

Corporate Philanthropy in Asia: The Philippine Case:

An Overview of East and Southeast Asian Philanthropy

By Gisela Velasco

Introduction

To talk of East and Southeast Asia nowadays is to talk of booming economies, the fast rate of growth and the rise of a new set of nouveau riche. That is, however, just one face of reality. There is another reality in Asian life that has remained invisible in the past. In recent periods, philanthropy has expanded and gained prominence due to the increase in economic influence and the growing wealth of countries in the region. More important, this tradition is increasingly becoming more formalized and organized.

The notion of philanthropy or concern for humanity is hardly alien to the Asian psyche. Early Chinese civilization (Sung Dynasty, 960-1279) had already displayed philanthropic practices in line with the Confucian teachings of family and the proper relationship between family and state. In Japanese society in the eighth century, historical records reveal the practice of individual philanthropy by the nobles or senior monks toward the poor and the sick. In Korea, although helping the poor during periods of famine was considered a government concern, lineage groups were traditionally the next most important resource for helping the poor. Buddhism played a vital role in Thailand throughout the country's 700-year history, serving as the center of community social welfare and inspiring believers to attain merit through giving. In Indonesia and in the Philippines, the concept of mutual aid pervades both countries' rural traditional communities. The notion of *gotong royong* in Indonesia involves contribution of goods and services in case of disasters, sickness or accident, and cash donations for marriages, burials and other forms of celebration. Similar to this is the *bayanihan* concept in the Philippines which denotes mutual assistance and is rooted in a deep sense of mutual respect. ¹

Several other factors besides historical traditions shaped the various types of philanthropy that currently exist in each country in the region, including: (1) the impact on the traditional philanthropic practices of economic and social changes that swept the region for the last three decades; (2) the structure of East and Southeast Asian wealth and widespread perceptions within Asia of economic insecurity; (3) the changing nature of government-business relations in the region; (4) the nature of decision-making in corporate foundations, especially the relationship of corporate philanthropy

to corporate marketing strategies; (5) the legal and regulatory context affecting the establishment and operations of philanthropies; and (6) the perceptions of the NGO sector in each country and its relationship to the state and to the business community. ² The interplay of the above factors has resulted in varied approaches and styles. Overall, philanthropy in the region may be characterized by the following: ³

1. Individual philanthropy exists, but remains informal and undocumented.

This can be partly attributed to the absence of favorable incentives such as tax benefits and a structure of wealth-creation that is largely corporate-based. The cultural context has something to contribute as well. First, for wealthy individuals, family and kin remain the primary targets of assistance before the wider community and society. In Asian culture, a person's identity is tied to a large extent to the social and economic standing of the family's name in the community. There is always a collective effort to bring the family's reputation to a certain socially-desired level. As such, extending the benefits of wealth that one family or clan member has achieved to the less economically privileged members is expected. Another cultural barrier to formal philanthropy is the stigma associated with conspicuous display of personal or family wealth.⁴ While the wealthy are expected to provide assistance to those in need, especially during calamities, doing so in an ostentatious or flagrant manner is a taboo. Even companies are sometimes not spared from this disdain.

2. While corporate philanthropy remains small and limited in scope, the sector is rapidly growing in terms of numbers and asset size and has the potential to become a significant resource base for nonprofit activities. ⁵

In Korea, corporate foundations are still focused mainly on scholarships or research grants, with small grantmaking operations and often close control by the parent company's owners. ⁶ In Indonesia, despite the absence of tax incentives, there are corporations that are becoming engaged in social development activities. These come in various forms such as the collective pooling of funds for the environment, and support of small enterprises and sponsorship of community forestry projects. ⁷ Japan has the most organized corporate philanthropy, with several of its corporate foundations engaged in overseas grantmaking.

While efforts to organize corporate philanthropy are currently underway, Jung ⁸ identified several key factors that would determine the level of professionalization that will occur. First is the size and maturity of the private business sector and consequently, the amount of resources that

are in private hands. To the extent that the state dominates the business sector, the less likely it is that private philanthropy will prosper. The dominance of Chinese businesses may also limit the formalization of the philanthropic sector due to the view that philanthropy is a personal matter. Another key aspect is the legal framework and the tax incentives available for corporations to give to charitable causes. Except for Indonesia, Asian governments have in general been providing tax incentives (see Table 1). The problem lies in finding the proper channels for grants. Nonprofit organizations have often found it difficult and cumbersome to acquire eligibility for tax-deductible donations. Furthermore, the extent of "forced" philanthropy that the state engenders within the business sector to support government programs may limit the transparency of corporate philanthropy. Finally, the separation of ownership and management in the parent company will also determine the level of professional management that the foundation can achieve in pursuing its own agenda.

3. The region is witnessing a rise in innovative funding mechanisms.

Fundraising events for nonprofit work are slowly gaining success in the region. Among the activities related to these are community chest and child sponsorship campaigns, and the use of proceeds from gambling events (horse racing, motor boat and automobile racing) to support grantmaking foundations. Community foundations have been pioneered in Japan both on a local (Osaka Community Foundation) and on a regional basis (Asian Community Trust).

A more recent trend however, is the establishment of endowed grantmaking foundations whose funding comes from public sources but are managed by semi-autonomous boards of trustees. The endowment comes in various forms such as local currency proceeds from debt swaps, proceeds from the sale of donated food commodities, endowment grants from bilateral donors, corporate donations of blocked local currencies and cash donations. [9](#)

4. Regional cooperation within the philanthropic sector is now underway, further strengthening the sense of community.

The sense of regional community in East and Southeast Asia is a recent phenomenon, driven mainly by economic rather than political processes. While the process has been difficult due to cultural, linguistics and historical differences, the high level of interest among governments and the private and nonprofit sectors points to increasing support in future. This recognition came about as government diplomatic efforts proved inadequate in providing solutions to complex social problems, particularly those that are interrelated with problems in other countries. For example,

the lack of adequate child care services in Singapore has led to the hiring of Filipina women workers, who have had to leave their own families in order to earn higher wages. This calls for concerted action to examine the situation in both countries.

Within the philanthropic sector, mechanisms for in-country cooperation have also emerged. In Thailand, for example, the Thai Business Initiatives for Rural Development (TBIRD) facilitates the flow of corporate resources for rural development. Through the mechanism of adopting a Thai village, corporate funds and volunteers are channeled into economic development projects. In the Philippines, the Philippine Business for Social Progress (PBSP) has pioneered in the collective pooling of funds to support the nonprofit sector in that country. In allocating 1% of their pretax profits for social development, these companies have not only reached a greater number of people but have transferred their management expertise to help professionalize the sector as well. Besides in-country programs, regular exchanges and visits between and among corporate and nonprofit representatives within the region have helped to begin a process of dialogue toward cooperation. [10](#)

Building on these initiatives and the results of two international symposia on private philanthropy in East and Southeast Asia, four institutions that have long been involved in promoting philanthropy in the region have formed the Asia-Pacific Philanthropy Consortium (APPC): The Asia Foundation, the Japan Center for International Exchange, the Institute for East and West Studies in Yonsei University in Seoul, and the Philippine Business for Social Progress. The Consortium was launched in December 1994 with the following objectives: [11](#)

- * to promote the role of philanthropy in addressing critical issues in the Asia-Pacific region;
- * to increase the flow and effectiveness of philanthropic giving within and to the region;
- * to respond to the institutional needs of existing and emerging Asia Pacific philanthropies through networking, human resource development and research;
- * to facilitate efforts by philanthropic organizations in the region to identify and collaborate in addressing issues of mutual concern.

To accomplish these objectives, the Consortium supports four types of activities:

(1) Human resource development through technical support, training or internships in the management of philanthropic organizations. The APPC recently conducted a training needs analysis among corporate donors in the region and will offer training programs as well as related training initiatives for nonprofit organizations.

(2) Research to address critical issues affecting the nonprofit sector and to encourage wider discussion about its role in Asia Pacific. A Comparative Study of Nonprofit Law in East and Southeast Asia is currently underway, with an anticipated completion date of 1997.

(3) Establishment of a clearinghouse and databases to share information about the sector in the Asia-Pacific region. A central clearinghouse has been set up at the Institute of East and West Studies in Yonsei University with satellite information centers in Hongkong, Thailand, Japan and the Philippines.

(4) Networking and exchanges to enable staff and principals of Asia-Pacific philanthropic organizations to share experiences, jointly consider issues of common interest, and facilitate international philanthropic cooperation. The Consortium and its members actively provided financial and technical assistance to the Council on Foundations conference on "Corporate Community Involvement in Asia-Pacific" held in Hongkong in September 1995.

Focusing on the Philippine Case

The challenges that Asian corporate philanthropy confronts within the context of a growing, dynamic nonprofit sector can best be illustrated by a closer look at the case of the Philippines. Considered unique in the region due to its strong Western acculturation, the Philippines, nonetheless, plays host to a vibrant nonprofit sector, a longstanding tradition of corporate philanthropy and a socio-political context that allows the full development of these sectors.

This section will therefore describe the current state of corporate philanthropy in the Philippines and examine ways in which local giving can respond more effectively to the social development needs of the country, particularly the funding needs of social activist and development NGOs. The discussion will consist of three parts: first, an overview of the nonprofit sector and its current role in Philippine society; second, an examination of the state of philanthropy and the dominance of the corporate sector; and third, an analysis of some approaches currently being used in the United

States and other countries that might be applicable to the Philippine setting.

The Philippines' Socio-Political Context

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The Philippines is an archipelago situated in Southeastern Asia with a total land area of 298,170 sq.kms., slightly larger than Arizona. The country's population is estimated to be seventy-three million people, comprised mainly of Christian Malay (91.5%), Muslim Malay (4%), Chinese (1.5%) and others (3%). The Roman Catholic Church dominates the religion in the country (accounting for 83% of the population) with the hierarchy exerting significant influence over the political leaders. While the literacy rate is high (94% of those aged 15 and over), the incidence of poverty was still pegged at 40% of the population in 1991.

Agriculture dominates the Philippine economy, accounting for 22% of the Gross Domestic Product (GDP) and about 45% of the labor force. The manufacturing sector, on the other hand, drives the economy forward. From a zero growth increase in 1992 due to a series of calamities, drought and power supply problems, the country reported a 4.42% GNP growth in 1994. Investments have also poured in and inflation has remained at the single digit level. Overseas contract workers' remittances helped supplement the GDP by accounting for close to 8.6% of the total balance of payments inflow in 1994.

More than social and economic conditions, it is the political arena that has displayed the most dramatic changes in the country over the last twenty-five years. From 1972 up to 1986, the Philippines was under the Martial Law rule of Ferdinand E. Marcos. A shrewd politician and master in maneuvering, Marcos' dictatorship was backed by strong military support. Political opposition was practically powerless and ineffective until the assassination of former Senator Benigno Aquino (the husband of Corazon Aquino) when public outcry increased and protest actions gained enormous support. The series of street marches and mounting social protest culminated in the 1986 "people power" revolution in EDSA, a bloodless coup led by disillusioned military leaders and supported by the public.¹³ When Marcos left the country in February 1986, Corazon Aquino, his presidential opponent came into power and began setting the foundations for a democratic society. In the 1992 Presidential election, her anointed candidate (and one of those who led the coup in EDSA), Fidel V. Ramos, was elected by a little more than 20% of the voters. Since then, Ramos has worked conscientiously to achieve a high degree of political stability that had previously eluded the country over the last twenty years.

The strength of rebel forces in the Communist Party reached its peak in 1987 but was subsequently weakened due to dissension within the ranks. At the same time, leaders of the right-wing military faction entered mainstream politics. The greatest remaining threat to social and economic stability currently comes from ethnoreligious extremists in the southern part of the country.

There have also been reforms in the government bureaucracy. In 1991, Congress enacted a Local Government Code, setting in motion a devolution process. This process called for local government units' assumption of significant control and responsibility over what used to be a highly-centralized system. The Local Government Code further provided for the participation of nongovernmental organizations (NGOs) in planning and monitoring local development programs. Similar reform programs have also been introduced for police and military organizations.

The democratization process that has driven the Philippines forward has occurred in marked contrast to political developments in other areas of Southeast Asia. Malaysia, Indonesia, Thailand and Singapore have experienced far more impressive economic performance under the strong control of authoritarian governments (see Table 2). This has earned the Philippines the label of "the sick man in Asia." Determined to prove otherwise, the government is hard-pressed to sell the country to foreign investors while paying attention to social reforms and poverty alleviation measures. The success the country will have in this regard will be determined by how successfully the government and other sectors can work together in preserving its democratic tradition without compromising its quest for growth and equity.

The Nonprofit Sector in the Philippines

Defining the nonprofit sector in the Philippines today is difficult, since there is no general classification used to categorize a nonprofit, non-stock organization when it registers under Philippine law. An estimated 30,000 nongovernmental organizations are registered with the Securities and Exchange Commission. The Department of Interior and Local Government which accredits non-governmental organizations (NGOs) that will sit in special local bodies had a total list of 14,398 in 1994. ¹⁴ This estimate does not include cooperative organizations that, although performing a similar function as other NGOs, are registered under the Cooperative Development Agency. Aside from cooperatives, a partial list of nonprofit organizations would include:

- * civic and professional associations
- * medical and health societies

- * schools and other learning institutions
- * church and religiously-affiliated organizations
- * community associations, including people's organizations
- * advocacy groups
- * organized charitable and welfare-providing institutions
- * social development agencies

In current nomenclature, the term "NGOs" refers primarily to organizations belonging to the last three categories.¹⁵ They are more visible, active and organized in their approach, allowing greater professionalization and accountability. Among the activities that NGOs in the Philippines normally undertake are: implementation of specific projects to address community needs (e.g., economic development, adult literacy and skills training, reforestation, disaster management, etc.); policy advocacy; training and research; resource mobilization and management and networking.

These groups number approximately 6,000 to 8,000, about 1,500 of which belong to the umbrella group, Caucus of Development NGOs (CODE-NGO), organized in 1990. CODE-NGO marked the first time that the Philippine NGO community displayed unity, transcending differing orientations and ideological persuasions.

Since this paper does not focus on the nonprofit sector *per se*, some observations need to be made at this point regarding the sector. First, the emergence and development of the nonprofit sector in the Philippines can be traced to the influence of Catholic and Protestant teachings and Church leadership. Unlike the spirit of pluralism and freedom which dominated the development of the nonprofit sector in the US, Christian values of charity and piety moved people to look beyond their own concerns to those of others in order to gain heavenly blessings. The development of a more liberal and progressive approach to change in the 1960s was spurred in part by the teachings of the Second Vatican Council and the efforts of some members of the clergy to translate them into action. During the repressive Marcos regime, many social development initiatives continued under the Church's social action programs. The government allowed these to exist so as to maintain cordial relations with the influential hierarchy. Finally, the role of the Church in mobilizing people in the historic EDSA revolution has been acknowledged as a key factor in the success of the uprising.

Another observation is that a significant number of present-day NGOs maintain a strong leaning or bias toward socialist principles of conscientization, collective action and change. This can be attributed to the Communist influence which began in the country as early as the 1920s and reached its peak in the 1970s and 80s. Many NGO leaders were also

active in parliamentary and extra-parliamentary processes to oppose the dictatorship of the Marcos regime. This ideological bent has served as the foundation of the community organizing approach and the structural analysis process which dominated the education process of the current NGO leaders.

With the rise of Corazon Aquino and her belief in the NGO sector, many NGOs began to explore collaborative partnerships with the government bureaucracy. This was boosted further during the current term of the Ramos administration. NGO participation has been recognized in major initiatives in socio-political reform, such as the Social Reform Council, the Philippine Council on Sustainable Development and the Legislative-Executive Development Advisory Council. A number of government agencies have established close cooperative relationships with NGOs, maintaining NGO desks to strengthen the partnership and tapping these organizations as contractors of government programs. Among them would be the Department of Agrarian Reform, Health, Agriculture, Social Welfare and Development, Trade and Industry, Labor and as cited above, Interior and Local Government. While previously suspicious and wary of one another during the Marcos regime, NGOs and government agencies today have arrived at a stage of "critical collaboration."

These exchanges have resulted in the adoption of strategies from each other. Government programs now consciously include social preparation, community organizing and consultation. On the part of the NGOs, the legitimacy they began to enjoy required increased transparency and accountability, leading to the further professionalization of the social development sector. It should be noted that many NGOs started with the conscious intent of presenting themselves as "alternatives" to the status quo. As such, management systems and organizational development were given a lower priority than being participatory, process-oriented and flexible organizations. In 1991, the CODE-NGO adopted a Code of Ethics as a means of professionalizing and maintaining the credibility of the sector. Other steps toward this direction are attempts to install financial management systems and undertake regular exchanges with the academic sector for theory-building.¹⁶

A major cause of concern among NGOs nowadays is the issue of sustaining the work that has flourished in the face of declining foreign assistance. It should be noted that the majority of the support for all social development work came from overseas assistance. At the height of repression during the Marcos regime, funds poured in from Church-based organizations, progressive political parties and foundations, trade unions

and small voluntary organizations from Europe and North America. Even portions of official development assistance (ODA) funds began to be directly channeled through NGOs in the latter part of the Marcos era as the government started to lose its credibility within the international community. The size of this funding dramatically rose during the Aquino government and led to a rapid increase in the number of NGOs.¹⁷ As the country moved from the dark days of repression and the glorious days of democratic uprising, donors shifted their attention to other countries in Eastern Europe and Africa. The problem of over-dependence on external funds has prompted some forward-looking NGOs to start building other sources of funding through endowments and investment management, undertaking business ventures and providing fee-based technical services. The number of NGOs engaged in these is very limited at this point and marked by underlying tensions within the "profit motive" vs. "social good" debate.

The threat of diminished funding and the question of the future of many small NGOs have raised concerns about the need to explore new forms of partnerships with donor agencies. Two debt-for-development swaps have been successfully negotiated with the United States and Switzerland, paving the way for the creation of endowed foundations. The Foundation for Philippine Environment (FPE) and the Foundation for Sustainable Societies (FSS) are both publicly-endowed, NGO-managed mechanisms that support environment projects. Beyond this model and other forms of external funding, the availability of local resources is also being explored. Undoubtedly, Philippine philanthropy has to be strengthened to carry on the work of social development over the long-term.

The Legal Framework for Philanthropy

While the role of private foundations had been acknowledged as early as 1906 in Philippine law, it was not until the presidency of Corazon C. Aquino that nongovernmental organizations were given renewed recognition. A year after her assumption into power, a new Philippine Constitution was drafted and ratified, providing a role for NGOs. Section 23 of Article II of the 1987 Philippine Constitution states that "the State shall encourage non-governmental, community-based or sectoral organizations that promote the welfare of the nation." Specific to private philanthropy, Section 11 of Article XIV ensures that "the Congress may provide for incentives, including tax deductions, to encourage participation in programs of basic and applied scientific research."

At present, donations made to private foundations, domestic corporations or associations organized and operated exclusively for religious,

charitable, scientific, youth and sports development, cultural and educational purposes; the rehabilitation of veterans; or for social welfare institutions, can take advantage of the following incentives: [18](#)

1. Either limited or full deductibility of such contributions or gifts for income tax purposes under Section 29(h) of the Tax Code;
 2. Exemption from the estate tax under Section 80 (d) of the Tax Code;
- and

3. Exemption from the donor's tax under Section 94 (a)(3) of the Tax Code. Contributions or gifts may be deducted by the donor for income tax purposes in an amount not exceeding 3% (in the case of a corporation) of the donor's taxable income. In the case of individuals, only those engaged in business or the practice of professions may deduct donations up to 6% of their income. This is further limited by the Simplified Net Income Taxation Scheme (SNITS). SNITS provides that only contributions made to the Government and accredited relief organizations for the rehabilitation of calamity-stricken areas declared by the President are deductible.

Aside from working to revise the legal disincentives to individual giving, NGOs have also lobbied for expanding some provisions related to non-cash donations. These would include the valuation of in-kind donations based on real market values and not on the outdated valuation of government assessors. Used personal property should be based on fair market value (not depreciated or book value) which is what the donee would otherwise pay to acquire the same product. More specific laws are also needed concerning the donation of properties that appreciate in value over time, e.g., paintings, heirlooms, patents or copyrights, claims or royalties.

The regulatory context for corporate giving is currently undergoing discussion and debate as well. In a move to administer an effective taxation system, the government is proposing a Simplified Net Income Taxation Scheme (SNITS) for corporations. This scheme would impose a lower 25% corporate tax rate on the gross income/profit of the firm. In assessing a firm's gross income/profit, only the cost of goods or sales and other direct business expenses would be allowed for deduction. Included in the original government proposal for deductibility are donations to government projects but not those to charitable institutions.

To counteract this measure, a group composed of the Association of Foundations, the League of Corporate Foundations and the Philippine Business for Social Progress submitted a paper opposing the narrow definition of deductible donations. The group went a step further and proposed to carry out a self-managed certification process for NGOs. The government, in principle, has accepted the proposal to include donations to

"certified" NGOs as tax deductible. The proposed tax reform package is now with the Philippine Legislature for review and approval. Meanwhile, the NGOs are actively laying the groundwork for the adoption of the certification scheme.

Individual Philanthropy

Unlike the United States, individual philanthropy remains a hidden force in the social and economic life of the Philippines. Charity work is often practiced within the family and kin system, rather than institutions. With a government barely able to adequately address public welfare needs, the family remains the primary social unit and source of support. Charity is therefore commonly and routinely extended to family members and kin needing assistance.

Among the middle and upper classes, religious giving dates from the Spanish Period. Giving to the Church was practiced for incurring favors from heaven. Secular welfare agencies did not come into being until the American colonial period (1900- 1940), and the role of wealthy individuals in their establishment remains uncertain. Nevertheless, the local elite was known to support the organizations managed by the Americans or which had international appeal, rather than local charities. Postwar charity often consisted of annual donations to orphanages or hospitals.¹⁹

At present, individual giving and volunteerism are evident in religious (tithing, volunteer organizations), social (civic and professional associations), and political (election-watch) activities. These activities remain undocumented and informal, with kin or immediate communities as the primary targets of assistance. Major fundraising events are done only at certain times of the year (e.g., Christmas, elections, disasters, anniversaries, etc.) instead of on a continuous basis. While the potential for expanding this type of support to NGO activities is present, this would entail expanding the horizon of the givers to include the wider community and strengthening tax incentives. Incentives should be provided not only for persons engaged in business or professions but for those who are employed outside these areas as well.

Grantmaking Foundations

The Philippine Corporation Law of 1906 recognized private nonprofit organizations, classifying them under the broad term "foundations." The creation of independent and family foundations, though, did not start until after 1958 when Congress passed the Science Act. This law aimed to intensify scientific and technological research and development. To encourage private sector participation, fiscal incentives were granted to

those who undertook scientific and technological projects approved by the Department of Science. This spurred the creation of family and corporate foundations, which were rhetorically committed to advancing research in the pure and applied sciences. In reality though, these foundations served as formal structures through which the wealthy families could channel their philanthropic activities, which often consisted of little more than the usual charities.

It is difficult to ascertain fully who are the remaining grantmaking foundations in the Philippines. Some family foundations have been converted to corporate foundations. As such, their program operations have moved into geographical areas and issues important to the company. This technique also allows foundations to increase their funding base beyond the original endowment through annual corporate contributions. Many have begun to implement their own programs as well, becoming operating foundations and thereby eligible to obtain overseas funding that flowed into the country from the 1980s.

The remaining independent or private foundations that continue to do grantmaking are few in number. Those that existed prior to 1970 would have been set up for specific or limited purposes and therefore would be difficult to move into new fields. Further research on the presence, size and thrust of Philippine grantmaking foundations needs to be done before their potential for supporting social development can be fully ascertained.

Philippine Corporate Philanthropy

How Corporate Philanthropy Evolved

Corporate giving has strong roots in Philippine society. Its origin can be traced to the long tradition of benevolence by wealthy families who actively donated to Church welfare activities. Describing corporate social responsibility in the 1950s, a Filipino *guru* in business management wrote:²⁰

"The business then of business was to produce goods and services that satisfied society's needs, and in the process, to make a profit. Beyond these, the responsibility of a corporation to society was to engage in philanthropy, to contribute some of its surplus for civic and social causes." From the 1960s to the 1990s, this notion of philanthropy went through a process of revisioning with the rise of activism and social discontent. After years of discussion and experimentation, the concept of corporate citizenship has emerged to provide the *raison d'être* for engaging in philanthropy. Spurred by the growing concern for sustainable

development, Washington SyCip, chair of the SGV Group of Companies and a preeminent businessman noted:

"... the business of Business must also be to ensure the long-term development and sustainability of our environment. Business should also be concerned with the human resource growth of our children as future workers in the workplace."²¹

What led to this shift in orientation? The succeeding discussion traces how the major socio-political changes that occurred within the last four decades forced Philippine companies to discover new ways of relating community interests to their own profitability, and eventually, survival.

The First Decade (1960s): The Decade of Donations

During the Spanish period and the era before World War II, land was the primary symbol of wealth. Economic control was in the hands of the landowners, who were expected to provide for the needs of the community dependent on their land for survival. During the twenty-five-year period after the war, the Philippines slowly recovered from the ravages of the hostilities and began to rebuild and improve the economy. A new bourgeoisie also began to develop, mainly businessmen and industrialists who came from middle and lower class backgrounds, who made their fortunes via trade during the Japanese occupation (1941-44).

Consequently, the old system of landlord-tenant dependence began to disintegrate as the pace of urbanization increased. In part, it was replaced with annual cash donations to various welfare and civic organizations, a simple, uncomplicated process, totally inconsequential to business operations but mandatory nonetheless as a measure of social status. While business was busy getting rich quickly, lopsided economic growth began to take its toll. Social inequity was high, with the top 5% of families receiving an annual income thirty-three times the average of those in the lower 20 percent.²² Growing social movements overseas began to fuel the activist movements in the country as well. Discontent in the countryside and in factories led to massive protest demonstrations that came to be known as the riotous period of "First Quarter Storm." As businessmen began to witness demonstrations within the financial district where they worked, some progressive leaders began to reassess the role played by business in the country's development. Their conclusion was that while business had been supporting various charitable activities on a sporadic, fragmented and uncoordinated basis, there was a growing need for organized, professional and continuing assistance.

The Second Decade (1970): The Decade of Organization

Inspired by a business association in Venezuela, *Dividendo Voluntario para la Comunidad*, several business leaders (among whom were Jose Soriano of San Miguel Corporation, Sixto K. Roxas of the Economic Development Foundation and Howard Dee of the Association for Social Action) organized the Philippine Business for Social Progress (PBSP). PBSP's job was to develop a method that would attack national ills "in a way which parallels the vigor and industry with which private enterprise has tackled the challenge of economic development in the country." Support for the organization was to come from annual voluntary contributions from member companies who pledged to commit 1% of their pretax net profits. Of this, 60% of the one percent was initially channeled through PBSP to finance development projects in the name of all member companies. The remaining 40% was to be retained by the company for its own programs. ²³ Founded by fifty charter members who signed the statement of commitment in December 1970, PBSP's membership increased to 137 by the end of its first year of operations.

After hiring some staff to professionally manage the giving program, the Board began to pursue an agenda for social development. From the start, the melding of business discipline and social development expertise was encouraged as the Board, composed of chief executive officers, interacted with the Foundation's professional staff. The initial agenda focused on grants to test and validate the social development approach (versus the charity or welfare strategy). While the Board was interested in high impact projects with a potential for nationwide replication, the staff initiated the community organizing and empowerment programs.

In its first decade of operation, PBSP focused on developing a track record. Its primary activities included (1) developing the capacity of partner NGOs through regional training centers; (2) building staff capabilities through intensive supervision and on-the-job training; (3) developing a focused grantmaking program; and (4) maintaining the interest and commitment of the member companies.

Today, PBSP is the largest grant making organization in the Philippines. Over the twenty-five years of its existence, the Foundation has grown from fifty member companies to its present roster of 182. Over the same period, a total of \$17.5 M was contributed by the membership, which in turn has been leveraged to raise an additional \$32.5 M from private and bilateral donor agencies (i.e., for every dollar raised from member companies, an additional dollar and fifty cents was mobilized from other sources). The total grants assistance of \$50 M has supported 3,440 projects through 1,000 NGO partners benefitting some 1.78 million Filipinos. ²⁴

Aside from PBSP, other organizations established during this period with strong business leadership were the Bishops-Businessmen's Conference (BBC) founded in 1971 and the Association of Foundations (AF), which began operations in 1972. BBC served as the venue for the Church and the business sector to address their common concern for the plight of the poor. The AF, on the other hand, was the country's first foundation network. The three organizations, PBSP, BBC and AF operated independently but shared a common role in promoting corporate social responsibility. They also successfully opposed a move by the Philippine government in 1979 to impose a mandatory 1% corporate tax for social development under the management of a quasi-governmental body.

The Third Decade (1980s): The Decade of Involvement

The early part of the decade saw the Philippine economy shrinking in size and foreign investments pulling out. This situation was triggered by the worsening debt crisis, the political turmoil after Benigno Aquino's assassination and the expansion of insurgency in wider areas of the country. In the midst of this crisis, communities turned to the companies near them to provide much needed support. Once again, confronted with a socio-political problem, many companies began to respond by directly providing services to their communities. This practice evolved into what is now known as community relations or comrel.

Community relations is defined as an activity in which a corporation gets directly involved with a specific community in a program or project, resulting in benefits that principally accrue to the target community. It is distinguished from corporate giving or donations programs by the fact that program assistance is directed to a specific community, and given as part of a long-term commitment.

The initial comrel efforts were largely welfare-oriented responses to the crisis. As the economy began to grow, companies began to view comrel as a means of improving the economic situation in their communities in order to promote more peaceful business operations. Thus, companies began to expand their notion of stakeholders -- from shareholders to employees to external publics such as the community -- and to redefine the meaning of their responsibilities.

In the early 1980s, PBSP began to receive requests from its member companies to provide technical assistance in designing community programs. This assistance was eventually formalized into a unit within the Foundation that catered exclusively to member companies' needs in relation to their community involvement activities. In January of 1993, the Philippine Business for Social Progress conducted a survey of 110

companies known to have been implementing comrel programs for a period of time. The survey's fifty-five respondents yielded the following findings: [25](#)

* Community relations is a practice upheld by Philippine companies regardless of size, sector or location. It finds its basis in both altruism and pragmatic business concerns. While there is a predisposition to help the community, impoverished socio-economic conditions and the social unrest these breed compelled companies to regard comrel as a serious undertaking worthy of full-time attention.

* In most cases, the company founders or CEOs were the driving force for the comrel program. This is both a strength and a weakness. It is a strength in that comrel receives high visibility in the corporation. It is a weakness in that comrel motivations could be largely personality driven.

* Companies with plant-based operations or geographic considerations implement comrel programs with a wider target base and broader concerns. Those which are not tied to any specific community are able to direct their efforts to specific sectors and fields of interest, which are sometimes related to their own business activities.

* Although regarded as a management function, comrel is often provided with limited human resources and managed on a part-time basis under Human Resource Departments. Having a separate structure such as a corporate foundation enables the company to field additional staff as required by community projects. Resources allotted for comrel originate mostly from the company budget and may vary depending on geographic coverage. Some corporate foundations directly implementing comrel have even leveraged company budgets to acquire additional funds from other organizations. Institutions like the United States Agency for International Development and the International Labor Organization have provided grants to support company-managed community projects. The use of non-cash assistance in the form of facilities and manpower is also on the rise.

* Among the issues confronting comrel practitioners at present are the need to translate their social policies into coherent programs and to secure greater support from internal constituencies such as employees and shareholders.

Comrel involves the building of new types of relationships with the external public. In the process, it prompts companies to balance their profit interests with community concerns. Finding the right fit is the key challenge, and the key to success.

The Fourth Decade (1990s): The Decade of Institutionalization

The promising period during the latter part of the 1980s was marred by several events that tested the spirit of the new democracy. Just before the decade began, a failed coup d'etat staged by rightist rebels led to a major setback in the economy. The first year of the present decade was marked by a catastrophe -- the great earthquake in July -- which was to be the precursor of other disasters and calamities to come. Corazon Aquino's popularity began to wane as people longed for better economic conditions. Despite the government's weakness and a sluggish economy, businessmen continued to strive to turn the situation around. Their resilience and continued faith in the country paralleled the growing strength of the civil society movement.

In the field of corporate philanthropy, a new buzzword began to emerge -- corporate citizenship. This term suggests that "a corporation which derives profits from society has duties and responsibilities that must contribute to society's well-being."²⁶ The new terminology encompassed a variety of initiatives that businessmen were beginning to take part in, from corporate giving to community relations, policy-formulation and networking. Acknowledging the importance of chief executive officers in thinking through many of the problems that beset the country, PBSP created the Center for Corporate Citizenship in 1992. The Center was to be a response to a new reality: that the growing demands of an increasingly complex society required businesses to address community, as well as profitmaking needs. Two driving forces shaped this reality:

One, corporations concerned with being profitable in the long-term must be challenged to make equally long-term social investments in society, the communities, and individuals if (local) economies are to grow and the quality of life to improve.

Two, in a world of limited resources, sustainable development is a challenge for corporations to be more critical of business practices toward redefining their relationship with the environment and people where they carry out their business.²⁷

The Center was to be a venue where CEOs could discuss long-term issues such as the environment, education, local governance and countryside development, and identify strategic social investments that business can undertake -- "strategic" and "social" in order to focus on what would give the greatest returns to society given limited corporate resources; "investments" as a way of thinking about more permanent interventions rather than *ad hoc* reactionary giving. These sets of interventions were presented to a large group of CEOs through a biannual National Conference on Corporate Citizenship.

To date, the Center has organized two National Conferences attended by CEOs and senior corporate officers. This year's Consensus Group will look more closely at the issues of basic and technical/vocational education, water resource management and financial management of local government units.

As the CEOs were convening, the professional staffs managing the corporate foundations, giving programs and community relations began to realize the value of networking as a means of pooling resources and promoting professionalization. The Corporate Network for Disaster Response (CNDR) and the League of Corporate Foundations (LCF) exemplify these trends.

The CNDR was borne of the earthquake and the "disastrous" relief operations that transpired after what proved to be the first of a series of major disasters. Reflecting on the relief operations a few months after the disaster, many companies realized that the enormity of the operations required a more coordinated and efficient response. Incidents of corruption and lapses on the part of government were noted. In response, these companies decided to band together and form a structure parallel to the government's disaster response council, utilizing the vast network of NGOs operating in the affected areas as channels of delivery. CNDR and its partner NGOs (which had previously been organized into the Inter-Agency Network for Disaster Response) consciously developed a system separate from, but in cooperation with government agencies.

The idea was for a central command center to determine the needs in these areas once a disaster strikes, establish a system for relief operations, inform corporate donors who would either send goods directly to the contact points or channel them through the network, monitor the timely delivery of goods and report back to the donors on how the resources were utilized. Efforts were made to ask only for those things that were actually needed (to lessen the burden of sorting and the waste of transportation resources) in the form that would be most efficient, e.g.,

cash was the preferred form of assistance in far-flung areas where transportation of bulky relief goods would entail additional resources. Resources need not be in the form of relief goods only. Transportation firms were asked to deliver the goods, while companies with branches near the disaster area were asked to mobilize their employees for relief distribution. Banks were requested to open accounts for receiving donations from the public.

Two years after the network was created, the country suffered a string of disasters --floods, volcanic eruptions and lahar [28](#) flooding. In 1993, CNDR decided to focus its thrust on mitigation and preparedness. Seeing the cost efficiency of the effort (studies showed that every dollar invested in preparedness is equivalent to \$20 in relief operations), the network began to work closely with the regional command centers it had developed to formulate a plan for disaster mitigation. Although initiated by CNDR's corporate and NGO partners, the planning process was eventually to be lodged with the local government units mandated by law to formulate and regularly update a disaster management program. By localizing management efforts, communities would be better able to prepare for disasters, meet their immediate needs and begin the task of rehabilitation as early as possible.

CNDR has also begun to work more closely with its own sector. Realizing that very few companies have a fully updated and operational safety plan, much less a disaster management plan, CNDR embarked on educational programs by tapping the local and international resource agencies it had worked with in the past. These activities were also envisioned as a means of generating additional income to support the network's operations. The League of Corporate Foundations (LCF) was formally launched in December 1993 by twelve foundations. Within a year, the group doubled its membership. LCF started as a regular meeting of corporate foundation officers, most of whom were affiliated with the Association of Foundations. Feeling the need for a venue to discuss common concerns and issues that other foundation- or NGO-members of AF do not experience, these executives decided to formalize their group as a subsector within AF. The group met regularly and hosted activities such as monthly luncheon sessions, annual planning and socialization activities. By the end of two years, LCF felt strong enough to formalize itself into a separate organization.

LCF's objective is to encourage more companies to set up corporate foundations as a vehicle for their social development activities. LCF also conducts a number of in-house training programs to professionalize the

management of corporate foundations, and serves as the lead group for the discussion of tax incentives for corporate giving.

Profile of Corporate Giving

Corporate giving as a form of corporate citizenship is characterized by the voluntary transfer of resources, in cash and in kind, to support various forms of charity and development work. In the Philippine setting, companies often give as a result of active solicitation by institutions and individuals. While generally considered distinct from public relations or marketing activities, concluding at this point whether the separation between corporate giving and public relations is strictly observed would be difficult.

There is no currently available estimate on the amount of donations companies give to support various charitable activities and nonprofit organizations. Studies of the corporate giving programs of around 100 companies (from a sample of the top 1000 companies in terms of gross sales) were made by the Center for Corporate Citizenship for the period between 1992 and 1994 . The results however, were more indicative than actual since most of the increases in value can be attributed to greater accuracy in recording corporate donations, which may have been triggered by the annual survey process. Some of the reported trends include:²⁹

- * The absolute dollar value of corporate giving increased by an average of 1% every year with the highest increase occurring in 1993 (1.8%). Of the total amount for each year, approximately 50% represents the giving programs of nine companies. These companies have annual budgets of more than \$400,000, and their median amount of giving increased by 50% from 1992 to 1994.

- * Compared with the allowable tax deductibility of up to 3% of pretax profits, companies reported a median amount of 0.81% in 1993 and 0.91% in 1994. However, of this amount, only 46% of the companies, on the average, claimed the full benefit of deductibility in their contributions. Thirty-one percent reported not claiming any tax benefit from their giving programs.

- * Education remains the primary concern of corporate giving, capturing up to 22% of total amounts donated. Except in 1992 when Disaster Response placed second, companies identified Health as their secondary concern. In actual dollar value, however, Livelihood and Economic Development placed second in 1994. Activities related to

providing small loans to group or individual entrepreneurs, training in financial management, marketing and technology support received 16% of total assistance in that year due to a large donation (\$464,000) made by a single company. A significant decline was reported in activities related to Civic and Community Affairs, which previously received 11% of the total assistance from 81% of the respondents in 1992. In 1994, only 52% reported supporting this cause with 4% of the total assistance.

* The majority of this assistance is still in the form of cash donations. While non-cash assistance has been employed, it has been minimal. A possible explanation for this is the absence of clear guidelines on the valuation of products (especially used and depreciated items), time and technical expertise.

* When asked to identify the usual recipients of their assistance, companies cited the following four groups as major recipients in 1993: Trade, civic and professional groups; schools and educational institutions; church organizations; and foundations 30 and NGOs. In 1994, foundations and NGOs moved to the top ranking.

* Management of corporate giving programs is dominated by a high degree of CEO control. Almost fifty percent of the respondents identified their programs as being managed within the CEO office. Even a policy statement that could guide the direction of the program is available only for about one-fourth of the respondents. Further, the majority of the funds are controlled from the head office with branch or plant officers having no or very limited control on how the funds will be disbursed.

* The future of corporate giving appeared positive. In 1994, 44% cited corporate citizenship as extremely important, 34% as very important and 15% as important. Only 7% said corporate citizenship was not important. Corollary to this, when asked to project their budget for the next year, around 30% cited an increase and 65% reported giving at the same level, while only 4% predicted a decrease in their budgets.

It would be faulty, however, to think that the amount reported here would translate into the amount available for nonprofit organizations. A unique feature of Philippine corporate giving is that many companies directly operate their own programs either through community relations units or

corporate foundations. In a 1994 directory of thirty-two corporate foundations, only nine reported doing grantmaking functions alone. Their annual budget for the year totaled \$1.4 M. On the other hand, there were 15 foundations that reported doing both grantmaking and operating programs, twelve of which had budgets totaling \$9.2 M. Eight corporate foundations reported not being engaged at all in grantmaking; their total budget was \$ 4.4 M. These foundations also reported the highest median budgets: \$380,000 compared with the \$160,000 median of those engaged solely in grantmaking.³¹

One reason some companies have set up their own foundations was to extend their corporate resources by matching them with external funds. With the surge of foreign aid in the late 1980s, many international donor agencies began to channel their assistance through corporate foundations. This capacity to expand core resources from the donor company can be attributed to the credibility that most corporate foundations enjoy with donor agencies. Their corporate ties project an image of accountability and financial security often lacking in small NGOs. In 1993 alone, PBSP and the members of LCF and the Association of Foundations received a total of \$88 M in donations from the corporate sector. By leveraging these funds, an additional \$122 M was raised from other donors. ³² This translates to a 1.38% multiplier ratio. This unique advantage of the corporate foundations has caused some resentment on the part of other NGOs that compete for the same funding.

Other forms of corporate giving are also being practiced now, such as cause-related marketing and employee matching gifts. However, they remain limited at this point to a few pioneering companies. Overall, three developments mark the management of corporate giving in the Philippines today. First is the remarkable ability to extend limited resources either through collective pooling of funds or leveraging them with external funds from abroad. The experience of PBSP and CNDR manifests the Asian character of wanting to be part of a collective enterprise rather than displaying one's own wealth and abilities. This has had its benefits, as the size of the amount allotted for corporate giving remains small and pooling enhances the grantmakers' impact. The success of PBSP and other corporate foundations in leveraging funds is attributable to their unique ability to meld business skills with social development objectives. A second attribute of corporate giving in the Philippines is that many companies directly operate programs for their community rather than channeling resources to other institutions. This is evident in the presence of community relations departments in some companies that hire community workers to organize local associations, provide training, basic

services and livelihood programs, and liaise between the company and the surrounding neighborhoods on common areas of concern. There are corporate foundations, too, that perform operating functions very similar to NGOs. Some are engaged in community development programs in the neighborhoods surrounding plant sites. Others undertake their own awards or recognition programs, disaster relief operations or training activities. While a high degree of personalism still occurs in giving programs, some attempts to professionalize their management are occurring. Since 1991, PBSP has assisted some fifty companies in various training and consultancy activities. The League of Corporate Foundations has been holding regular forums among members and interested nonmembers. The Asian Institute of Management has recently begun to include corporate social responsibility in its graduate business programs. The challenge of this training is to develop a management process that will systematize corporate giving without sidestepping the sensibility of the Filipino psyche. Finally, while there is a highly developed nonprofit sector on one side and a strong tradition of corporate giving on the other, the dialogue, exchange and partnership between the two sectors is still limited. Many corporations have worked through PBSP as their intermediary or have engaged in their own development work for the communities they assist. This is partly fueled by the perception of NGOs as being radical' and communist-inspired'. On the part of the NGOs too, there is a strong bias against working with corporations. The perceived evils' of capitalism have colored the views of many NGOs concerning corporate motivations for engaging in comrel or community development.

However, given the need to develop a local base for philanthropy, many NGO leaders are now reexamining their relationships with the business sector. While diverging traditions, culture and language continue to constitute hurdles, the challenge will be to find new mechanisms for bringing corporations closer to the NGOs and vice-versa. Perhaps a common ground can be reached as companies continue to explore their role in social development, and NGOs extend their efforts to the economic sphere in order to gain greater financial autonomy.