



Working with Official Development Assistance Agencies

**From Mobilizing Resources and Support in
Foundation Building Sourcebook: A
practitioners guide based upon experience
from Africa, Asia, and Latin America**
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Section 6 Working with Official Development Assistance Agencies

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

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What Are Official Development Assistance Agencies?

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

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

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

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

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

Why Might These Agencies Support Grantmaking Foundations?

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

How Can These Agencies Provide Support to Foundations?

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

Summary Points

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

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

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

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

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

Example 1

A Request for Project Support

Foundation for Community Development (Mozambique)

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

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

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

Matching Support to Need and Potential

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

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

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

Making the Proposal

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

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

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

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

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

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

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

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

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

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

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

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

FDC's Evaluation of the Project Collaboration

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

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

Example 2

A Sectoral and Geographic Partnership

Esquel Ecuador Foundation

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

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

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

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

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

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

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

Developing the Proposal

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

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

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

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

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

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

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

Components of the Five-Year Proposal

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

The comprehensive proposal contained the following contents and attachments:

Sustainable Human Development Program (SHOs)

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

Contents

First Part: Background

Introduction

Current Situation

About the Executing Organization

Second Part: The Program

Definition
 Geographic Focus
 Target Population
 Operative Methodology and General Strategy
 General Objectives
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- Subprogram of Sustainable Development
- Subprogram of Social Development
- Subprogram of Institutional Strengthening

 General Lines of Capacity Building

Third Part: Administration, Management, Monitoring and Revision

Administration and Management
 Monitoring
 Revision
 Timelines and Disbursements
 Duration and Cost of Program

Budget**Attachments to Proposal**

Diagnostic of the southern provinces: Azuay, Cañar, Loja y El Oro
 Table of SHDS Projects phase III
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Example 3

Government-to-Government Agreement to Create an Endowment
Foundation for a Sustainable Society, Inc. (Philippines)

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

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

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

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

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

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

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

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

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

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

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

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

Having regard to the friendly relations between the two countries,

Desiring to strengthen these relations,

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

Have agreed as follows:

Article 1 - Objective and Means

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

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

Article 2 - External Debt Policy

Article 3 - Eligible External Debt

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

Article 5 - Utilization of the Amount by the Foundation

Article 6 - Consultations and Inspections

Article 7 - Reporting

Article 8 - Amendments

Article 9 - Entry into Force and Effectiveness

Article 10 - Disputes between Contracting Parties

Article 11 - Authorities

Contribution Arrangement

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

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

And

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

And

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

Witnesses: That

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

In witness thereof, the Contracting Parties agree as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

References

⁶⁶ Proposal to the Japanese government, Foundation for Community Development. 1995.

⁶⁷ *Ibid.*

⁶⁸ *Ibid.*

⁶⁹ Selener, Daniel. *Draft study on Embassy of the Netherlands Cooperation with Esquel Ecuador Foundation*. New York: The Synergos Institute. Unpublished.

⁷⁰ *Ibid.*

⁷¹ *Ibid.*

⁷² *Ibid.*

⁷³ Gonzales, Eugenio. Final remarks from *Building the Foundations of a Sustainable Society: The Philippine Experience of Creative Debt Relief*. 1996.