



Creating a Financial Bridge to the Private Sector

**From Mobilizing Resources and Support in
Foundation Building Sourcebook: A
practitioners guide based upon experience
from Africa, Asia, and Latin America**
A. Scott DuPree and David Winder with Cristina
Parnetti, Chandni Prasad and Shari Turitz

To obtain a complete 336-page Sourcebook,
contact Synergos or visit
www.synergos.org/globalphilanthropy/

Copyright © 2000 The Synergos Institute
9 East 69th Street, New York, NY 10021 USA
tel +1 (212) 517-4900, fax +1 (212) 517-4815
email synergos@synergos.org

Funding for the Sourcebook was provided by the Charles
Stewart Mott Foundation, with additional support from Aga
Khan Foundation Canada, the Asia Pacific Philanthropy
Consortium, Avina, Inc., the Ford Foundation and Open
Society Institute.

Section 5 Creating a Financial Bridge to the Private Sector

This section describes several approaches to building a financial bridge between the private sector and community development initiatives.

Example 1	Leveraging Support <i>Community Development Foundation (Mozambique)</i>
Example 2	Partnerships and Program-Related Collaboration <i>Abrinq Foundation For Children's Rights (Brazil)</i>
Example 3	A Bridge between Business and Communities <i>Philippines Business For Social Progress</i>

Why Do Companies Give?

The short and quick answer is if companies acted in a social vacuum they might not give at all. Economist Milton Friedman cautions the business of businesses is to generate profits, not to solve social and economic problems. Nevertheless, business is a fundamental part of society and does not operate in a vacuum. Profits and the stability of a company are affected by social, economic and environmental factors defining the market and the context in which it operates. The reasons why businesses get involved are as diverse as the types of business. Some resources for learning about corporate philanthropy are listed in the appendices. It may help to have in mind a few general observations about corporate philanthropy around the world:

- Some companies look for ways to link their giving to their business. The cases in this chapter indicate this may be a trend
- Some companies have established independent grantmaking foundations that handle all or a portion of their giving
- Multinational companies, for the most part, do not give at the same level outside of their home countries. Likewise, many companies link their grantmaking to the communities where their employees live or where their markets are concentrated
- Companies can give more than money. They can also give management expertise and services, products, volunteers, publicity and advice
- Beyond asking for donations, joint income earning opportunities. For example, renting the name or logo of a nonprofit to sell a product, can potentially be more lucrative and sustainable in the long run than asking for a cash contribution

How do Foundations Solicit Contributions from Companies?

To involve businesses, grantmaking foundations have conceived of a range of approaches, from soliciting in-kind contributions (e.g., computers or transport) to cause-related marketing and employees' rights campaigns. The three foundations discussed in this chapter have all succeeded in positioning themselves in a strong position in terms of corporate philanthropy or "social investment" in their countries. Mozambique's Foundation for Community Development (FDC) built a reputation as an accountable and credible channel of funding to community development initiatives in its country. The Philippine Business for Social Progress (PBSP), having been started by socially conscious businessmen in the Philippines, is now in its third decade as a membership foundation which has provided a platform for joint action for businesses and has leveraged considerable funding from a base of corporate contributions and membership dues. The Abrinq Foundation for Children's Rights in Brazil also began with the strong input of business leaders. Through its outreach, it has garnered support from a wide base of Brazilian businesses and individuals.

In each of these cases listed above, the foundations offered a broad vision of social impact to companies they sought to involve and have given them concrete opportunities to act. They have also specialized, to a large extent, in being a bridge between business and communities. None of these efforts are merely a one-time approach. They represent a core strategy that brings together business and community leaders to jointly solve problems and strengthen community efforts.

Summary Points

The commitment of a few business leaders and businesses can help raise support and involvement from other businesses. In the case of the foundations in this section, the early involvement of business leaders was an essential element of their success in raising support from businesses. These people attracted other business leaders through their personal contact and each foundation's concrete demonstration of what it would do with the support of businesses. In the case of the FDC, support from a multinational corporation spurred local corporations to give.

A successful approach is clear about what a company gets in return for its support and involvement. Businesses can benefit a, everyone does from a society in which their workers are more educated and live in healthy conditions and consumers have resources with which to buy their products. PBSP makes this relationship of business to society clear in its Statement of Commitment. Beyond corporate responsibility, foundations can offer valued services to companies while meeting their own objectives, i.e., channeling grants to communities that need them, connecting companies to government and NGO leaders and identifying opportunities for companies to showcase their philanthropy. Abrinq offers the use of graphic seals for companies that adopt good social practices. The seals can appeal to consumers of a company's products and help it in its marketing efforts.

The foundation may see its role as a bridge between the needs and interests of civil society and business. The relationship between businesses and civil society organizations is sometimes characterized by a difference of objectives and conflict. Part of the role played by Abrinq and PBSP has been to find solutions where both sectors can win. The foundations are careful to make it clear they offer services to both sectors. They believe that a healthy society values both business and nonprofit contributions.

A professional staff who can relate well to business and nonprofit leaders is a key element to the success of business/foundation collaboration. Both Abrinq and PBSP have recruited highly professional staff and invested in their training to assist them in forging good ties with both their business and nonprofit partners. They have staff members responsible for fundraising, marketing and member services as well as grantmaking and other programs.

Example 1

Leveraging Support

Foundation for Community Development (Mozambique)

The Foundation for Community Development (FDC) had developed local support from the emerging private sector in Mozambique—the country was encouraging the growth of companies and a private sector after a change from socialism in the early 1990s—and was seeking out new private sector partners.

The President of the FDC served on several international boards and had met personally a senior executive of a multinational corporation based in the US with operations in Mozambique. Although the FDC had unsuccessfully approached it in the past, its staff still felt support from the company was possible.

In a personal fundraising letter to a key company executive, FDC's President outlined the foundation's objectives to build a pool of funds for Mozambican communities and the need for partners. The letter names several benefits the company would receive by supporting the FDC: acknowledgment of its efforts and new business connections [condensed]:

Our grantmaking agenda for 1996 is built on a long-term strategy to sustain and increase our impact in Mozambican society by making small targeted grants for community development. In order to carry out this agenda, we will need to build a pool of grantmaking funds. Although we are in the process of building an endowment, the funds are just now being invested. It will take time to grow this seed into significant grant-making money. For the next years, it is therefore crucial to identify strong partners who can join us in supporting community development in Mozambique. I hope [company] will be interested in being a part of this effort.

[Company] is very, very visible in Mozambique and will undoubtedly continue to be that way in the future. **I would be delighted if we could play a part in helping the company to expand its social profile here. I think that support for FDC grants can do this both because we will clearly credit the company for its support and we will provide crucial social connections in the region.**

FDC's social and economic connections in Mozambique are very extensive. We maintain excellent contacts on the highest levels of industry and government as well as with community and social leaders across the country. Among our partners from the local business sector are the most lucrative businesses in the country: Manica Freight Services Company, EMOSE, Entrepoto, and the new International Bank of Mozambique, which are shareholders through our endowment. Through these connections we hope to help chart the unexplored waters of corporate philanthropy in the country.⁵³

The letter asked for and successfully raised US\$250,000. FDC put the funding to work to build a school and start a girls education program in a northern province of the country that had been one of the most neglected in Mozambique. True to its argument the support from this multinational company would stimulate increased contributions from local companies, FDC was able to leverage immediate support of over US\$500,000 from two local companies that wanted to show Mozambican businesses were equally committed to social investment and responsibility. One company executive, upon learning of the support FDC raised from a multinational corporation, called FDC's President and insisted the FDC consider receiving its support.

Example 2

Partnerships And Program-Related Collaboration
Abrinq Foundation For Children's Rights (Brazil)

The Abrinq Foundation began as an initiative of the Brazilian Association of Toymakers, the acronym from which is the origin of the name. Business people from this industry were concerned about the magnitude of the problems affecting Brazilian Children. They launched a project that became a foundation in 1990.

Since its beginning, the Foundation has focused its actions on mobilizing and generating participation of society, especially convincing companies to comply with Brazil's child labor laws. Abrinq distinguishes its approach from philanthropic charity by operating as a bridge between the potential of society and the needs of Brazilian children. Given its genesis, Abrinq's Board has excellent connections to businesses and many board members are themselves entrepreneurs. It comfortably shares some values with its partners in the private sector, including the use of management instruments such as cost-benefit analysis. Professionals from the traditional fields of social intervention work together with their colleagues in the private sector, such as economists, advertisers, and others with business skills.

Involving Corporations in Campaigns

Building on its strong links with the private sector, Abrinq has developed support and collaboration that go beyond the financial contributions companies make to its programs. It was able to do this because its founders knew how and wanted to reach out to companies.

Oded Grajew, the founder of Abrinq and a member of the Board, was the owner of a toy manufacturing company. He became interested in how he could improve the social and economic conditions of Brazilian children. Grajew was committed to starting an organization that could use private sector resources in the defense and support of children to do something about what he felt was Brazil's comparatively poor record on children. Grajew wanted a foundation that could reach out to business and business professionals to build on the proposition that businesses are also citizens. He felt businesses need a way to be involved. At the same time, he felt Abrinq should promote the idea that society must also see business as a social actor.⁵⁴

The proposition that the business sector would help if it were approached was tested by the Association of Toymakers even before Abrinq was established in 1990. For example, the Association convinced several large companies (including Lojas Americanas, a department store chain; and Fotóptica, a photographic supplies chain) to assist it in 1989 to carry out one of its first campaigns, a photographic contest on children's rights. These private contributions came in the form of advertising, technical advice and other in-kind contributions.

Another key element in Abrinq's efforts is that it put in place a staff of professional fundraisers who help it reach out to and follow up on its contacts. Abrinq's outreach to business has a number of levels:

- *Membership*—Businesses, professionals and individuals can become sustaining members. This approach is discussed in Chapter 4.4, Fundraising from Individuals and the Public
- *Partnerships*—Abrinq enters into limited partnerships with companies. In these partnerships, it gains from reaching a broader audience with its message and increased involvement and contributions. Companies gain from the publicity and association with the Abrinq name, program and logo
- *Program-related Collaboration*—Abrinq works with companies in ways that help to mobilize the corporate sector behind children’s issues in Brazil. Fundraising for Abrinq is not the object of this work. Instead the efforts pay-off more broadly by mobilizing financial and material support for children and promoting better business practice in the area of children. The Child-Friendly Company program below is an example of this

Partnerships

Partnerships usually grow out of discussions between Abrinq’s Board or staff members and business executives. Abrinq’s aggressive communications and marketing efforts bring about considerable opportunities for discussion at conferences, launches and other events.

Partnerships have been established with Unibanco, Sadia, Yázigi, Natura Cosméticas, Tupperware and others. Ligia Fonatanella, fundraising coordinator for Abrinq, says, “The success of our fundraising campaigns was due to the fact that their organizers were business people who were not in the habit of ‘begging’ for contributions.” Example of some of these partnerships are:.

Partnership with Yakult



Yakult, an international foods company known for its trademark yogurt, offered the collaboration of 5000 of their independent sales representatives in a campaign supported by TV commercials, ads in newspapers and thousands of leaflets. The joint campaign raised more than US\$217,000 in donations from over 100,000 individuals.

Partnership with Citibank

In 1995, Abrinq established a partnership with Citibank around the Living Library Project to provide educators with adequate libraries and train educators to work as mediators between children and literature. By 1997, when the project was over, 93 libraries had been opened, 187 educators were trained and over 32,000 children benefited.⁵⁵

The Library that children need is described in a brochure:



Citibank believes it is the responsibility of a private company to contribute in the search for alternatives to the grave social problems of the country. In this sense, we invest in projects that envision the improvement of the quality of life in the communities in which we operate. We consider it a priority, today, to invest in basic education. On account of this, we have joined with the Abrinq Foundation for the Rights of the Child in the Living Library Project. The Abrinq Foundation is a nonprofit entity which seeks to promote the basic rights of the child working through diverse projects to raise their society, especially private enterprises.⁵⁶

Program-related Collaboration: the Child Friendly Company Program

By 1992, Abrinq's attention was increasingly directed to the issue of child labor. Although the Brazilian Constitution and the Children and Youth Statute prohibited the labor of children under the age of fourteen and protected the labor rights of youth, it was still a widespread practice.

By the end of 1992, Abrinq established a partnership with the International Labor Organization to launch a communications campaign. One outcome was a book *Children of Steel: A Photographic Denunciation of Child Labor in Brazil* that documented child exploitation in all regions of Brazil. A guest at the book launching ceremony suggested the adoption of a quality seal for companies not employing child labor. This ceremony was the genesis of the Child-Friendly Company Program which began in 1995 with funds from the Yakult campaign and, from 1997 on, with the financial support of the Safra Bank. The International Labour Organization and UNICEF provided the project with institutional backing.

The program is not a fundraising effort. Its primary purpose is to gain the commitment of Brazilian companies to abide by the country's child labor laws. Through the program, Abrinq asks companies to commit to not employ child labor nor to use suppliers who exploit child labor and to support activities that assist children. By signing this agreement, a company is awarded the right to use the Child Friendly Company Seal. Abrinq developed a guide for companies who participate in the program entitled *How to Make a Better Future* [condensed]:

What is the Child Friendly Company Program?

The Abrinq Foundation for Children's Rights created the Child Friendly Company Program with the objective of stopping the exploitation of child labor, which employs approximately 4 million children under 14 years of age all over Brazil. According to the Brazilian constitution and the Child and Adolescent Statute, this practice is expressly prohibited. To set a good example and participate in this program, contact the ABRINQ Foundation for Children's Rights.

The Advantages of Being a Child Friendly Company

Participating in this program, your company will receive a certificate and can use the Child Friendly Company seal on your products, services, official documents, dissemination materials or public relations campaigns. Just like the ISO 9000 seal, developed by the International Standards Organization, it is synonymous with total quality. The Child Friendly Company seal shows your company collaborates with an important project for our country. And, for the consumer, this seal will make a difference.

Where the Seal Can be Used

On packaging, official stationery, stickers, menus, tags, lighted displays, shopping bags, labels, banners, paper bags, stationery, note pads, tapes, boxes, brochures, announcements, TV ads, billboards, direct mail, posters, displays, institutional videos, shopping carts, diskettes, internet, mouse pads, folders, film containers, books, rubber stamps, gifts, paper towels, napkins, cups, plates, cans, tickets, travel tickets, signs, electric appliances, and many other places.

How to Become a Child Friendly Company

If you are already involved in some activity that benefits children and adolescents, reproduce on official stationery the text of the letter of intent signed by a legal representative and attach proof of your activities. Fill in the registration information in accordance with the sample letter of intent and send it to the Abrinq Foundation for Children's Rights, which will evaluate your submission.

What Does a Child Friendly Company Do?

It does not exploit child labor and it acts to benefit children and adolescents. What follows are some suggestions of activities:

- Adopt a school or public creche
- Build and maintain schools and or creches
- Provide youth with training opportunities
- Participate in setting up municipal funds for Children's Rights
- Invest in activities that complement school work (e.g., sports, culture, artistic education, creation of libraries, etc)

Model for a Contract Between Your Company and the Abrinq Foundation for Children's Rights

Guide for the composition of an agreement letter

1. Use company stationery to reproduce the agreement letter
2. Attach the project(s), program(s), printed articles or whatever publications refer to the actions the company has developed in the area of youth
3. The agreement letter should be signed by a legal representative of the company
4. There is no charge for the Child Friendly Company certificate

5. Model text for composing the agreement letter:
 To the Abrinq Foundation for the Rights of the Child
 We are requesting the "Child Friendly Company" certificate for our involvement in the following activities benefiting children and young Brazilians:

(Use however much space you need.)

We declare here that the intention of our company is to:

- Respect the Statute on the Child and the Adolescent, in Article 60, Chapter V, referring to the work prohibition for children under 14 years old
- Act together with our suppliers, contractors and clients to create awareness about the objective of the Child Friendly Company Program to eliminate child labor, as well as possible ways businesses can improve the quality of life of Brazilian children and youth

[Signature and Date] ⁵⁷

Example 3

Corporate Membership Group
Philippine Business For Social Progress

PBSP grew from the discussions and interest of Philippine business leaders in the 1970s. These leaders conceived of a foundation that would show private business could make a contribution to the progress and well-being of society. Business, they felt, could play a better role as a partner in social and economic development. They set themselves the task of finding a way for business to play this role and to sustain its contributions.

The founders took as a model a Venezuelan organization called the Voluntary Dividend for the Community which had been created by an association of businesses as an instrument for making a collective effort to address social problems in Venezuela. The founders of PBSP enlisted 50 corporations to become members of the fledgling foundation. This entailed signing a pledge committing their companies to contribute at least one percent of pretax earnings to fund PBSP and to support socio-economic development programs. PBSP has grown today into an institution that gives more than 100 million pesos per year (1997 equivalent to more than US\$ 3 million) and represents a coalition of over 172 member companies.⁵⁸

While the establishment of a foundation that would serve as a social development arm of Philippine business was met with some excitement and support, it was not universally embraced. Its critics wanted to know how business planned to contribute to development and if the effort could be sustained. Others felt the Foundation was

just a public relations strategy. PBSP has largely overcome this skepticism by building a track record in both program delivery and fundraising has gained for it an international reputation. It has also expanded its financial base by leveraging additional support from official development assistance agencies, local government and international non-governmental organizations.

The Membership Approach

Building a membership composed of businesses as an approach to strengthening private sector involvement in social and economic development required an investment of time and energy and a commitment to serving these members as a constituency of the foundation. Ernesto D. Garilao, former executive director of PBSP, suggests certain conditions are critical to the creation of a business approach like PBSP: specifically, how the membership is structured, the commitment of founders and recruiting an effective staff:

Setting Out Principles

...there were facilitating factors which made PBSP possible. The first is the commitment of the original founders, the captains of industry, to see through the vision and the organization. These top executives provided the foundation leadership. They assembled the membership, talked to their friends and associates to support the Foundation. They also remained with the Foundation long after its formation.

The second is the membership assembled was in agreement with the Foundation's development agenda, and more important was patient enough not to demand immediate results. In the case of PBSP, the substantive results did not come in until after five years.

The third is given both the commitment of the founders and the support and patience of the membership, the Foundation's management and staff were able to develop a relevant program of work, a track record, institutional credibility, and a solid financial base. These, the Foundation used as leverage to get outside resources.

On the other hand, there are hindering factors which make its replication difficult. The first, is the idea of a collective fund is hard to sell. Many initiatives from other countries have looked at PBSP and found assembling a diverse membership and a collective fund difficult to push. Companies prefer to have control or consent over use of their donations. They also want visibility for their contributions or donations.

The second is the 1% pledge. In the Philippines, many companies have mentioned the 1% pledge is the main stumbling block in considering PBSP membership. In the case of foreign corporations doing business in the Philippines, headquarters' approval has to be secured.⁵⁹

Through their commitment and pledges member companies have both collectively and individually become more involved in their communities. As a benefit, companies receive increased visibility for their efforts and a promise of a positive social impact. The statement of commitment provides a starting point that defines member responsibilities. The statement is reproduced in annual reports and other public documents.

Statement of Commitment

We Believe. . .

First

Private enterprise, by creatively and efficiently utilizing capital, land and labor 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 the person. The higher purpose of private enterprise is to build social and economic conditions which shall promote the development of the person 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 and 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 the person.

Therefore,

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

A Steering Committee (composed of the founders) assembled PBSP's membership by calling on friends and associates to join them. Those who joined often said they did so because they believed donations to PBSP contributed to improving the lives of the poor which was, in turn, an effective way to avoid mass discontent and social unrest.

Member companies serve on the Board and Board Committees. In 1997, the Chair was Andres Soriano III, Chief Executive Officer of the San Miguel Corporation, a national company that was active in PBSP's formation. PBSP's President was Luisa Y. Perez-Rubio, head of Pacific Products, Inc. In that year, members were involved in the management and operations of the foundation through fifteen committees and special assignments.

A Membership and Resource Development Committee is responsible for attracting new members to PBSP. In 1997, that Committee was composed of eleven business executives from member companies. Eight of the Committee members also served on PBSP's Board. Committee members held top positions in their companies, including President, Chair, Managing Partner and CEO. The Committee attracts new members through video and oral presentations made by Board members to prospective member companies. Company executives who have joined say that having CEOs of top Philippine corporations speak to them about corporate social responsibility is very effective in making the point. After these membership drives, PBSP's Membership and Corporate Involvement Unit (with seven staff persons in 1997) provides member companies and prospective members with information on ways and means by which companies can adhere to and demonstrate PBSP's development principles.⁶¹ The recruitment effort targets about ten new members from the three main regions of the country.

Membership fell after PBSP's first three years from 150 in 1974 to 120 in 1975. According to Bienvenido Tan (a PBSP founder and former President and Executive Director), corporate members dropped out of PBSP for two reasons: their companies could no longer afford membership or top leadership changed without the commitment being passed on to successors.⁶²

From 1974 to 1989, membership remained within a range of 110 to 130 companies. In 1989, the Board reduced the financial commitment of members. This was a strategy to boost membership and increase compliance of existing members—many of whom were not meeting their commitment to PBSP of 0.6% of profits (out of the total 1% which they promised to commit to social development). Dues were reduced to 0.2% of company profits, with the remaining 0.8% of the commitment to be spent by the company itself for its own social development initiatives. The results were positive. Membership began to rise again until, by 1994, PBSP could boast 174 corporate members. Still, however, PBSP continued to rely on roughly 50% of its contributions from founding members. In order to invigorate its membership, it has focused on creating services that respond to their needs.

Development of an Approach

PBSP has responded to changing attitudes concerning business involvement in social development initiatives throughout the years of its existence. In its *Review of the Past 25 Years: 1971-1995*, PBSP examined some of the lessons it has gleaned from its 25 year experience in promoting corporate involvement. PBSP believes Philippine corporations increasingly want to justify their expenses in terms of corporate benefit and impact in society. Around a quarter of PBSP's members have looked to it for guidance on how to structure their corporate responsibility programs over the last five years. The following excerpts from the review show how PBSP has seen its relations with both member and non-member corporations evolving:

The Development Phase (1971-1975)—The Foundation's resources were limited to corporate contributions and over the first five-year period, member companies contributed 19.2 million pesos. A Board of Trustees and Executive Committee composed of top executives of member

companies provided policy and program directions. Each year a new chairman was elected and in this manner “ownership” of the Foundation was distributed among its members. . .

The Consolidation Phase (1976-1980)—In the first five years of existence, membership in the Foundation grew from an initial 50 companies to over 170 in number. As the Foundation entered its second five years, however, close to one-third of the membership withdrew. The economic slump caused by the first and second oil shock changed the profit picture of many Philippine companies. . . Despite the withdrawal of members from the Foundation, the organization was still able to raise P44 million in revenues. In addition, individual corporate executives were tapped to offer specific time-bound technical assistance consultancies to identified projects. While not organized systematically, such technical assistance became the forerunner of a later corporate fellows program managed in the late 1980s. . .

Institutionalization Phase (1981-1985)—Investment income increased as a share of the overall resource pie while membership income declined. . . Technical assistance provided by member companies in the previous period was reorganized into the Small Industries Program funded by a World Bank contract. The SIP sought to link companies directly with communities in commercial ventures, not only in providing technical expertise, but more importantly, markets for local products and services. . . More important in terms of membership involvement was the progressive shift in the involvement at the Board level. In the face of worsening environment for development, the Board constituted for the first time a Strategic Review Committee. Through this mechanism, the Board got directly involved in setting new directions for the Foundation. . .

Charting New Directions (1986-1990)—From the midst of the crises of 1983-85 came individual company efforts to work directly with communities around their plants. The initial community relations projects organized and assisted by the Foundation’s membership Involvement Program (MIP) were largely welfare in orientation and in response to crisis. As the economy began to turn around, however, more companies began to see value for improved community relations not only in an altruistic manner but equally important in terms of business relations. . .

The Exploration Phase (1991-1995)—Membership involvement through community relations expanded not only among member companies but also among non-members. In March 1994, 60 companies met in Cebu for the first national conference on Corporate-Community Relations. The learnings presented by 27 of those companies point to a wide body of experience that is now being organized into what hopefully will serve as a new business function within the corporation. In 1992, the Foundation embarked on a new project, the Center for Corporate Citizenship and with this the redefinition of corporate social responsibility into corporate citizenship.

With increased participation at the Board level, there has been a greater sense of ownership of programs by the membership as evidenced by the increase in member country contributions. Compliance has been high and the number of active pledges increased over the period. By the end of the current five-year period, the capital fund of the Foundation will have surpassed its goal of P100 million first set in the early 1980s.

1970-1975	Contributor of funds (giving) contributions ↓	Raised 19.2 million pesos from member
1976-1980	Funds and Individual expertise (technical assistance) ↓	Raised 44 million pesos from member contributions. Launched capital campaign.
1981-1985	Institutional Links (Small Investment Program) ↓	Raised 33 million pesos from member contributions, investment income, government contracts and foreign donors. Board limited percentage of funding that could be raised from "outside sources."
1986-1990	Corporate Involvement (membership involvement, program, community relations) ↓	Raised 214 million pesos from diverse sources. Large increases came on because of increased PBSP board lifted cap on outside funding and channeled increased ODA funding.
1991-1995	Corporate Citizenship	Capital fund tops 100 million pesos. PBSP began to offer services to non-member companies. ⁶³

Services and Programs

PBSP has focused on building services for its members. Some of these services it sees as part of the value it adds for members for their contributions. For other services it charges an additional fee. Increasingly, non-member companies are involved in PBSP activities as well. PBSP assists companies to improve their capacity to work with and support communities and to engage with local environmental and social development activities. The effort extends beyond philanthropy to explore ways in which business can become a better partner in social and economic development efforts:

What happens to the 99% of the company's earnings? If the 99% is spent on business practices which are inconsistent with development like the 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 private sector which controls the majority of the country's financial resources and not the government.⁶⁴

Activities to encourage corporate citizenship and involvement include special events, best practice case studies, development education and training, corporate fora, professional grant management services and advice in corporate community partnerships. Although PBSP has charged for some of these services, the income has not been significant. The Board continues to discuss the issue of how much PBSP should charge for these services.

Members interact with PBSP in various capacities. They assist in the recruitment of new members. They are involved in PBSP activities and programs—adopting specific programs or communities, joining visits to PBSP projects, attending the

Annual Membership Meeting of PBSP where the Board discusses the accomplishments for the year and plans for the next year, or supporting fundraising activities such as the Golf Tournament and Festival of Trees, discussed below. And they can call on PBSP staff to build their capacity in the area of corporate social responsibility. PBSP helps build and enhance member companies' capacity by offering consultancies, technical assistance and education programs. Examples of such activities include CEO fora on corporate social responsibility, training courses with titles such as "How to Manage a Corporate Giving Program" or "Developing a Community Relations Strategy," and "insight visits" in which companies visit strong community relations programs. The Festival of Trees event, is described by a PBSP staff member as follows:

The Festival of Trees (FOT) is an annual black tie fundraising event started on the occasion of PBSP's 25th year anniversary in 1995. The Board (with the leadership of PBSP President Ma. Luisa Perez-Rubio) conceived the FOT as a means to raise funds for Samar, a resource-poor province with very little business presence, and therefore unable to raise significant corporate funding through traditional means. Likewise, the Board believed the FOT should be different from other fundraising campaigns as a fun event that takes place before Christmas.

The main feature of the FOT is an auction wherein well-known artists in the Philippines are asked to create and donate works of art (e.g., Christmas trees, tabletop decorations, gowns). Attendees bid for these items. Seats at dinner tables are sold to company sponsors and individual donors. The FOT includes ballroom dancing, which is popular among Philippine society's elite, and at the same time raises environmental consciousness among attendees (PBSP prepares a video every year to show the progress made in Samar with proceeds from the FOT).

To make the event successful, PBSP partnered with the Makati Garden Club, a social organization of Manila's elite ladies. The club had "expertise" in organizing this kind of social event and social connections to people who had the means to bid and buy the art pieces.⁶⁵

The two initiatives described below, The Center for Corporate Citizenship and the Science Laboratory Program, have stimulated a strong response from Philippine business:.

Center for Corporate Citizenship

The Center for Corporate Citizenship, a special project of PBSP, was started in 1992 to serve as a forum in which chief executive officers and other top corporate executives of both member and non-member companies meet to tackle policy issues on a wide range of topics. Through "consensus groups," the Center enabled business leaders to confront critical social issues in Philippine society and evolve possible solutions to these problems.

Originally, the focus was fourfold—education, environment, countryside development and local governance—but was later honed to an emphasis on education and environment, areas in which business leaders felt they could make a more significant impact.

Through the Center's events, business leaders have discussed and proposed solutions to issues, such as improvement of science and technology education for the country and the cleaning up of Metro Manila's air and river systems. The Center gives the impetus for the organization of these consensus groups and the secretariat to support their activities.

Events started in October 1992, when the Center organized the first series of three breakfast discussions which culminated in mid-1993. In these breakfast meetings, the Center invited experts as resource persons from the government and leading academic institutions to interact with business leaders. In several instances, research studies were supported by the Center to study in detail those issues that emerged.

Adopt a Science Laboratory

The Science Laboratories Program was the result of a research study on the state of science and technology education initiated by the Center in 1992 in cooperation with the government's Department of Education. The study found public high school students in the Philippines lagged behind in standardized science and technology exams because of their lack of access to appropriate science facilities and equipment. Critical concepts in chemistry and physics, for example, were taught by teachers using the blackboard, rather than through actual, hands-on laboratory experiments.

Responding to these findings, the CEO Consensus Group on Education created the Science Laboratories Program as a means to directly address the need to upgrade science and technology education in public high schools. Through the program, companies are asked to adopt a public high school of their choice and provide the financial support to build a science laboratory. Companies often identify public high schools where they have local operations (plants, sales offices, etc.), believing these students will be their future employees as well and therefore seeing a future benefit from investing in them. The program likewise addresses a company's public relations objectives.

PBSP worked with local education specialists at De la Salle University, in the government and in the schools designed a standard laboratory, discussed the needs with principals at various schools and looked for contractors. With each school, PBSP designed a package that was tailored to its needs and often included additional training of teachers in addition to enhancing the infrastructure. Participating companies receive recognition through publicity and having the company name on the laboratory or laboratories it supports. A PBSP document describes the program:

Help strengthen the science curriculum in public high schools by building laboratories for chemistry and physics instruction and providing the necessary equipment.

- Blueprint for laboratories developed by the Engineering Department of De la Salle University
- Equipment list according to Department, Education, Culture and Sports (DECS) standards
- Over a period of two years, science labs in thirteen (13) public high schools have been equipped by corporate sponsors - benefiting in each school more than a thousand students

- Choose a public high school from a list prepared by CCC and DECS or specify a high school of your preference

You can sponsor either

- Laboratory construction (P375,000) or
- Laboratory construction plus Chemistry and Physics lab equipment (P650,000)

Section 6 Working with Official Development Assistance Agencies

This section provides examples of ways in which foundations have worked with official development assistance agencies and governments.

Example 1 A Request for Project Support
Foundation for Community Development (Mozambique)

Example 2 A Sectoral and Geographic Partnership
Esquel Ecuador Foundation

Example 3 Government-to-Government Agreement to Create an Endowment
Foundation for a Sustainable Society (Philippines)

What Are Official Development Assistance Agencies?

Bilateral official development assistance (ODA) agencies are government agencies set up to channel assistance to other countries—typically this assistance goes directly to the government. The largest agencies come from North America, Europe and Japan. Some examples are the Canadian International Development Agency (CIDA), The Department for International Development (DFID) of the United Kingdom and the Japan International Cooperation Agency (JICA). The European Commission's ODA agencies are considered bilateral agencies in that they provide assistance to other countries, not to the EC's members. Sometimes foundations build relations with other agencies of foreign governments, for example with embassy staff who might not work directly for their government's main ODA agency.

Multilateral ODA agencies are composed of members governments that agree by international treaty or convention to establish them. These agencies have a wide variety of objectives and interests of which development assistance may or may not be one.

Multilateral agencies providing official development assistance include many parts of the United Nations — such as the United Nations Development Programme (UNDP), United Nations Children's Fund (UNICEF), World Health Organization (WHO) and others. Governance of these institutions follows the principal of one vote per country.

Although technically part of the United Nations System, the World Bank and International Monetary Fund are governed in a different manner than other parts of the UN — according to weighted shares held by member states. They are sometimes called the Bretton Woods institutions or, together with regional development banks (such as the Inter-American Development Bank (IDB), African Development Bank, and Asian Development Bank) the International Financial Institutions (IFIs). While the World Bank and regional development banks provide

loans and technical assistance for development purposes, the IMF is not directly involved in development — rather its purpose is to promote international monetary cooperation.

Why Might These Agencies Support Grantmaking Foundations?

In general, ODA agencies work primarily with governments. A few support or are looking for ways to support civil society and civil society groups. The foundations in this section have convinced one or more of these agencies that working with a local grantmaking foundation is an effective approach to reaching non-governmental actors who share some of the agency's objectives. Agencies may see the foundation as one way to strengthen the democratic processes of a country by empowering voices that might not otherwise be heard. Another reason they might support local grantmaking foundations, as in the case of Foundation for a Sustainable Society, Inc. (FSSI), would be to respond to pressure or advocacy from interest groups in their own countries.

How Can These Agencies Provide Support to Foundations?

Foundations in this section note that bilateral agencies can be flexible in the types of support they give. They do not need to seek the same level of approval from a host government as a multilateral agency. On the other hand because few have clear structures for relating with local civil society organizations, they may impose difficult restrictions, require onerous amounts of paperwork or want to retain partial control of their funding.

Summary Points

The highest levels of an agency must be convinced in principle of the benefits to be gained from working with local foundations. Every development agency has its own rules and procedures for approving support. This will, at times, entail foundation staff and board to respond to questions and concerns of various actors. Both the Foundation for Community Development (FDC) and Esquel made key contacts with higher levels of the agency before developing detailed proposals. This did not guarantee their success but it ensured that they could count on some support from key decision makers.

Factoring in the costs of responding effectively to a government partner can save time and energy. As with other potential income sources, the work does not stop once the funding is raised. Government agencies are structured to relate with other government agencies. There is no reason why their relations with foundations cannot be effective, but planning for the costs associated with evaluation, reporting and maintaining communication will help to build both trust and a lasting relationship.

The support of the national government or national government agencies may be necessary. ODA agencies are an aspect of inter-governmental collaboration. They will, as such, be more likely to support efforts that have the support of the host government and would indeed, be involved with efforts that government does not support at their own risk. Both Esquel and FDC sought to consult with and include the appropriate government agencies.

A smaller effort to begin with can build the case for a larger, multiyear program. Both Esquel and FDC began working with ODA agencies by raising smaller grants for specific project initiatives. They found this experience useful because it enabled them to learn more about working with ODA agencies and established their reputations. In addition, they could identify particular areas that fit easily within the objectives of the agency.

An effort to endow a foundation through a mechanism, such as a debt swap, may go beyond an agency effort to a broader government-to-government agreement. In the case of the FSSI, the Swiss and Philippines government came to a unique agreement on the reduction of the Philippines debt. Both Swiss and Philippine civil society organizations played a major role in pressing for debt relief and shaping the agreement.

Example 1

A Request for Project Support

Foundation for Community Development (Mozambique)

After over twenty years of war, Mozambique's schools, roads and health services were decimated. Government revenues, the majority of which came from overseas assistance, were barely enough to keep the government operating much less support the reconstruction of a country. In 1994, when the Foundation for Community

Development (FDC) was launched, the founders had already begun consulting with several bilateral and multilateral agencies. The founders wanted to help build national civil society organizations that would be partners with government in reconstructing the national infrastructure with the involvement and participation of grassroots communities. Strengthening local expertise and financing, they believed, was a crucial element in making local efforts sustainable.

Many bilateral and multilateral agencies were already supporting non-governmental organizations (NGOs). These tended to be from other countries. In some cases, local NGOs received funding through these NGOs. FDC's approach was to identify particularly strong initiatives for which it could mobilize funding, channel it to these initiatives and ensure the best outcome through monitoring and evaluation.

Matching Support to Need and Potential

During a meeting in 1995, the President of the FDC, Graça Machel, and the Japanese Ambassador (who, working from the Japanese Embassy in Zimbabwe, had Mozambique in addition to several other countries in Southern Africa as part of his portfolio) discussed the Embassy's interest in helping Mozambicans to rebuild after the war. Machel, as a former first lady and Minister of Education, was putting her experience and contacts to work to build the FDC. Her understanding of bilateral assistance agencies and her high profile were key elements in connecting the Foundation to potential funders like the Embassy. After their discussion, the Ambassador encouraged FDC to submit an application for support to the Japan Small-Scale Grant Assistance (SSGA) program.

The Embassy wanted its funding to be used for the "hard costs"—material and labor—of building schools. FDC's primary interest was not the same. It was seeking to support initiatives arising from the community itself that would strengthen development. The challenge was to match the Embassy's support with a community that had similar goals, as part of FDC's objective to strengthen that community's capacity.

FDC began by consulting with the Ministry of Education to determine areas in the country with the greatest immediate need for schools. Although its primary interest was to support community initiative, FDC felt that the government was an important partner because it would assume responsibility for the staffing and maintenance costs of school buildings once they were constructed. The Ministry helped FDC to identify several regions with a high need for schools. FDC, subsequently, chose to focus the program on Lichinga District of Niassa Province because it had already begun developing a relationship with various community leaders there. With the three key partners in agreement, it was ready to make the proposal. The research and consultation leading to this outcome took nine months.

Making the Proposal

As a result of its discussions with the Japanese and potential project partners, FDC asked for US\$79,000 for a one-year school-building project. It drafted the proposal using technical information that was provided by the Ministry and an approach that

was sanctioned by community leaders in Lichinga. The cover page provided summary information on direct beneficiaries, funding period, total project budget, and amount requested:

AGENCY NAME:	Foundation for Community Development (FDC)
PROJECT TITLE:	Primary School Construction in Four Niassa Province Communities
PROJECT LOCATION:	Lichinga District, Niassa Province, Mozambique
DIRECT BENEFICIARIES:	1,200 children per year
FUNDING PERIOD:	12 months after the approval of the project
TOTAL PROJECT BUDGET:	U.S.\$79,980
AMOUNT OF REQUEST:	U.S.\$70,000. ⁶⁶

In the proposal, FDC stressed its intent to collaborate with the Ministry of Education to ensure that the school would be sustainable. The interests of all three partners—the communities, the Government and the FDC—is clarified in the following passage. Having such an explicit statement can assist the potential funder to understand the need for the project and the role that the various partners will play.

The Mozambican government has made it clear that the rehabilitation, construction and amplification of the primary education network in Lichinga District, where the infrastructure was decimated [due to the protracted war] is a high priority. On behalf of the clear demand from the communities, the FDC is seeking partner funds from concerned donors to bolster the government's efforts and speed up the development of the sector in order to allow more children to benefit from educational services.⁶⁷

Beyond establishing the need for educational services in Lichinga, FDC also addressed the “sustainability” of the new schools to be built. Many funders place a high value on sustainability but have a varied understanding of what this is and what it involves. The proposal continues:

At the end of the construction period, the FDC will have no further financial commitment. The schools will be handed over to the communities and local education authorities to be part of the overall education network. Once the project funding is guaranteed, FDC will notify the ministry in order that it can include the recurrent costs of the school in the following year's budget and allocate the necessary teachers and other staff.

Given the government's financial constraints, the beneficiaries will be responsible for the promotion of fund raising activities for the purchase of school supplies (paper, chalk, pens and pencils, etc.) and will pay for school maintenance expenses.

FDC will be responsible for the project funds and these will be transferred to the project according to a plan to be submitted by the Provincial Directorate. All the expenses should be reported within 30 days after the receipt of funds.⁶⁸

A big part of the process was making revisions to the proposal. This is often true in working with government agencies, where a proposal must fit within a number of policies of which the applicant could not be fully aware. Given the different levels

of acceptance usually required, the various staff officers involved at the agency themselves may not know all these policies and objectives. FDC found that it helped to have the acceptance in principle of the agency Ambassador before writing the proposal because it reduced the chance that the proposal would be accepted on the lower levels only to be rejected at the top.

The Embassy responded to the proposal with a series of questions about how the project would be conducted and required the FDC to submit three detailed quotes on material and labor costs. Although onerous, the process of verifying budgeted costs ended up being in FDC's favor. FDC staff discovered that the Ministry of Education figures on which they had based their original budget were considerably lower than the costs of materials and labor at that time. Staff explained this difference to the Embassy and resubmitted a budget for US\$90,000, which was approved.

FDC's Evaluation of the Project Collaboration

Staff at the FDC felt that the Japanese-supported project was successful in meeting its objectives. The schoolrooms were constructed over the next year with good community involvement and are now operating. In addition, it felt that working with the Japanese had been a very important step because its success helped FDC to prove that it could play the role of bridging financing between bilateral agencies and the communities it serves.

On the other hand, it learned that playing this role involves a considerable investment of time that, it felt, would be better spent in raising money for its broader grantmaking program, rather than raising funds on a project-by-project basis. Capitalizing on its success in raising project funding, it began to focus on building relationships with agencies that would be interested in supporting its broader social and economic goals by funding its grantmaking agenda. FDC is now pursuing this approach and it looks like it will meet with some success.

Example 2

A Sectoral and Geographic Partnership

Esquel Ecuador Foundation

Following on a series of negotiations, the Esquel Ecuador Foundation and the Dutch government, through the Dutch Embassy in Ecuador, agreed to collaborate on a broad-based trial program called the Sustainable Human Development Program (SHDP). The SHDP, focused on the southern part of Ecuador, has completed two phases of implementation (1996 and 1997), and a third phase (1999-2003) is under way.

Setting the Stage: Esquel's Evaluation of Its Cooperation with Bilateral Agencies

In the first five years of its existence, Esquel had gained some experience in relating to bilateral and multilateral agencies. Several agencies supported it for specific limited projects and Esquel had shown that it could channel their assistance in a transparent and accountable manner. These projects, although much needed and within Esquel's objectives, had the drawback of having an isolated impact. Esquel began to look for ways it could support a broader program.

Esquel had already been pursuing negotiations with the Dutch government with which, based on earlier discussions, it felt it shared fundamental values and objectives. Esquel's Director of Development, Boris Cornejo, met with Dutch Government officials in the Netherlands in 1990. Based on this contact, Esquel formulated a project, which was, however, never carried out because of internal difficulties in Ecuador, at that time going through elections.

It was three years before discussions began again. The Dutch had appointed a new Ambassador and formulated a new assistance policy for Ecuador. A component of the new approach was to provide assistance to non-governmental organizations and communities in the south of Ecuador through a local or international organization that could act as an intermediary. Several Embassy staff visited Esquel and invited it to submit a proposal to play this role. Esquel was interested for three reasons:

- It hoped to obtain financial resources for executing a human development program with the most needy social sectors, testing strategies of participation with focus on gender and environmental conservation
- It felt that the Dutch assistance program had supported local actors in development programs in a consistent manner
- It felt the Dutch assistance program was respectful of social and cultural contexts and of local decisions. Their strategies coincided in the area of sustainable human development and the priority of working in the southern part of the country⁶⁹

The Embassy managed a fund known as Program Aid that it needed to disburse quickly because of its internal budgeting issues. It requested proposals in 1994 from several NGOs, in addition to Esquel. Working with Esquel was attractive to the Embassy because an internal analysis had suggested that there were no local NGOs in the south of the country that had sufficient capacity to manage its proposed funding. In addition, Esquel's long-term approach for strengthening local organizations and communities offered a strategy that had the potential to increase this local capacity thereby resulting in more local organizations in the future with which the Dutch could work.

Developing the Proposal

Esquel's program and development staff worked together on a proposal for the launch of an assistance program. As part of developing the program, staff met with NGO and community leaders to get comments and to begin soliciting proposals from them. They worked on the key assumption that local counterparts (NGOs and community groups) should be strengthened to be able to implement better projects. In addition to grant support, the program emphasized from the beginning institutional strengthening components (eg. on-going training, strategic planning, proposal writing, fundraising and funds management).⁷⁰

A proposal was submitted to the Embassy in April 1995 to be approved by July 1995. The Embassy sent the proposal to officials in Holland who, then, asked Esquel to clarify its role in relation to its counterpart NGOs, its procedures for the approval of proposals and how it would follow up in the field.⁷¹ Working with

Embassy staff, Esquel made adjustments that answered the issues raised in the Netherlands. The proposal was submitted a second time.

Because of this need for clarification, the proposal was not approved until November 1995. This created some challenges for Esquel in communicating with its local partners, whose expectations had already been raised. Esquel also felt pressured because the Embassy funds had to be disbursed in 1995. Esquel and the Dutch later agreed to implement the program in 1996.

Given the size of the program and the depth of the collaboration over the life of these agreements between the Embassy and Esquel, the written proposal was only one step in the process of negotiation. The process had a number of steps:

1. Esquel began by consulting with local counterparts to design and create a program that would best support their efforts
2. It then submitted a proposal, prepared in accord with its experience
3. The Embassy initiated a written and oral dialogue of questions and answers, working meetings and other contacts that assisted to revise the proposal
4. Through this exchange, agreement on a final program was reached

The result was a pilot one-year SHDP. Later Esquel and the Embassy agreed to a second phase in 1997 and, finally, a five-year (1999-2003) program of collaboration between the Embassy and Esquel.

Components of the Five-Year Proposal

The proposal for this cooperation was written in 1997, but because of the size and breadth of the program, negotiations took over a year to complete and the starting date for the third SDHS was moved to 1999. Esquel built on extensive evaluations of the first two programs and on-going negotiation with the Embassy. Both the Embassy and Esquel agreed that Esquel had managed the first two collaborations in a professional manner and with participatory procedures in developing the program and channeling funding. The Embassy felt however that projects had not been developed strategically enough to have a regional impact. Esquel disagreed with the expectation that one would have the level of regional impact expected by the Embassy in an 18-month period. Subsequently, the third proposal was developed to cover a five-year period and to enable it to have a deeper impact.⁷²

The comprehensive proposal contained the following contents and attachments:

Sustainable Human Development Program (SHOs)

Third Phase 1998-2000 [subsequently moved forward one year]

Contents

First Part: Background

Introduction

Current Situation

About the Executing Organization

Second Part: The Program

Definition

Geographic Focus

Target Population

Operative Methodology and General Strategy

General Objectives

Specific Objectives

Subprogram of Sustainable Development

Subprogram of Social Development

Subprogram of Institutional Strengthening

General Lines of Capacity Building

Third Part: Administration, Management, Monitoring and Revision

Administration and Management

Monitoring

Revision

Timelines and Disbursements

Duration and Cost of Program

Budget**Attachments to Proposal**

Diagnostic of the southern provinces: Azuay, Cañar, Loja y El Oro

Table of SHDS Projects phase III

Project descriptions SDHS phase III

Executing organizations and institutions that cooperate with the execution of SHDS

Grassroots groups that are part of SHDS

Capacity building lines SHDS phase III

Example 3

Government-to-Government Agreement to Create an Endowment

Foundation for a Sustainable Society, Inc. (Philippines)

“Development requires debt relief” was the proposition that precipitated the coming together of the Swiss NGO community, through the Swiss Coalition of Development Organizations, in 1989 for a campaign on creative debt relief measures aimed at relieving the burdens of partners to the South. This campaign found its way to the Philippines, eventually leading to the formation of the Foundation for a Sustainable Society, Inc. (FSSI) six years later.

The Philippine-Swiss debt project took almost three years to complete. It involved negotiations between Swiss NGOs and their government, between Swiss and Philippine NGOs, between Philippine NGOs and the Philippine government, among Philippine NGOs, and finally, between the Swiss and Philippine governments.

The Philippine Caucus of Development NGO Networks (CODE-NGO) found itself in the middle of a long and arduous process. The initiative came from the Swiss Coalition which requested CODE-NGO to assist in conducting local consultations on the project. CODE-NGO's consultant for the project and the person most responsible for seeing the project through, Neil Walton, was the Philippine Director of HELVETAS (a Swiss Coalition member organization) at the time of the inception of the project. Alfred Gugler, the point person for the project for the Swiss NGOs was a key person whose dedication enabled it to reach its ultimate conclusion.

As a first step, CODE-NGO and its consultant, Eugenio Gonzales (later to become the Executive Director of FSSI), gathered data regarding the Philippine governments existing policies on debt conversion. According to Gonzales, CODE-NGO learned that:

The process of designing the counterpart fund is an example of the participatory approach that Philippine NGOs and POs often advocate in development programs and projects. Although this approach consumes much time and energy, it nevertheless provides a more accurate estimate of the needs, objectives and accompanying systems that may enable the fund to strategically contribute to Philippine development.

When potential users participate in the design process, their experience and knowledge are used to identify what is needed and what is not, what works and what does not, what features in similar funds to emulate and what to avoid; what will make the fund different from other funds; etc. Had a "top-down" approach been used, the fund could have ended up duplicating and competing with other funding programs.

As designed the fund can assist organizations whose needs and capabilities are already outside or beyond the mandate of other funds. The fund can also go into co-financing arrangements or complementary funding with other financing institutions...

As in previous experiences, close coordination between organized NGO constituencies in the donor and recipient countries is crucial to the success of negotiations with governments. There were times when the revisions and delays in the two-year process put the future of the counterpart fund in doubt. In the end, however, both governments recognized and respected the Swiss and Philippine NGO constituencies. The coordinated communication of concern over long delays by the members of the Swiss Coalition of Development Organizations and CODE-NGO in mid-1995 led to a turning point that finally sealed the bilateral agreement governing the debt conversion.

A few heated debates (e.g. on representation, debt swaps, relations with government) between some of the Philippine networks also punctuated the process. These issues, however, were ironed out through careful negotiation along formal and informal channels.⁷³

The agreement between the Swiss and Philippines Governments that established the endowment of FSSI is summarized below. Fundamentally, it sets up measures that satisfy the official parties that the funds will be put to use in accountable manner toward their intended objectives.

Agreement Between The Swiss Confederation and The Republic of the Philippines on the Reduction of External Debt

The Swiss Confederation and the Republic of the Philippines (referred to below as "the Philippine, Switzerland and/or the Contracting Parties"),

Having regard to the friendly relations between the two countries,

Desiring to strengthen these relations,

Recognizing the external debt problem of the Republic of the Philippines and aiming to contribute to the solution of this problem,

Have agreed as follows:

Article 1 - Objective and Means

The objective of this Agreement is to promote the economic and social development of the Republic of the Philippines. This shall be achieved by an external debt reduction (referred to below as "External Debt Reduction") granted by the Swiss Confederation against the payment by the Philippines of an amount in local currency to a Foundation (referred to below as "the Foundation") created in the Philippines for a purpose of financing development projects and/or programs (referred to below as "Projects/Programs").

[The rest of the agreement follows the headings listed below]

Article 2 - External Debt Policy

Article 3 - Eligible External Debt

Article 4 - Conversion of External Debt and Contribution to the Foundation

Article 5 - Utilization of the Amount by the Foundation

Article 6 - Consultations and Inspections

Article 7 - Reporting

Article 8 - Amendments

Article 9 - Entry into Force and Effectiveness

Article 10 - Disputes between Contracting Parties

Article 11 - Authorities

Contribution Arrangement

This CONTRIBUTION ARRANGEMENT (hereinafter referred to as ARRANGEMENT), made and executed by and between:

The Republic of the Philippines, herein represented by the Secretary of the Department of Finance and referred to as the PHILIPPINES.

And

The Swiss Confederation, hereinafter represented by the Federal Office of Foreign Economic Affairs of the Federal Department of Public Economy and the Swiss Development Cooperation of the Federal Department of Foreign Affairs, and referred to as SWITZERLAND.

And

The Foundation for a Sustainable Society, Inc. (FSSI), a non-stock, nonprofit, tax-exempt corporation with donee status organized under and by virtue of the laws of the Republic of the Philippines, herein represented by its Chair and referred to as the FOUNDATION.

Witnesses: That

The PHILIPPINES and SWITZERLAND have entered into an Agreement of the Reduction of External Debt and the Establishment of a Foundation (hereinafter referred to as an AGREEMENT), as of August 11, 1995. By way of this AGREEMENT, the PHILIPPINES and Switzerland have agreed to convert the external debt into a debt in local currency to be paid to the FOUNDATION. The external debt outstanding shall be extinguished in full by this conversion and payment.

In witness thereof, the Contracting Parties agree as follows:

Section 1 Mode of Payment — Payment shall be effected by the PHILIPPINES not later than 30 days after the signature of the AGREEMENT in the following manner:

- The Philippines shall pay 5% (five percent) of the Amount to a market interest bearing local currency account (hereinafter referred to as the "Cash Account") opened by the Foundation in the name of the Foundation with the Land Bank, acting initially as depository bank (referred to below as "Bank").
- The Philippines shall deposit the market equivalent of 25% (twenty-five percent) of the Amount in Treasury Bills with a 91-day maturity to a depository account (hereinafter referred to as the "Deposit Account") opened by the Foundation in the name of the Foundation with the Bank.
- The Philippines shall deposit the market equivalent of 25% (twenty five percent) of the Amount in Treasury Bills with a 182-day maturity to the Deposit Account.
- The Philippines shall deposit the market equivalent of 45% (forty five percent) of the Amount in Treasury Bills with a 364 day maturity to the Deposit Account.

Section 2. Use of the Funds. — The amount of the grant shall be used by the FOUNDATION solely in the following manner:

- (a) The funds, including interests accrued, shall be used exclusively for financing projects and/or programs through either grants or loans for covering the administrative costs of the FOUNDATION and the costs related to the appraisal, monitoring and evaluation of projects and programs, as well as paying for the official bank charges related to the administration of the funds.
- (b) Projects and/or programs funded by the FOUNDATION shall relate to the sector/area of "sustainable production." This covers productive activities in the field of agriculture and fishery, and in the urban and rural small industries sector. Such activities should be economically sustainable and environmentally sound. It also includes forward and backward linkages, as long as they are directly and essentially linked to and contribute materially to specific ongoing projects.

- (c) Financing for the purpose mentioned in paragraph (b) shall be granted exclusively to projects and/or programs conceptualized, managed and implemented by non-governmental/private organizations or associations, for entities such as people's organizations, and marginalized communities.
- (d) Funding made available by the FOUNDATION shall follow clear and transparent guidelines. These shall be designed and adopted by the FOUNDATION's Board of Trustees not later than 6 (six) weeks after the signing of the AGREEMENT and approved by the Philippines and Switzerland within thirty (30) days after submission. No disbursements for projects or programs shall be made before this approval has been effected.

Section 3. Reporting. — The FOUNDATION shall submit to the PHILIPPINES and SWITZERLAND annual financial and external audit reports as well as annual progress reports on the FOUNDATION's funding activities on or before April 30th each year.

Section 4. Verification of Accounts. — The Philippines and Switzerland are entitled to check the accounts of the FOUNDATION including the utilization of all funds, property and other assets, books, records and other documents relating to the Contribution, and to review the progress achieved in the implementation of the FOUNDATION's activities.

Section 5. Representation of the Governments. — During the first six years of the Foundation, the PHILIPPINES represented by the Department of Finance shall have the right as ex-officio member of the Board of Trustees, but not to vote. SWITZERLAND in its function as observer, has the right to be present at the meetings of the Board of Trustees.

Section 6. Continuation of Rights. — After the first 6 (six) business years of the FOUNDATION, the PHILIPPINES and SWITZERLAND shall jointly assess the performance of the FOUNDATION and decide about the continuation of their rights as provided under Section 3 (Reporting), Section 4 (Verification of Accounts) and Section 5 (Representation of the Governments). The Foundation accepts that the Government of the Philippines represented by the Department of Finance may be ex-officio of the Board of Trustees for the lifetime of the Foundation.

Section 7. Administrative Costs. — The FOUNDATION shall ensure that the level of administrative expenses, including monitoring, reporting and evaluation, on an annual basis does not exceed twenty-five percent (25%) of its total utilization during the taxable year. Likewise the Foundation shall ensure that these expenses are reasonably incurred while keeping all official receipts and related records for such, and shall establish rules on accountability.

Section 8. Revocation. — In the event that the FOUNDATION fails to comply with the conditions and obligations laid down in the ARRANGEMENT, the PHILIPPINES shall have the right, in consultation with SWITZERLAND, to cancel the ARRANGEMENT and to demand repayment of any funds not used and committed by the FOUNDATION, as well as of all assets acquired/arising from proceeds of the transactions envisaged under the ARRANGEMENT, including receivables. These repayments shall be deposited into a Trust Fund, deposition of which shall then be decided jointly by the PHILIPPINES and SWITZERLAND.

Section 9. Acceptance of the Payment. — The FOUNDATION does hereby receive and accept this payment in its favor, subject to the conditions thereof.

Section 10. Perfection and Effectivity. — This ARRANGEMENT shall be perfected upon signature and shall become effective once payment referred to under Section 1 is made.

IN WITNESS WHEREOF, the parties have signed this ARRANGEMENT this 11th day of August 1995 in Manila, Philippines.

[Signatures of the Secretary, Department of Finance, Philippines; Ambassador of Switzerland to the Philippines; and Chair of the Foundation for a Sustainable Society, Inc.]

References

⁵³ Internal documents, Community Development Foundation of Mozambique. 1996.

⁵⁴ *Tercer Setor* #9.

⁵⁵ *History of Action*.

⁵⁶ Abrinq brochure. Undated.

⁵⁷ Abrinq Child Friendly Company brochure/guidelines. Undated.

⁵⁸ *Philippine Business for Social Progress Annual Report 1997*.

⁵⁹ Garilao, Ernesto D. "Philippine Business for Social Progress: Can it be Replicated?" Paper presented at the *Conference on International Philanthropy*. May 1991. New York City.

⁶⁰ *PBSP Annual Report 1997*.

⁶¹ Much of these information and that which follows is based on Tan, Victor E. *The Philippine Business for Social Progress: A Case Study*. New York: The Synergos Institute. 1997.

⁶² *Ibid*.

⁶³ *PBSP Review of the Past 25 years 1971-1995*.

⁶⁴ Tan, *op cit*.

⁶⁵ Email from Flory Tabio, PBSP Director of Member Services. August 1999.