abuse are mostly related to mismanagement of funds, disputes in the elections of the cooperative officers and directors, and violation of the provision/s of by-laws and/or the Cooperative Code. The CDA is also working with local government units to assist in identifying issues/ concerns of cooperatives.

The CDA has issued administrative rules in investigating concerns and complaints received from the public. The CDA also recently formulated alternative dispute resolution mechanisms to resolve cases and/or address complaints. The system is efficient as evidenced by the prompt handling and disposition of cases by the CDA; however, according to agency informants, investigation can be bogged down due to lack of personnel; especially lawyers, considering the low income scales of lawyers at CDA.

On protecting cooperatives, the CDA has the power to suspend or revoke certificates of registration of cooperatives. In addition, the Cooperative Code has provisions on when a cooperative may be dissolved, either voluntary or involuntary or upon order of the CDA. There is a clear policy on closure of cooperatives requiring the creation of the Board of Liquidators to protect the interests of creditors and its members. However, the list of cooperatives with revoked certificates of registration is not well-publicized and can be availed of only upon request.

The agency, as of February 2008, is also issuing a set of new rules to improve supervision and inspection of cooperatives utilizing a risk-based approach. The Manual of Operating Rules and Regulations for savings and credit cooperatives is a first step towards improving the regulatory system for cooperatives. It is expected that similar types of rules would be developed for other types of cooperatives. There is also a move towards accreditation of cooperative federations and unions who will then examine their member co-ops, i.e., self-regulation mechanism for the sector.

On mitigating risks, there is proportionality in addressing issues and risks as can be gleaned from the prioritization of issuance of new rules covering the credit cooperatives and the savings and loan cooperatives, which involve financial accountability and transparency. Similar types of rules would be developed for other types of cooperatives. At the same time, the CDA regulatory framework does not unduly restrict the activities of cooperatives and allows cooperatives to avail of the special benefits and privileges, and is seen to be efficient and achieves regulatory objectives. These rules are well within the context of CDA's mandate and are compliant with the needs of the cooperative sector and the public.

### C. Housing and Land Use Regulatory Board

The Housing and Land Use Regulatory Board (HLURB) is a national government agency tasked as the planning, regulatory and quasi-judicial body for land use development and real estate and housing regulation. Pursuant to Executive Order No. 648, series of 1981, as amended, in relation to Republic Act No. 8763, Executive Order No. 535 series of 1979, and Presidential Decree No. 902-A, the Housing and Land Use Regulatory Board (HLURB) is now charged with the registration, regulation and supervision of the activities and operations of homeowners associations. The central office of the HLURB is in Quezon City while satellite offices are located in each of the regions of the country.



Regarding establishment of homeowners' associations (HOAs), Registration of NPOs is generally effective, efficient and well communicated.

On identification of HOAs, information about these organizations is available to the public upon request and the procedures are generally known and well communicated. The system of obtaining information on HOAs is transparent and fair. The data is, however, not centralized at the Main Office, but rather decentralized among the HLURB's different regional offices.

On identification of concerns, misuse or abuse relative to activities committed by or to HOAs are identified from complaints received from the HOA members. At present, HLURB does not conduct proactive identification of concerns of misuse and abuses, which are mainly related to internal association problems due to its limited human resources, especially lawyers tasked to handle complaints. According to agency informants, investigation can be bogged down due to lack of financial resources in the agency. The agency has also been hindered by quick turn-over of its legal staff, given the low pay of government workers.

On protecting HOAs, HLURB's power to protect NPOs is linked to its power to investigate complaints and referrals received. There is a clear policy on closure of HOAs requiring the creation of the Board of Liquidators to protect the interests of creditors and its members. However, the list of HOAs with revoked certificates of registration is not well-publicized and can be availed of only upon request.

On mitigating risks, the HLURB applies a policy of consultation with the sector before it issues rules and regulations. It has issued the Framework of Governance for HOAs after consulting with the HOA sector and concerned stakeholders nationwide. The work of the HLURB is commendable given the lack of resources, both financial and human resources.

#### **D. Bureau of Labor Relations**

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According to the Labor Code, the Bureau of Labor Relations (BLR) and the Labor Relations Divisions in the regional offices of the Department of Labor and Employment (DOLE), have the exclusive authority to register and keep a registry of labor organizations, trade unions and workers' organizations, and to act upon all inter-union and intra-union conflicts, and all disputes, grievances or problems arising from or affecting labor- management relations in all workplaces, in both agriculture and non-agriculture settings, except those arising from the implementation or interpretation of collective bargaining agreements which is subject of grievance procedure and/or voluntary arbitration handled by labor arbiters.

The Labor Code, its implementing rules and Republic Act 9481 (allowing trade union federations to register their chapters in their respective workplaces) govern rules on establishment and registration of labor organizations. Registration procedures are generally effective, efficient and well communicated (the rules for registration are known, as these are posted in the BLR website and standard forms that are available in hard copy form (for photocopying) in their office and in electronic form in the BLR website).

The registration system is unique to labor organizations, thus providing more efficiency in servicing the registration needs of the sector.

Information about labor organizations is generally accessible by stakeholders and the public upon request and the procedures are generally known and well communicated, and is generally accurate as the BLR was able to procure a listing of all workers organizations and trade unions even if the time lag until the data was provided was quite long.

BLR does not conduct proactive identification of concerns of misuse and abuses. Based on its records of complaints received, the nature of the misuse and abuse are mostly related to election issues, impeachment of officers and financial mismanagement. All procedures relative to complaints and concerns received from the public are subject to administrative due process. The system is efficient as evidenced by the prompt handling and disposition of cases by the BLR and grants the aggrieved party the right of appeal.



On the investigation of concerns, BLR has quasi-judicial powers and acts on complaints received and has adopted a mediation/arbitration process in resolving disputes, conflicts and complaints, and has adopted and published Rules in the conduct of its investigations, hearing of cases and appeals from decisions of its Regional Officers through Department Orders. The rules that the BLR issued provide timeframes for the resolution of disputes considering the importance of BLR's mandate to promote unionism and prevent any undue prejudice to the rights of workers.

BLR's power to protect labor organizations is linked to its power to investigate complaints received. The BLR has the legal authority to punish erring labor organizations, their officers and members. Sanctions include cancellation of registration, imposition of administrative fines, or revocation of certificates of registration, and the filing of criminal complaints for violations of the Labor Code.

On mitigating risks, The BLR has an undertaking called Workers' Organization Development Program which provides training subsidies to federations to conduct seminars and other training activities. Studies on best practices are conducted which are aimed at promoting harmonious labor-management relations.

## E. Department of Social Welfare and Development



In 1968, Republic Act 5416 known as the Social Welfare Act of 1968 created the Department of Social Welfare, placing it under the executive branch of government in equal status with other social agencies like health and education. In 1987, the agency was renamed Department of Social Welfare and Development (DSWD) under Executive Order 123 signed by President Corazon C. Aquino. Executive Order No. 292, also known as the Revised Administration Code of 1987, established the name, organizational structure and functional areas of responsibility of DSWD and further defined its statutory authority.

According to Executive Order 221, series of 2003, the functions of the DSWD are the following: sets standards, accredits and provides consultative services to public and private institutions, organizations and persons engaged in social welfare activities; monitors performance and compliance to standards by institutions, organizations and persons engaged in social welfare activities, both public and private; implements the following: residential care and center-based programs and services serving the whole region and more than two provinces or cities; pilot and demonstration social welfare projects; regular programs involving special social services and statutory programs; and crisis intervention.

On establishing NPOs, registration, licensing and accreditation of social welfare agencies (SWAs) and social welfare and development agencies (SWDAs) is generally effective, efficient and well communicated; the rules for application are generally known, as these are posted at the DSWD website, and published materials are also available in the DSWD head office and in the regional offices. Considering the unique nature of social welfare agencies, the registration, licensing and accreditation rules are feasible and realistic. There is a need to streamline, however, the registration, licensing and accreditation functions of the agency.

DSWD procedures have been adopted to accommodate the requirements of other government agencies, like the BIR, the SEC other concerned government agencies, such as DSWD's attached agencies and those over which it has oversight functions. Work is being done to further streamline the processes to reduce or lessen documentary requirements to avoid duplication of work.

On identification of NPOs, copies of all documents by licensed and accredited organizations submitted to DSWD are made available to the public upon request from any of its offices. Information and data on NPOs can also be downloaded from the DSWD website. The process of obtaining information on NPOs for purposes of identifying them is generally well-known and well-communicated to the stakeholders.

Identification of concerns of misuse or abuse relative to activities committed by or to NPOs is done through the monitoring of SWDs/SWAs conducted on a regular basis, every 6 months. Reports are filed by field officers for every monitoring finished within a six-month period. Concerns and issues on program

implementation are also discovered during the monitoring and assessment visits. The monitoring process is well known and communicated to the SWAs and SWDs and is understood by them to be necessary given the nature of the services being performed. The identification of concerns and the spirit of cooperation between DSWD and its regulatees appear to be the best system under the circumstances given the services, being humanitarian in nature. The public is well aware of the complaints system of the DSWD which is documented in internal rules and procedures which are conducted according to due process.

DSWD acts on and investigates concerns and complaints from the public (even anonymous), findings or violations from its field officers and from the Area-based Standards Networks (ABSNETs) about illegal activities of SWAs and SWDs. These have resulted in either suspension or revocation of registration. Department Administrative Order No. 6 provides the internal rules for investigating complaints, issues of non-compliance arising from findings of DSWD's monitoring system and ABSNET peer reviews. The system is efficient as evidenced by the prompt handling and disposition of cases by the DSWD. A list of SWAs and SWDs whose registration, license or accreditation have been revoked is available online and upon request at DSWD.

DSWD has conducted forums, seminars and workshops conducted where concerns and related issues are discussed. And the system is efficient as evidenced by the prompt handling and disposition of cases by the DSWD which has resulted in stricter monitoring, suspension or revocation of registration, license or accreditation of the concerned SWA or SWDA.

The forums, workshops and seminars provide the best venues by which SWDs/SWAs are made aware of risks for misuse and abuse and allow involvement in policy reforms and development to help mitigate or prevent these risks from arising.

Rules for NPO fund raising permits are published at DSWD's website and aim to mitigate risks to which the fund-raising NPOs and the general public may be susceptible to. NPOs issued solicitation permit are posted on the DSWD website. Commendation and awards for good performing NPOs are also being undertaken

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## F. Department of Health



The Department of Health (DOH) was established in 1947 after Executive Order No. 94 was signed into law, and Executive Order No. 288, series of 1958, resulted in the decentralization of some of the powers of the Secretary of Health to regional offices. DOH has the authority to license medical hospitals in the country, including non-profit health organizations.

Regarding establishment of NPOs, registration of hospitals is generally effective, efficient and well communicated, and has been recently streamlined. Currently Centers for Health Development or CHDs (the regional offices of the Department are handling the provision of licenses to hospitals. The rules for application are generally known, as these are posted in the DOH website, and published materials are also available in the DOH central office and in the CHDs. There are different requirements for licensing of hospitals, depending on their level, i.e., Levels 1, 2, 3 and 4, since the services provided (and thus the monitoring required) are different. DOH licensing is also required by the national health insurance agency and other private medical insurance groups.

The process of registration is widely publicized and made known to all concerned. The fees are reasonable. Currently, it expects that licenses to operate (LTOs) would be processed in less than a month's time. Applicants are not required to present other agency permits for initial and renewal of LTO processing.

On identification of NPOs, the guidelines for access to information of hospitals are not available publicly but information can be made available on request. The requirements for public access is seen to be fair and applied uniformly.

On identification of concerns, concerns of misuse or abuse relative to activities committed by hospitals are identified by the Bureau of Health Facilities and Services, the central office agency in charge of registration, and the CHDs from complaints received from the public. Non-compliance with reportorial requirements is acted upon by the DOH in a proactive manner. All procedures relative to complaints and concerns received from the public are subject to administrative due processes. The rules are feasible given the existing public and private hospital system in the country. Where information on the NPO is lacking or not available, the DOH has powers to subpoena the necessary documents and information and to call upon the responsible persons

DOH acts on and investigates concerns and complaints from the public and local government units about hospitals which actions have resulted in revocation of licenses and imposition of administrative fines against these entities. All investigative procedures relative to complaints and concerns received from the public are subject to administrative due process. DOH abides by a confidentiality policy for all complaints and the information contained therein. There is relatively quick action against hospital units undertaken by the DOH for violation of specific laws by hospitals, based on their investigation.

DOH's power to protect hospitals, including non-profit ones, is linked to its power to investigate complaints and concerns received from the public. All procedures relative to complaints and concerns received from the public are subject to administrative due process. As a protective measure, the DOH orders the preventive suspension or closure of whole hospitals or specific units if they are found in violation of specific rules.

On mitigating risks, DOH has rule making powers which it has used to issue guidelines involving hospital licensure memorandum circulars. The agency regularly consults with hospitals in the development of rules and regulations with respect to hospital licensing.

#### **G. Insurance Commission**



The Insurance Commission was formerly referred to as the Office of the Insurance Commissioner. The law that created the Office of the Insurance Commissioner as an independent office is Republic Act No. 275, which took effect upon the formal opening of the Central Bank of the Philippines on January 3, 1949. On November 20, 1972, Presidential Decree No. 63 was promulgated amending certain sections of the Insurance Act. Among other things, it provided that the Office of the Insurance Commissioner be known as the Insurance Commission.

This Insurance Commission (IC) regulates the operation of mutual benefit associations (MBAs), which is the only non-profit insurance entity.

On establishing MBAs, registration of MBAs is generally effective, efficient and well communicated. The rules for application are known, as these are posted in the Insurance Commission website, and standard forms that are available in hard copy form (for photocopying) in their office and in electronic form in the Insurance Commission website. There is no undue denial of registration as long as all legal requirements are complied with, although because of the need to strengthen the fiduciary requirements of insurance entities, MBAs have to hurdle high Guaranty Fund levels, which are only feasible at high levels of membership.

The licensing system does not provide a more focused attention on MBAs which comprise a specific class of insurance, as the processes are similar to the more traditional insurance companies. But according to informants, the application process is relatively quick. It would take two weeks to one month to process the application.

On identifying MBAs, generic information about MBAs is available to the public upon request; however, the procedures to access this information are not generally known and well communicated, but are available upon solicitation from the IC. Given the small number of MBAs, submissions by these entities can be easily undertaken, and information on them can be easily provided.

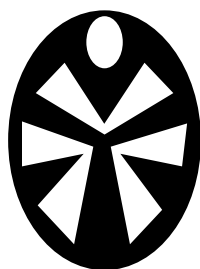
In terms of identifying concerns, concerns of misuse or abuse relative to activities committed by or to MBAs are identified from complaints received from the MBA members. At present, IC does not conduct proactive identification of concerns of misuse and abuses. Based on its records of complaints received, the nature of the misuse and abuse are mostly related to internal association problems.

The IC acts on and investigates concerns regarding MBAs *motu proprio* or based on sworn complaints from the public, or its investigations on the papers submitted to it by the MBAs. All investigative procedures relative to complaints and referrals received from the public and government agencies are subject to administrative due process. Due to the small number of MBAs, the IC can undertake the investigations quickly.

There is a clear policy on suspension or revocation of the license to operate of MBAs, and the appointment of a conservator to protect the assets of MBA.

On mitigating risks, the IC closely coordinates with MBA stakeholders, especially among NPOs and donors. The IC supports MBAs generally without regard to the size of the MBA, although its experience shows that the membership scale of a typical MBA should be in the thousands to be commercially viable.

## H. Philippine Council for NGO Certification



To qualify for tax donee status, according to BIR Revenue Regulations No. 13- 1998, non-stock, non-profit organizations should submit to the accrediting entity the following requirements: articles of incorporation and by-laws; SEC registration; affidavit of 'modus operandi' listing the 'character of organization', the purpose for which it was organized, list of projects for two years, the source of income and utilization and other facts relating to their qualifications as donee institution; and duly audited financial statements for the past two years. The accrediting entity shall review the applicant institution in terms of their mission and goals, financial and human resources, programs and evaluation mechanisms and future plans. Upon approval of the application, the institution shall be given a five year donee status for existing non-stock, non-profit corporations and a three year donee status for newly-organized corporations (Article 2, BIR Regulation 13- 1998).

The entity is the Philippine Council for NGO Certification (or PCNC), according to a memorandum of agreement signed between the Department of Finance and the PCNC on January 29, 1998. The PCNC was founded by several NPO networks including the Caucus of Development NGO Networks, Philippine Business for Social Progress, Association of Foundations, Bishops-Businessmen's Conference on Human Development, National Council for Social Development and League of Corporate Foundations.

## VII. Assessment of the Philippine NPO Regulatory Framework and Identification of Issues

Based on the assessments made above, the government and non-government representatives of the LAC were asked to provide an over-all assessment of the government performance in terms of the regulatory objectives.

The LAC also reviewed the assessments of each of the government agencies and identified main risks that were present in the NPO regulatory sector. The following were the identified regulatory risk and issues:

1. Limited resources of government agencies regulating NPOs. Many regulatory agencies had problems hiring staff that would enable it to undertake its oversight role effectively and efficiently. For example, the legal officers of the Cooperatives Development Authority that would investigate cases of abuse among cooperatives are either law graduates under bar or working law students, as the pay for legal officers is not comparable to private law firms. And the HLURB legal officers in the region who were interviewed for this study told the LAC that their agency's maintenance and operating expenses budget was so low that they had to use personal finances to fund their trips to areas outside the city.

2. Incidental costs of registration for small NPOs are large relative to their income and assets. NPOs have to register their organization personally or through a representative in the central or the extension office of the primary regulatory agency. For a small NPO, these costs may be large compared to their equity if the office is quite far from the area where the organization has its principal office.
3. Unevenness of information on NPOs, in terms of dissemination and availability. Not all agencies ensure that their central offices have adequate data on the organizations that they regulate. The HLURB central office, for example, only has information on homeowners associations in Metro Manila and in the Cordillera Administrative Region. The Department of Health does not keep a central registry of non-government organizations, and instead records are decentralized to the different bureaus and offices under the agency.
4. Lack of detailed data on non-profit organizations, e.g., regional location, income and assets, in some agency databases. The SEC, for example, requires the submission of general information sheets and audited financial statements from non-profit organizations. However, it does not process the data and report data that are provided in these forms. Not all agencies have provided detailed data that could assist in the development of a non-profit sectoral profile.
5. Lack of distinction between profit and non-profit organizations in some agency databases. The Departments of Education and Health do not distinguish among profit and non-profit organizations.
6. Profit institutions are registered as non-profit institutions for tax purposes or as conduit of funds of politicians. In some of the interviews undertaken by the LAC members, agency informants admitted that cooperatives and non-government organizations are sometimes organized for the purpose of being utilized as a conduit for funds by politicians and other individuals. They also reported that it is very difficult to detect these types of abuses and the investigation and prosecution of these types of cases are very rare.
7. Certain NPO self regulatory initiatives had been and may still be subject to political influences. The initiative of NPO networks to create a self-regulatory body through the Philippine Council for NGO Certification for tax-donore purposes was hindered for several months by the issuance of an executive order that reverted back the powers to certify non-profits to the government.
8. NPOs' limited awareness about the regulatory measures and how they are implemented. NPOs have very little information about how the government assists the sector in terms of protecting themselves against the abuse of their leaders or by external institutions. This is reflected by the relatively low ratings that NPO representatives in the LAC gave to the government in terms of protecting non-profit organizations and reducing risks.
9. Differences in perception (between the government and the NPOs, and among NPOs) of 'protection' that has to be undertaken by government regulators. Some NPOs perceive that the government implements regulations to monitor more stringently and constrict the operations of non-profits; however, government believes that these regulations are in existence to guard against risks in the NPO sector.
10. Many non-profits are not adequately regulated and supervised. Many non-profits are supervised well by secondary regulatory agencies even if SEC does not monitor their performance. These secondary agencies include the Department of Social Welfare and Development (for social welfare agencies), Insurance Commission (for mutual benefit associations) and the Department of Science and Technology (for science foundations). However, there are several types of non-profits which are not supervised by regulatory agencies; these include alumni associations, religious organizations, and neighborhood associations.
11. Limited formal structures and mechanisms for coordination among agencies in dealing with NPO matters. Government agencies that regulate NPOs coordinate with each other only minimally even if there are issues of common concern that could be discussed and synchronized. These include the development of a common definition of registration, licensing and accreditation that would govern the rules for each.



## VIII. Recommendations and Conclusion

The key recommendations that came out of the entire exercise are geared towards improving the regulatory environment of the NPO sector and are summarized as follows:

- Improve the level of financial and human resources for regulatory bodies. This also includes the formulation of guidelines that will help government agencies achieve proportionality in their regulation. Agency personnel should also be provided with technical assistance in order to upgrade their knowledge and skills on risks and vulnerabilities of NPOs given the fast changing environment and trends in the sector.
- Improve the systems of public access to information on NPOs. General information on NPOs should be available to and easily accessible by the public. There should be standards for data retention and government databases should be regularly reviewed and analyzed to assess the level of risk of certain types of groups.
- Introduce and/or encourage/support self-regulatory (SR) mechanisms for NPOs and their networks or federations. Government should encourage the development of SR organizations so that NPOs can police their own ranks. Laws could be drafted explicitly recognizing this to reduce undue government interference in regulating the sector.
- Enhance and strengthen awareness of regulatory measures and policies through outreach programs, forums and consultations. Government should undertake greater effort to disseminate information on regulatory measures that are in place, while NPOs should exert more effort to understand how these measures would affect them. NPO consultative mechanisms should be developed in each regulatory agency so that government personnel can regularly dialogue with NPO leaders on problems and issues that affect them.
- Develop more coordinative structures for regulation. Government regulatory agencies could develop more formal means of sharing their best practices to learn from one another.
- In the future, to enrich the results emanating from this study, it would also be useful to review the practices of the other 'secondary regulatory' agencies, such as the Department of Education, the Commission on Higher and Education, and others, as well as the local government units, which have been licensing and accrediting NPOs in their respective jurisdictions.
- In conclusion, it is hoped that the results and recommendations arising from this project will provide the bases for improvements in the regulatory framework of the Philippine nonprofit sector, so that it can become a more effective partner in the economic and social development in the country.

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Recent years have seen unprecedented interest in the issue of non-government organization (NGO) sector legislation and regulation. There are many reasons for this, including: the unprecedented growth of the global NGO sector; the increasing sophistication of the sector; the growth of multinational NGOs; a more complex relationship with government as partner, service provider, critic and rival; and a focus on the sector as a potential weak-spot in global anti money laundering and counter terrorist financing efforts. These factors put pressure on both governments and NGOs to identify the risks to the NGO sector and develop effective regulatory systems to protect and support the NGO sector.

This report, undertaken by the Caucus of Development NGO Networks with the support of the Charity Commission for England and Wales, assesses the governance risks that the NGO sector in the Philippine face. The report also evaluates the government regulatory framework for the sector and identifies specific issues that need to be addressed. Several policy and institutional recommendations are suggested to improve the environment for furthering the developmental work of the sector.

### **About the CAUCUS OF DEVELOPMENT NGO NETWORKS (CODE-NGO)**

CODE-NGO is the biggest coalition of NGOs dedicated to social development in the Philippines. Its membership now includes 6 national networks and 6 regional networks, representing more than 2,000 development NGOs, people's organizations and cooperatives nationwide.

CODE-NGO maximizes its scale and synergy to influence public policy, provide leadership in civil society and increase the effectiveness of social development work in the country. It focuses on policy advocacy and partnership building in the public arena, as well as on developing the capacity and accountability of its member networks and affiliated organizations.

In tandem with its membership development efforts, CODE-NGO also undertakes policy advocacy, particularly towards transparent, accountable and participatory governance, asset reform and sustainable development.

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