

# Can NGOs Make a Difference?

*The Challenge of Development Alternatives*

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**edited by Anthony J. Bebbington,  
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## Anxieties and Affirmations: NGO–Donor Partnerships for Social Transformation

**Mary Racelis**

‘We did it! We really did it!’ Poor people’s triumphant cries, accompanied by exuberant shouts and excited laughter, are music to the ears of seasoned community organizers. Whether the years of struggle have yielded land titles, piped water, adequately serviced health centres, a bridge to the national highway, traditional instruments for local performers, or jailed an abusive village official, the realization by once powerless people that collective action really works is a heady experience indeed.

Years of grassroots involvement, however, have also taught NGO organizers and their community partners that the euphoria may be short-lived. Valuable as these small-scale successes are, especially when multiplied across marginalized rural and urban communities, failure to institutionalize forms of community empowerment in larger government or donor systems and to make them part of social policy may only reinforce entrenched inequalities of asset and power distribution.

Further complicating the problem is globalization. Power stakes are rising as small farmers find themselves competing with commercial importers of onions, garlic or vegetables, or as urban workers in the informal manufacturing economy discover that the cheap recycled rubber-tyre footwear products are no price match for more fashionable and only slightly more expensive running shoes from China. Add to this foreign and local investors gobbling up large tracts of agricultural and coastal land for golf courses or beach resorts, or city governments evicting thousands of slum dwellers to make way for yet another shopping mall. Where national elites were once the focal points for negotiation and leverage, they may now represent only one set of links in a chain of decisions formulated a world away.

These are the kinds of threats to daily livelihood and culture that propel

grassroots groups to protest openly and take action. Such pressures likewise guide NGOs facilitating community analysis and helping victims turn small-scale actions into demands for longer-term institutional and political reforms. When potential sufferers can directly link a global intervention to an imminent threat on the ground, the stage is set for tackling *both* the 'small d' of development, representative of everyday living and the effects of distorting hegemonic processes, and the 'big D' of donor agency development interventions. (Introduction, this volume).

This chapter examines ways in which Philippine NGOs and their partner People's Organizations (POs) have broadened and protected democratic spaces through mobilizing, taking action and engaging in advocacy for social reform, structural change and the redefinition of donor priorities and operational modes. After a review of development challenges faced by NGOs, the discussion features three mini-cases illustrative of both small and large d/Development processes. One account examines Naga City slum upgrading activities in the Bicol region of Southern Luzon. The two others focus on activities centred in Metro Manila but which affect NGO/PO activities nationwide

### **Carving Out and Protecting Democratic Space**

Political scientist Joel Rocamora (2005) has commented on how minuscule civil society advocacy seems when 'measured against "need", against scandalous poverty, and the greed and incompetence of the Philippine political elite'. Yet as the Marcos dictatorship years (1972–86) have shown, the option of armed struggle brought devastatingly high costs in lives, in creating deep fissures in Philippine society, and in threatening the very survival of democracy. Rocamora concludes that the more hopeful path lies in strong and effective advocacy towards reshaping Philippine democracy for social justice and political reform (2005: 127–8).

### **Poverty, inequality, powerlessness and unsustainable development**

The Philippine population in 2005 was estimated at 85.2 million (Racelis et al., 2005: xvii) and expected to reach 111.5 million by 2020 (Asian Development Bank 2005, quoting projections of the National Statistical Coordination Board). Some 5,000 births occur daily among women 18–45, yielding a population growth rate of 2.36 per cent. The Philippines is thus a young society with a median age of 21. Children under 18 made up 43 per cent, or 33 million, of the population in 2000 (Racelis et al., 2005: 143).

Income poverty and powerlessness affect large sections of the populace. Although poverty incidence among individuals dropped from 49.2 per

cent in 1985 to 36.9 per cent in 1997, by 1998 the Asian economic crisis was taking its toll. Poverty incidence in 2000 rose again to 39.5 per cent. Moreover, although poverty rates fell by 9.7 per cent from 1985 to 2000, the absolute number of poor in the same period rose by over 4 million owing in part to high population growth rates coupled with weak poverty-reduction programmes. Subjective-poverty studies conducted by Social Weather Stations (2006) are also instructive: 62 per cent of families rated themselves as poor in 2003, while 5 per cent reported having experienced hunger, or food poverty, in the previous three months. By 2004, the hunger figure had climbed to 15.7 per cent (Asian Development Bank 2005: 18, 38), and by the fourth quarter of 2006 had reached a record-breaking 19.0 per cent, or 3.3 million affected households (Mangahas, 2006a, 2006b).

Inequality emerges in persistent and growing income disparities. In 2003, the richest 10 per cent of the population commanded twenty times the share of income of the poorest 10 per cent. The richest quintile (15.3 million people) controlled over 50 per cent of total family income, compared with the bottom quintile at only 5 per cent. Nor has this pattern changed since 1985 (Schelzig, 2005: 30). To make things worse, in real terms based on 2000 prices, the average income of the poorest 30 per cent contracted by 6 per cent between 2000 and 2003 (Schelzig, 2005: 17).

Gross disparities surface in regional comparisons, with Metro Manila/National Capital Region's poverty rating having dropped to 8.7 per cent of families in 2000, compared with 66 per cent for the Autonomous Region of Muslim Mindanao (ARMM). Metro Manila's 8.7 per cent is no cause for joy, however. Although poverty is indeed concentrated in rural areas, the low citywide average hides the glaringly high poverty incidence and hunger in densely packed urban informal settlements. Overcrowded, physically degraded neighbourhoods coupled with limited employment and basic services make poor city dwellers' anxieties all the more acute. The availability of social capital through informal neighbourhood ties alleviates somewhat their chronic insecurity and makes summary relocation extremely disruptive of existing survival strategies.

The contrasting perspectives of NGOs and government on poverty issues emerge in a perceptions study of 100 government and NGO programme staff who implement and manage poverty-reduction programmes. Over half (54 per cent) of the NGO managers felt poverty had risen somewhat or a lot over the past five years, while only one-third (34 per cent) of their government counterparts subscribed to that view. On whether poverty would worsen 'somewhat or a lot' in the coming five years, 52 per cent of NGO managers indicated agreement, compared with 38 per cent of government managers (Schelzig, 2005: 40). Clearly, government officials



are more optimistic about the prospects of reducing poverty than are civil society grassroots workers.

A wide range of NGOs contest inequitable and unsustainable development by organizing community groups, or POs, around agrarian reform; upland environmental and watershed management linked to indigenous knowledge systems; participatory disaster management; savings, micro-credit and local economy investments; women's rights and gender fairness; peace, reconciliation and community rebuilding in ex-warfare zones; child rights in the context of the Millennium Development Goals; migrant families' well-being; resisting large-scale logging, mining and fishing interests in upland and coastal communities, and undertaking advocacy campaigns around these issues. On the urban scene, NGOs help build informal settlers' resistance to forced evictions and damaging resettlement while strengthening demands for secure tenure, improved livelihood and employment, food, education, health, water, sanitation, information, transport, and pro-poor policies. This usually calls for pressuring local and national officials to recognize and prioritize poor people's needs and preferences in keeping with the latter's proposals for reform and achievement of their rights.

Evidence of NGO-PO successes appear in the significant legislation enacted by the Philippine Congress in the last decade of the twentieth century. Notable examples have been agrarian reform (Comprehensive Agrarian Reform Law, 1988), urban land reform (Urban Development and Housing Act, 1992), women's rights (Anti-Rape Law, 1997), ancestral domain claims (Indigenous People's Rights Act, 1997), environmental protection (National Integrated Protected Areas System, 1992) and local government decentralization (Local Government Code, 1992). The early years of the twenty-first century have offered more limited options. Congress in 2001-03 passed only three bills of national importance that had been championed by civil society, and even then, as in the case of the party list and overseas voting bills, 'they get mangled beyond recognition' (Rocamora, 2005: 128). This pattern of reduced social legislation may, however, be a product of the most pressing reforms having already been addressed. The declining number of NGOs in legislative advocacy may also have contributed to the trend.

NGOs have dealt with the realities of legislative activism over the years by developing networks for intense and effective lobbying. They have learned how to make contact with legislators, often through personal or school ties, or by deliberately seeking out the more progressive legislators. The congressional technical working groups, in which knowledgeable academics, NGOs and POs are invited to participate, give the latter groups an opportunity to insert their principles and language into proposed legislation. 'Crossover' civil society leaders who have joined the government help assess developments in governance and work out with civil society

ways of influencing the outcomes of policies and procedures towards social and political reform.

As Rocamora (2005: 128) points out, however:

The context for advocacy in the Philippines may seem difficult, but compared to neighboring countries with authoritarian single-party rulers, maybe we should count our blessings. What makes advocacy difficult in the Philippines is not often outright repression. It is at once the permeability and resilience of elite rule. There are all kinds of room for advocacy: in Congress, in the bureaucracy, in local government. But the system has seemingly inexhaustible capacity for side-stepping, postponing, somehow preventing change.

### **The Emergence of NGOs and POs**

NGOs in modern guise emerged with full force on the Philippine scene during the Marcos dictatorship years from 1972 to 1986. Many drew their inspiration from Social Democratic ('Socdem') principles. Some were linked to the Radical Left National Democratic Front ('Natdems'), while others remained politically unaligned. An especially prickly thorn in Marcos's side came from the organizations focusing on human rights violations, like Task Force Detainees of the Philippines. This was in part because they maintained close contact with international human rights groups which could exert some leverage on their own governments (Silliman and Noble, 1998: 33). All vigorously opposed the Marcos dictatorship but took varying positions on how to confront the underlying structures of society that were keeping millions of Filipinos poor and powerless.

Despite growing repression through summary detention, torture and 'salvaging' (clandestine disappearances with summary execution) of individuals or groups seen as opposing the regime, NGOs avidly organized rural and urban poor communities for self-realization and action to redress poverty and social injustice. The assassination of political opposition leader Benigno Aquino in 1983 further galvanized NGOs and public opposition to Marcos's authoritarian regime. As Silliman and Noble (1998: 17) point out,

In contrast to a state that systematically violated human rights and failed to improve the condition of the poor, the motivating principle of Philippine civil society as it materialized in the 1970s and 1980s was the right of Filipinos to both civil liberties and an equitable distribution of the society's resources. Out of the collective actions of Philippine citizens there emerged a sense of solidarity and community.

For many NGOs, support in the 1960s and 1970s came from progressive Catholic bishops' attention to human rights, the theology of liberation, the formation of Basic Christian Communities espousing strong community organizing and the social teachings of papal encyclicals on development, justice and peace. The Church's protective umbrella, along with that of

the Protestant churches, reinforced the capacity and determination of many NGO workers to resist the closing down of political spaces for democratic action. Later, the Catholic bishops, alarmed at the infiltration of NDF community organizers in their midst, and worse still, the political shift into Radical Left circles of a few priests and nuns, began to distance themselves from NGOs.

As martial law dragged on, the government took advantage of these developments by raiding Catholic premises, arresting and detaining suspected Communists. International donor flows to civil society increased correspondingly. Even the business community entered the fray in the mid-1980s, angered by the Aquino killing and alarmed at the looming economic crisis. These birthing decades established NGOs on a trajectory of increasingly stronger confrontation with government in the 'Parliament of the Streets', where diverse and often conflicting groups coalesced to topple the regime. Sociologist Constantino-David comments (1998: 35-6):

There was a frenzy of activity, and coalition building was the name of the game, even among NGOs and POs that had tried to shun outright political involvement. In the midst of almost daily rallies and demonstrations, organizing work expanded and more NGOs and POs were formed. Development NGOs and networks actively participated in the protest movement, largely through mass actions. Those who were already identified with specific ideological forces and had overlapping leadership generally followed the splits and turns of the anti-dictatorship struggle [which now] took center stage.

The snap elections called by an overconfident Marcos for early 1986 spawned NGO responses ranging from voter education and clean elections campaigns, to support for Corazon Aquino's candidacy or outright election boycotts. Organized civil disobedience followed reports of massive cheating and election-related violence. The attempted coup led by Reform the Armed Forces Movement (RAM) and military and defence leaders Fidel V. Ramos and Juan Ponce-Enrile was teetering dangerously when Cardinal Jaime Sin called on people to converge on the highway between the two military camps to protect the 'rebels'.

And so began the People Power Revolution of February 1986. Also known as EDSA I, this defining event represented the culmination of painstaking, multi-sectoral civil society organizing over many years. More than a million Filipinos massed on the national highway to stop the tanks from attacking the rebel-held military camps. Groups kneeling on the concrete roadway reciting the rosary, nuns offering flowers to the tank commanders, ordinary citizens making and distributing sandwiches and water to the massed protesters – all this has become part of the extraordinary history of People Power. After four fateful days, ordinary people suffused with a

sense of collective power toppled the fourteen-year dictatorship of Ferdinand Marcos in a non-violent uprising, forcing his family and close cronies out of Malacanang Palace into exile.

The democratic space opened up by President Corazon C. Aquino generated a virtual explosion of NGOs throughout the country. Bilateral donors, like CIDA (Canada), USAID, CEBEMO (the Netherlands) and others, showed their elation at the return of democracy and its NGO champions through significant funding (Racelis, 2000: 159). Perhaps it was the exciting drama of a courageous, well organized, and non-violent citizenry out on the streets and determined to oust a dictator that attracted their support for at least another decade.

The writers of the 1987 Philippine Constitution recognized the outstanding roles played by NGOs and POs in mobilizing the peaceful overthrow of a dictator. Articles II and XIII stipulate that

The State shall encourage non-governmental, community-based, or sectoral organizations that promote the welfare of the nation.

The State shall respect the role of independent people's organizations to enable the people to pursue and protect, within the democratic framework, their legitimate and collective interests and aspirations through peaceful and lawful means.

The right of the people and their organizations to effective and reasonable participation at all levels of social, political and economic decision-making shall not be abridged. The State shall, by law, facilitate the establishment of adequate consultation mechanisms.

By 1995 some 3,000–5,000 registered development NGOs were employing a total of 100,000 staff. Most of them were small, with annual operating budgets averaging \$80,000. The bulk of their funding came from bilateral donors and international NGOs, like the Ford Foundation, the Asia Foundation, Oxfam, CARE and Save the Children, supplemented by multilateral agencies (UN Development Programme, UNICEF, World Bank, and Asian Development Bank), government, other Philippine NGOs, and churches. Government regulations on foreign funding were flexible. Only multilateral and bilateral funding for NGOs had to go through the government, for which a simple authorization from the National Economic Development Authority sufficed (Asian Development Bank, 1999: 8).

International NGO donors could deal directly with their Philippine partners, no government clearances being required. Recognizing their uneasy dependency on foreign funding, however, many NGOs supplemented their incomes through alternative modes. They generated funds from training fees, domestic donations, loans, parallel business ventures, and contracts for services in partnership with government and multilateral institutions, like the United Nations, Asian Development Bank and World Bank.

NGOs became independent entities, including those that had operated under the umbrella protection of the churches. Although many NGO leaders continued to maintain friendly relations with church social action groups and progressive bishops, the larger number of conservative bishops still smarting from 'being used' by the Radical Left, distanced themselves from NGOs. Basic Christian Communities with strong community organizing and empowerment features now became Basic Ecclesiastical Communities, limiting themselves mainly to prayer, spiritual matters and welfare support to destitute community members.

Meanwhile, NGO leaders began moving, gingerly at first, into government. Yet, as Constantino-David (1998: 36) assessed the NGO scene, 'The deep-seated strains and the lack of a coherent vision produced a tenuous unity that would eventually splinter in the post-Marcos era.' In the closing days of the Ramos administration (1992–98), political scientists Silliman and Noble (1998: 178) summarized NGO roles and contributions this way:

First is the *vibrant public discourse*, both within NGO circles, as divergent opinions are fashioned into some kind of workable consensus, and outside them, when the NGO community must make its views heard and get them adopted by often reluctant partners. Second, NGOs are attempting to *redefine the content of politics*. Topics that would once have been deemed inappropriate for legislation – rape, other violence against women, the rights of indigenous people – have become subjects of debate and successful parliamentary legislation. Third, civil society is becoming *progressively institutionalized*. Coalitions are structured for greater permanence, while NGOs learn good management and financial practices and professionalize their staff.

### **Critical collaboration or cooptation? the NGO/PO scene today**

Gone with the turn of the century are the heady days of NGOs capturing the high moral ground of public action. Critical assessments lament their moving away from basic principles, like accountability derived from their altruistic cast, their bias in favor of the poor and marginalized, and their championing of democracy:

[T]he halo of saintliness around NGOs has disappeared, eroded by, among others, the persistence of fly-by-night NGOs, the failure of NGOs to deliver on promises to their various constituencies, alleged corruption, various controversies... and the political partisanship of high profile NGO personalities because of their identification with a certain administration.

... Ironically, erosion of its moral position is due to the widespread adoption ('cooptation') of the NGO concept by mainstream society, thus making NGOs the victims of their own success. Today, there is an NGO for every persuasion [reflecting]... the broad (and often, conflicting) diversity of interests found in Philippine society, from the most crooked to the most altruistic, thus making it difficult for NGOs to continue their claim of being the 'conscience of society' or 'guardians of the guardian'. (Association of Foundations, 2005: 2)

This kind of soul-searching is taking place in every nook and cranny of the archipelago where NGOs are engaged in organizing poor and marginalized people, helping transform poorly functioning local government bureaucracies and processes into more constituent-friendly and poverty-reducing institutions, or engaging in national-level advocacy around a host of issues. Successes and failures are identified in regular monitoring sessions that generate revised strategies and tactics, and renewed enthusiasm for the organization's mandate. Donor partners seeking to assess their support to an NGO often require formal evaluations, but in recent years have begun agreeing to NGOs engaging in a self-diagnostic exercise to rectify identified weaknesses and chart new courses.

Despite the growing number of positive NGO engagements with government, the former continue to adhere to the long-standing principle of critical collaboration. This implies their readiness to work with governments that are serious about people's empowerment, while maintaining the critical or critical-collaboration stance mandated by their watchdog function.

The role of NGOs in promoting empowerment has been recognized by several multilateral institutions, among them the Asian Development Bank. Together with the World Bank, it has been in the forefront of highlighting NGO contributions and promoting them among governments. In order to further that cause, however, the Asian Development Bank has emphasized the need to rethink its own internal organization and procedures.

### **Retooling the Asian Development Bank for partnering with NGOs**

To advocate more realistically the importance of forging active partnerships with NGOs for development and poverty transformation, the Asian Development Bank commissioned a study (Asian Development Bank, 1999: 66–71). The ensuing report made numerous recommendations and emphasized the importance for Bank and NGO officials of clarifying at the outset mutual roles, interests, and expectations. Subsequent actions have seen most of these prescriptions put in place with the assistance of a Task Force on Nongovernment Organizations. In 2001 the initially low-level NGO desk was transformed into the NGO and Civil Society Center under the Regional and Sustainable Development Department with responsibilities to gain first-hand knowledge of and experience with NGOs, engage NGOs in a continuing dialogue, and improve Asian Development Bank's institutional capacity to interact proactively with NGOs. The Center forms part of the Bank's NGO Cooperation Network, with 'anchors' from the Bank's operational departments, Resident Missions, and Representative Offices. It also facilitates monitoring and evaluation of Bank projects by NGOs as a regular feature of Bank operations (Asian Development Bank, 2007a, 2007b).

The changes that have taken place in the Asian Development Bank as regards NGO/PO efforts illustrate the efficacy of decades-long NGO advocacy. The same kind of determined push has led to reformed donor institutions. For some academic intellectuals to dismiss NGO/PO efforts, therefore, as inconsequential for social transformation because they do not appear to be making a significant dent in global hegemonic arrangements is not only inaccurate, but naive. They *are* making a dent; but other sectors also have to do their share in solidarity with active community movements. Indeed, some NGOs have suggested that if academic researchers studying NGOs were more regularly exposed to the work on the ground and had direct day-to-day experience of community processes, instead of promoting the typically critical academic stance, funding partners might be less inclined to withdraw support from NGOs today!

### **Disembedding: From Local to Global and Back**

Three mini case studies follow, illustrating variations on d/D phenomena. I have selected them because as an academic-NGO activist researching the civil society scene, I followed or was involved in the events as they unfolded. Each case describes how NGOs and POs are transforming local efforts into events and processes affecting national and even international situations, and effecting changes in donor operations and outlooks. The transformational sequence of local to national to global to national back to local is also generating new responses to on-the-ground activities, affecting community institutions and actions as well as donor preferences. This embedding/disembedding process approximates the notion of globalization 'as the intensification of worldwide social relations which link distant localities in a way that local happenings are shaped by events occurring many miles away and vice versa' (Giddens, 1990: 64).

#### **Changing the rules**

Case 1: Community initiatives for donor-government policy reform in a community-managed slum upgrading micro-drainage project. Stakeholders: Naga City Urban Poor Federations, Inc. (NCUPFI, Naga City Government, World Bank, Japan Social Development Fund, Community Organization of the Philippines Enterprise Foundation (COPE), and Philippine Support Services Agency (PhilSSA).

Faced with the prospect of a long-awaited community infrastructure upgrading scheme in Naga City through a pending World Bank-Japan Social Development Fund grant, the Naga City Urban Poor Federation, Inc. (NCUPFI) in 2004 examined carefully the terms of reference proposed

for its participation. Public-private construction partnerships between local government (LGUs) and NGO/POs were still rare on the Philippine development scene; community groups were apprehensive about engaging with the city on the project. Extensive discussion facilitated by COPE organizers convinced NCUPFI to take on the project, but on one condition: the latter would exercise major control over project planning and implementation. To accomplish this, NCUPFI designated COPE, the partner NGO involved in their struggles since 1985, to be the contracted implementing agency.

In those twenty years of community organizing, Naga City's urban poor had mastered the non-violent, demand approach to gaining victories. Their triumphs included secure land tenure on abandoned railroad tracks long appropriated as residential sites or in alternative resettlement areas. They now had electricity and potable water, along with organized leadership structures. Moreover, they had succeeded in getting local legislation passed, notably the People Empowerment Ordinance of 1995, affirming their participation rights in governance. This Ordinance also created the Naga City NGO/PO Council, which enabled them to engage systematically in policy reform.

The proposed Naga City community micro-drainage project was envisioned as forging a dynamic new relationship between the NCUPFI, the city government and the World Bank. Three poor barangays (urban neighbourhood communities) were to benefit from the rehabilitation and de-clogging of existing canals, and the construction of micro-drainage systems. The People's Organizations that made up the community-generated Federation insisted from the outset that as on-site residents, *they* were most qualified to determine the layout of the new sewerage and drainage canal network. This meant that any technical support provided by government must defer to the communities' local knowledge and preferences, and not the other way around.

With COPE as its partner implementing agency and adviser, NCUPFI worked out a technical training programme that brought in volunteer professionals eager to transfer the needed knowledge and skills to local residents. Thus, by the time the drainage project began, the community had already acquired a good grasp of the technical processes, adding greatly to their self-confidence.

In due course, both the Naga City government and the World Bank concurred with NCUPFI's position that COPE should initiate and manage the bidding process for the technical consultants. COPE subsequently chose local contractors willing to work in a participatory way that would enable the people to learn by doing. As a result, a relationship that might have foundered on the 'outside expert' syndrome became agreeably collaborative.



The engineers and other technical staff showed respect for community ideas, preferences and queries; the POs, in turn, felt comfortable working with them. When it later emerged that certain technical recommendations had to take precedence over the residents' own choices, the latter deferred gracefully. Experience had convinced them they could trust the technical staff.

The next contentious issue arose when the World Bank informed the informal settler households and COPE that the residents would be expected to pay modest user-fees for services. The NCUPFI protested that its poor constituents already lived a hand-to-mouth existence. Why should they be expected to draw from their meagre incomes to pay for infrastructure services when rich neighbourhoods seemed to receive these automatically and without user-fee requirements!

The Bank insisted, nonetheless, on its no-subsidy, fee-for-services policy. The NCUPFI then proposed an alternative scheme: the city government should pay the user-fee costs! This was justified, they insisted, because the expected rise in land values stemming from the people-generated project improvements would add to the City's coffers through increased investments, heightened land values and higher taxation rates. The people proposed their counterpart should be to pay for landfill for their individual house lots at an average payment per household of P1,500, or \$30.

They also argued that the city should take on responsibility for maintenance and add P1 million to develop other urban poor areas. In return, the community agreed to share in the costs of garbage collection at a daily household charge of P1 (2 US cents).

World Bank project staff agreed and then convinced Washington to agree. Whether the arrangement will become standard for all community-driven infrastructure projects in the Philippines remains to be seen. However, because PhilSSA, the urban NGO network that channelled the funds from the World Bank to NCUPFI, is in touch with other collaborating NGO members, the precedent set in Naga City may well be applied to them. Or, what may be institutionalized is a willingness on the part of government and the World Bank to negotiate with POs presenting alternative proposals. The outcomes may turn out to be compatible not only with community capacities but also with new orientations on the part of government and the World Bank. Overall, the project's sustainability through effective community management will be affirmed.

The three barangays extol their upgraded neighbourhoods. Having invested so much time and effort in this infrastructure improvement, the residents have voluntarily moved into community maintenance. NCUPFI-city government agreements are being implemented, and the POs express confidence that if another such project comes along they can handle it.

Progressive Naga City Mayor Jesse Robredo takes pride in the upgraded sites and their effect on increasing land values and an enhanced tax base. They symbolize his conviction that participatory governance approaches are advantageous to local administrators. As for the World Bank, its representatives enjoy the satisfaction of having brought greater flexibility into their standard practices and of knowing that they have worked out practical ways of promoting participatory community-driven development.

### **Forming a global NGO funding system**

Case 2: The Philippine-Misereor Partnership. Stakeholders: Philippine NGOs/POs, Misereor.

Misereor, the German Catholic Bishops Fund for Development, has for many decades been a major donor to NGOs and Church Social Action groups (SAs) in the Philippines. In keeping with its worldwide re-examination of donor-recipient relations in the 1990s as well as its long experience with NGOs and SAs in the Philippines, Misereor proposed to its local grantees that they explore new and more egalitarian modes of relating to one another.

Both donor and recipients recognized that because decisions on funding NGO/SA requests were made in Aachen, Philippine development priorities were in effect being determined by Misereor officials. Conscientious German programme officers were disturbed at this hierarchical arrangement and the implicit dependency it appeared to be imposing on effective and highly motivated Filipino NGO and SA workers. The proposal from Misereor also traced its roots to the long-standing and broader NGO-donor debate on equity and trust in that relationship.

There is a sizeable amount of funding to the Philippines coming from foreign donors. A 1998 study of bilateral grant assistance revealed that in the period 1986 to 1996, P500 million (US\$10 million) was turned over annually to NGOs and POs. In 1989, 9.1 per cent of all bilateral grants went directly to NGOs (Songco, 2002, citing CODE-NGO, 1998). Aldaba et al. highlight some of the consequences:

This has created both opportunities and dangers for Philippine NGOs. While the funds facilitate significant enlargement of NGO activities, they have also distorted the pace and process of NGO development. NGOs had to devote more time in building their absorptive capacities (sometimes leading to bureaucratic structures); competition over funds has affected NGO to NGO relations; larger NGO budgets have eroded the voluntary nature and 'social change' orientation of NGOs. (Aldaba et al., 1992: i)

Numerous meetings and conferences over the years have tackled various facets of this problem in an attempt to create new and more egalitarian systems. After discussing a number of options, including opening a Misereor

office in Manila and a local decision-making consortium, an innovative institution, the Philippine Misereor Partnership (PMP) emerged. As of 2006 the PMP has fifteen subregional clusters, covering 276 NGO/Social Action grant recipients, now called 'partners'. A wide range of activities is under way, with the NGO/SAs being the action partners and Misereor the funding-support partner (Philippine-Misereor Partnership 2005).

The projects in 2006 featured wide-ranging activities:

- *Community organizing* – agrarian reform farmers, urban poor settlers, indigenous people, pastoral concerns;
- *Sectoral organizing* – informal workers, youth, women, migrants;
- *Capability building* – education, literacy, information, technical skills, out-of-school youth training, leadership, management, volunteer formation, organic farming, workshops;
- *Service provision* – legal/paralegal, agricultural extension, consulting, medical/dental, disability rehabilitation, special protection for women, children and youth;
- *Socio-economic activities* – livelihood, resource building, micro-finance, cooperatives, tenure security, land acquisition through community mortgage schemes, low-cost housing, participatory relocation for high-risk-zone residents;
- *Networking and linking* – government-NGOs-POs linking, network and federation building, PO to PO organizing;
- *Organizational development* – project development, proposal preparation, planning, management, monitoring, evaluation, participatory social mapping, natural resources management, solid waste management, agriculture and fisheries development, coastal resources management, research and documentation, participatory action research, publication;
- *Advocacy* – policy, research, sustainable agriculture, land rights, anti-mining, environment, area development, renewable energy, sanitation, alternative health, justice and peace, peace building and peace education, good governance, rural democratization, indigenous people's rights and ancestral domain claims, gender mainstreaming.

The NGO/SA leaders in each of the fifteen geographical clusters meet half-yearly, taking turns hosting the meetings. Together they identify common concerns, share experiences and clarify priorities. Leaders feed back cluster discussions to their member groups upon returning to their home communities, as well as to a three-person secretariat in Manila. The latter promotes communication and networking among the fifteen clusters. It also organizes semi-annual National Coordinating Council (NCC) meetings, with three elected representatives of the three main island regions (Luzon, Visayas and Mindanao) serving as conveners.

Strongly emphasized at the NCC meetings is 'the primacy of the cluster'. This principle affirms the sub-regional cluster's prerogative to decide on its own local or subregional priorities. The members can also opt to extend their preferences by proposing one or two programmes that the entire Partnership might want to take on. Examples of the latter are active partnership projects on the peace process, gender mainstreaming, and anti-mining action and advocacy.

Since the Germany-based Misereor programme officer participates in the NCC, at which the final decisions at the Philippine end are taken, any problems in the proposal have already been worked out by the time s/he recommends it to the Misereor board. The sub-regional composition of the NCC also forestalls attempts by 'Colonial Manila' NGO/SAs to dominate network planning.

The Misereor programme officer combines NCC participation with semi-annual field visits to various NGO/SA locations. Attending subregional meetings, listening to and discussing cluster reports of local concerns and activities at the NCC, give her a better grasp of the issues and nuances underlying programme thrusts. The debate also offers insights into the socio-political situations that affect NGO/SA operations in specific cluster areas. This gives her a distinct advantage in Germany when she has to review partner proposals and make project recommendations to the board.

Issues brought to the NCC from the clusters for discussion and review have included extending PMP membership beyond NGOs to People's Organizations (POs); seeking stronger support for grassroots organizing from social action directors, parish priests, and bishops; and clarifying the rationale for PMP participation in political protests and electoral politics. PMP nationwide programmes opposing mining and promoting peace processes in Mindanao have strongly influenced these political stances. The 2006 NCC meeting held in Mindanao, with numerous NGO/SA partner groups, six bishops and three Misereor officials from Germany in attendance, listened to the two consultants' evaluation report on the PMP and endorsed its recommendations. These generally affirmed the viability of the partnership structure.

The significance of the long consultative process for developing locally generated priorities and egalitarian relationships lies in the building of trust, not only between the donor and NGO/SA partners, but within the NGO/SA communities themselves. Some social action workers now express a greater sense of ease working with NGOs than with those bishops or parish priests who display a limited understanding of grassroots realities. Accordingly, NGOs with their secular identity and Social Action groups with their religious underpinnings have re-established ties of common cause through the PMP. Misereor's responsiveness to going beyond project fund-

ing to underwriting networking processes and partner-wide programmes developed by the NGOs and SAs has made a significant contribution to the success of the PMP.

Misereor's understanding of Philippine and developing country priorities and concerns has been profoundly affected by the Partnership. To convey to Germans the everyday meanings of development and faith, especially in relation to poverty in developing countries and equity at the global level, it periodically invites selected NGO and SA leaders to Germany. Prospects for linking Germans with ordinary Asians, Africans and Latin Americans have been greatly enhanced.

Under discussion are ways in which Philippine NGO/SAs can help Misereor affirm the partnership principle as relevant to its programmes on other continents, and possibly for other donor agencies to emulate. The PMP may, therefore, serve as a new model not only for Misereor approaches in other countries, but also in other donor foundations. Although the final decisions on funding are still made in Aachen at the insistence of the NGO/SA partners, they are based on informed tripartite discussions. Criteria for project approval are developed by the action partners, with German programme officers participating through field visits and consultative meetings.

The PMP has thus succeeded in transforming an initially unequal donor-recipient relationship into a genuine Global Partnership. Flexibility, regular interaction, on-the-ground knowledge, and mutual respect form the basis of this impressive new relationship.

### **Creating an NGO-controlled Filipino funding institution**

Case 3: Poverty Eradication and Alleviation Certificates – PEACe Bonds. Stakeholders: CODE-NGO, Peace and Equity Foundation, Rizal Commercial Bank Corporation, RCBC Capital, Bureau of the Treasury, Department of Finance.

By the late 1990s, the love affair between external donors and NGO/POs was weakening. With the notable exception of Japan, foreign donors, who had lavished funds on NGOs/POs to support grassroots development, equity and empowerment programmes in the late 1980s and 1990s, had begun shifting their international grant-making to eastern Europe and Africa. They justified their shifting priorities on the basis of comparative need as the Philippines was considered a 'middle-level' developing country (Asian Development Bank, 1999: 56).

The NGO argument that the economists' statistical averages actually concealed massive poverty and growing economic disparities – and therefore called for continuing external support – increasingly fell on deaf ears. Many Philippine NGOs were forced to scale down their activities or even disband.

For some NGOs, the shift in donor orientation was a blessing in disguise because it forced them to confront their dependency on external funding. Civil society leaders were challenged to think of alternative and more independent approaches to sustaining their activities. For many, the way to go was to help POs exert their claims on local government funds. This meant helping POs gain the skills and power to pressure local governments into adopting people's priorities.

More and more POs were participating in barangay (village) planning, monitoring expenditures, uncovering corrupt practices, and holding local officials accountable for their performance. Recalcitrant officials become more aware that dissatisfied constituents might well unseat them at the next election. The stakes could be high for PO and NGO leaders as vigilante death squads targeted them, presumably activated by beleaguered politicians or threatened landowners.

Successful barangay-PO negotiations sometimes led to local governments including in their budget allocations funds for local NGOs and POs to carry out priority activities. These could include land titling, slum upgrading, or environmental protection of forests or whales and dolphins in coastal domains. Local officials were realizing more and more that development NGOs were better able to grasp the nuances of village situations and culture, and could help adapt provincial government blueprints to local realities. As residents assumed community ownership of the accompanying activities, the sustainability of government-promoted activities was reinforced (Asian Development Bank, 1999:63).

Despite progress in the POs' effective implementation of basic services, this form of civil society interaction with local government nonetheless sidetracked NGOs from pursuing the cutting-edge networking and policy advocacy they regarded as central to their existence. Clearly, they had to locate more independent sources of income if they were to reform policy and operational systems of governments and donors. Accordingly, in 2001 the Caucus of Development NGO Networks (CODE-NGO, a national network of seven national NGO networks, four regional NGO networks, which together count over 3,000 individual NGOs and co-operatives as members) seized upon the idea of tapping into funds held in private and government coffers for the purpose of supporting NGO/PO programmes and projects. And so was born the promising but controversial Poverty Eradication and Alleviation Certificates, or PEACe bonds (Songco, 2002).

With the help of investment bankers interested in harnessing their expertise and resources to practise corporate social responsibility, CODE-NGO leaders worked out a new financial strategy that would generate social development funds by drawing on the capital market. To raise P1 billion (US\$20 million), CODE-NGO would buy bonds from the government

and sell them at a profit in the secondary market. The proceeds of the sale would be used to establish an independent foundation whose board would manage a trust fund. Only the interest would be utilized to support legitimate NGOs and POs seeking financial support for poverty-reduction projects.

Since CODE-NGO was not authorized to buy government securities, it contracted the Rizal Commercial Banking Corporation to serve as its purchasing agent for the 'zeroes', or zero coupon bonds. RCBC Capital, a partner corporate organization motivated to help reduce poverty, agreed to advance the money for RCBC to buy the bonds through market trading. In a firm underwriting agreement, RCBC Capital affirmed its intention to buy all the zeroes on behalf of CODE-NGO at a pre-agreed price. The bonds would be sold for a profit in the secondary market, with eligibilities secured through selected government agencies.

In a Bureau of Treasury auction, RCBC obtained P35 billion worth of zeroes on behalf of CODE-NGO. RCBC paid P10.168 billion as current value, and government would redeem the bonds at P35 billion in ten years. RCBC sold the bonds to RCBC Capital for P11.9 billion. RCBC reimbursed the Bureau of Treasury P10.168 billion, and remitted the difference of P1.8 billion to CODE-NGO. The latter paid the various fees and divided the net profit of P1.48 billion into two portions. One was used to set up a trust fund of P148 million for the sustainability of network development activities; the rest, P1.3 billion, was constituted as a trust fund to be managed by the newly organized Peace, Equity and Access for Community Empowerment Foundation, or Peace and Equity Foundation.

The outcry from various sectors of government and civil society erupted immediately upon announcement of the transaction. A Senate investigation was launched, with NGOs, government and private traders summoned to testify. Allegations from some groups dubbed the process a scam, or a grand conspiracy between CODE-NGO and certain government agencies. Others dubbed it a blatant and unethical example of CODE-NGO's using its influence for the transaction in certain government agencies. Criticisms and allegations rocked civil society, business and government worlds.

CODE-NGO rebutted the allegations point by point:

1. The government did not lose money in the trading transaction. The P1.8 billion gross margin was a trading gain that came from private funds in the same way that money-market traders legitimately and daily operated. No special tax exemptions were accorded the PEACe bonds. The ten-year tax exemption they received stemmed from their nature as a ten-year bond. There was no forgone tax revenue. The Bureau of Internal Revenue subsequently confirmed this.

Moreover, the zeroes issued by the Bureau of Treasury were part of the government's borrowing programme to finance its budget deficit. Although CODE-NGO did gain enormously despite its not having invested its own money, this was possible because RCBC Capital, in line with corporate social responsibility, was willing to advance the money for CODE-NGO to buy the bonds on the market.

2. The transaction was done in a transparent, above-board manner and did not break any government regulations. Fifteen banks, five of them multinational, participated in the auction of the PEACe bonds. None of these seasoned traders lodged a complaint against the results of the bidding process. Indeed, the Bankers' Association of the Philippines and the president of the Money Market Association of the Philippines publicly affirmed the fairness of the auction, as did the Management Association of the Philippines and the Bishops Businessmen's Conference.

On the charge that CODE-NGO had used its connections to pursue the deal, in particular through the brother-sister relationship of the Secretary of Finance and CODE-NGO's chair, it was pointed out that the project was conceptualized and developed even before the Secretary joined the government. Moreover, the siblings were not involved in the project upon the brother's entry into government, to avoid a conflict of interest. The cooperating government agencies attested to having made their decisions independently.

3. This legal transaction will generate substantial funding from Filipino sources for NGOs and POs to carry out social development and poverty-reduction activities. The Peace and Equity Access for Community Empowerment Foundation, or the Peace and Equity Foundation (PEF) for short, did carry out its promise. From 2002 to 2005, it approved 569 projects loans and grants for poverty alleviation and development, amounting to P674,500,000, or US \$13,490,000 (Peace and Equity Foundation, 2005: 36).

Conscious of its role as a Filipino donor institution, PEF gives priority to groups in the poorest and most disadvantaged provinces. In 2005, it has provided loan support to livelihood and employment-generating projects amounting to P82.54 million. Grants totalling P100.57 million went to new projects. Project support activities of P36.38 million furnished technical assistance, including poverty mapping, research and capacity building, project development, monitoring and evaluation, and institutional support. To expand its outreach, PEF has worked with civil society networks in the priority poorest provinces to create Partnership and Access Centers to 'open windows for the poor'. Their ten projects in 2005 received grants or loans totaling P64.4 million.



The Foundation's investment income since its creation in 2002 comes to P664 million, or 50 per cent of the principal amount of the Endowment Fund of P1.318 billion. Adding cumulative reflows (loan payments, interest income), the four-year returns have reached P808.7 million, or an average of 15.3 per cent a year (Peace and Equity Foundation, 2005: 35–6).

The leadership structure is being reformulated for greater diversity. Initially, the Board of Trustees was composed of eminent personalities representing one each from the business, religious and basic sectors (market vendors and informal workers associations), and six member-representatives designated by CODE-NGO. Sitting in an *ex officio* non-voting capacity were one representative each from the government's National Anti-Poverty Commission and the Department of Finance. As the terms of office of the six trustees from CODE-NGO expire, they are being replaced by other prominent NGO leaders not from CODE-NGO, in line with the aim of making the PEF independent of its founding organizers.

The PEACe bonds and their institutional successor, the Peace and Equity Foundation, have enabled hundreds of NGOs and POs in the priority provinces to reduce their dependence on external donors. Especially noteworthy has been the creative approach compatible with standard business operations that saw money transferred from elite coffers to the needs of poor people. This institutional revolution was made possible by increasingly sophisticated NGOs joining forces with socially oriented business leaders to identify latent financial opportunities and formulate legal means of making them available to NGOs and POs. The process by which it was created represents an innovative, entirely Filipino effort to divert local funds normally monopolized by the well-to-do into the service of the poor.

### Concluding Reflections

Intellectuals eager for rapid social transformation are increasingly disparaging NGO and PO efforts in developing countries because they do not seem to be bringing about significant structural change. External donors echo the argument, and increasingly exact from NGOs and POs evidence of quantifiable outputs attributable to donor funds. In making these demands, they often undermine the very strengths that NGOs exemplify. To reinforce their position, donors argue that their own citizens are demanding greater accountability for the taxes paid or contributions made to developing countries.

This brief discussion of civil society in the Philippines emphasizes how NGOs, POs, and church social action groups have tenaciously expanded the democratic boundaries of the society to effect both incremental and

transformative shifts in power relations. While these activities take place in real communities with real people, they are complemented by advocacy efforts at various levels. The People Power uprising of 1986 reflected some elements of a social movement in dispensing with an authoritarian leader and restoring a democratic society. The second EDSA event of 2001 forced a corrupt and inept president, Joseph Estrada, out of the presidential palace.

NGOs and POs thus continue exercising vigilance to constrain those in power from abusing their positions and pressuring them to act more responsibly for the people's benefit. Without these resurgent demands for accountability, governing elites would have gone unchallenged and ridden roughshod over the rights and future of the poor and powerless. Because these challenges are becoming ever more demanding, civil society groups have had to go beyond their local activities to address operational and policy reform issues in government and among donors. This has understandably led to a re-examination of NGO/PO/SA relationships with donors in keeping with the demands and spirit of the times. The three case studies offer glimpses into the many initiatives under way that are reshaping partnerships between donors and NGOs/POs.

Seen from the distant vantage point of the North, multiple, small-scale community efforts in Africa, Asia and Latin America blur in the face of dominant and inequitable social systems highlighted by the media. Community efforts may appear minuscule in academic or Northern wide-angle lenses, but to the millions of poor and once-powerless people who have learned how to mobilize and pressure governments and business into sharing assets, resources and power, these organized successes are no mean achievement. For them, the struggle will continue and become increasingly sophisticated, whatever the comments of armchair social analysts.

Philippine and Asian NGOs certainly agree that community-based activities must be simultaneously woven into movements for policy change at the national and global levels. Having actually had to make it happen, they understand how slow and painstaking the process can be. The difficult and often dangerous struggle to achieve their aims calls for skill, determination and courage.

The cases described here highlight the evolution of NGO/PO interaction with government and donors. The Naga City Urban Poor Federation turned its involvement in slum upgrading activities into a platform for questioning impractical, unsustainable or inequitable City Government and World Bank procedures, succeeding in their attempts to get the Bank to change their rules! These precedents may well affect the World Bank's community-driven projects in other parts of the country as well as the world. The cases also serve as 'lessons learned' for local governments in the Philippines.

The Philippine Misereor Partnership illustrates how rectifying dependency relationships between donors and NGOs/POs/SAs can improve their interaction, reorient the donor partner's operating procedures, and promote a better understanding of development in the North. The PEACe bonds and the resulting endowed Foundation underscore how a crisis situation, in this case foreign funding declines, can set the stage for creative initiatives that bring about institutional change. In this case, an imaginative NGO network, building on existing market processes, worked out with socially oriented banking and government leaders legal ways through which complex financial structures would benefit poor people. The Asian Development Bank, for its part, has actively reorganized its internal structures and procedures for improved partnerships with NGOs and other civil society groups.

The process of social transformation, therefore, takes place simultaneously as well as incrementally, affecting many elements in society. The locus of struggle may occur now in the community, tomorrow in local government settings, the following day at the national legislature, the day after that at the Human Rights Commission in Geneva, then back to a convention of large landowners facing a farmers' land reform mobilization, controversial decision-making at the presidential palace, or a women's micro-enterprise training activity. The process of effecting change is a dynamic, iterative one.

Many other examples can be cited to affirm that effectively organized 'small d' and 'big D' links can and do bring about important reform efforts. Inevitably these involve a struggle or at the very least strong effort and creativity on the part of NGOs and civil society allies. Philippine NGOs/POs have acted and continued to resist or engage with every administration since Marcos. Had they not demanded a better deal for the poor and marginalized, often putting their own lives and well-being at risk, and had they not championed basic human rights and fought oppressive governments, the country might still be mired in the stultifying and destructive evils of authoritarian leadership.

The NGO legacy therefore lies in maintaining the openness of that political space through concentrated advocacy and by supporting people's empowerment. Because militant and committed NGOs and POs have pursued these efforts, with or without external funding, the prospects for a truly democratic and just society continue to offer hope and fulfilment to poor Filipinos struggling for lives of dignity.

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