



## Philippine Council for NGO Certification

### **REVISED GUIDELINES AND STANDARDS IN THE ACCREDITATION OF NON-GOVERNMENT ORGANIZATIONS (NGO) AND FOUNDATIONS**

#### **I. RATIONALE**

The Philippine Council for NGO Certification (PCNC or the Council) is a “self-regulatory mechanism” committed to ensuring the integrity, transparency, accountability, and quality service of the nongovernment organization (NGO) and nonprofit sector in the Philippines. The Council has been duly designated by the government as “Accrediting Entity” to determine the qualification of non-stock, non-profit corporations or organizations and NGOs for accreditation as qualified donee-institutions.

On December 11, 1997, Republic Act No. 8424 - *Tax Reform Act of 1997*, was signed into law. Sec. 34(H)(2)(c) provides that donations to accredited nongovernment organizations organized and operated exclusively for scientific, research, educational, character-building and youth and sports development, health, social welfare, cultural or charitable purposes, or a combination thereof, are deductible in full.

On January 29, 1998, then Secretary of Finance Roberto F. de Ocampo and PCNC Interim Chairperson Victoria P. Garchitorena signed a Memorandum of Agreement (MOA) designating PCNC as the *“sole body to establish and operationalize a system of accreditation to determine the qualifications of domestic corporations or associations organized and operated exclusively for religious, charitable, scientific, youth and sports development, cultural or educational purposes, or for the rehabilitation of veterans, or to nongovernment organizations for accreditation as donee institutions”*.

The Revenue Regulation (RR) No. 13-98, implementing Section 34 (H) of RA 8424 relative to the deductibility of contributions or gifts actually paid or made to accredited donee institutions in computing taxable income, was issued by the Bureau of Internal Revenue (BIR) on December 8, 1998. In the said RR, PCNC was named as the duly designated Accrediting Entity pursuant to MOA on January 29, 1998.

In RR No. 13-98, the Council as Accrediting Entity was tasked “to establish and operationalize a system of accreditation to determine the qualification of non-stock, non-profit corporations or organizations and NGOs for accreditation as qualified donee institutions” (Section 1 (d)). The accreditation of non-stock, non-profit corporations/NGOs by PCNC is a “pre-requisite for their registration with the BIR as qualified donee institutions under Section 34 (H) (1) and (2) (c) of the Tax Code” (Section 2 (a)).

On April 11, 2008, through Executive Order No. 720 - *Establishment of a Government-Non-government Partnership in the Accreditation of Donee Institutions Relative to the Tax Deductibility of Charitable Contributions under Section 34(H) of the National Internal Revenue Code, As Amended*, the distinct mandate of PCNC as the government's partner in a system of accreditation of NGOs was emphasized. This renewed mandate strengthened PCNC's partnership with the BIR and other government institutions in extending the benefits of donee-institution status to qualified NGOs.

The PCNC accreditation guidelines and standards have been reviewed and revised to align it with relevant government regulations, laws and guidelines; to update the criteria and indicators based on leading practices and international standards in NGO governance, transparency, accountability, and program management; and to improve accreditation processes informed by the lessons learned and the diversity of the types of NGOs applying for accreditation.

## **II. THE PCNC ACCREDITATION**

PCNC accreditation is a pre-requisite for the registration of non-stock, non-profit corporations and foundations with the BIR as qualified donee-institutions.

Moreover, PCNC accreditation is not only an assurance of NGO-applicant's compliance with regulatory requirements but also a seal of legitimacy and good NGO housekeeping that is recognized by the government, the NGO sector, and local and international donor community – a demonstration that the PCNC-accredited organizations have met the standards of good governance, financial stewardship, and operational transparency and accountability. As such, an NGO may still seek PCNC accreditation even if it does not intend to acquire the BIR registration as donee-institution.

According to Asian Development Bank (ADB), 2013 Civil Society Briefs: Philippines, *"The PCNC certification process is one of the very few government-recognized NGO certification systems in the world and has been the subject of discussion and possible replication by NGOs in different countries. It ensures professionalism, accountability and transparency within the NGO and nonprofit sector in the Philippines by providing a Seal of Good Housekeeping, which will hopefully also help identify NGOs of good standing for funding agencies and partners."*

In many instances, PCNC accreditation provides access to local and international funding. Some international donors and fundraising platforms rely on PCNC accreditation in lieu of their own due diligence process. In addition, it enhances opportunities for collaboration with fellow PCNC-accredited NGOs and Foundations.

### III. MECHANICS OF EVALUATION

#### A. Purpose of Evaluation

The purpose of PCNC's evaluation of NGO-applicant is both *summative* and *formative* (Scriven, 1981):

1. Determine eligibility for certification by the BIR as donee-institution in accordance with Section 2 of R.R. No. 13-98;
2. Assess the level of organizational performance vis-à-vis established rules and leading practices;
3. Identify areas for improving organizational performance and offer recommendations for increased integrity, transparency, accountability, and better service.

#### B. Scope of Evaluation

In line with Sec. 2(c), R.R. No. 13-98, an NGO-applicant is evaluated based on standards along **six dimensions** of NGO organizational performance, as follows:

1. **Organizational Purpose.** This examines the organization's purpose or purposes provided in the Articles of Incorporation and their coherence with the mission, vision, goals and core values. The organizations mission and goals should justify its existence.
2. **Governance and Leadership.** This dimension covers the organization's governance structure, direction-setting, strategic planning and policy formulation, institutional performance management, and mechanisms for internal control and risk management.
3. **Program/Operations Management.** This examines the policies, procedures and practices in managing the delivery of the organization's programs or services, including program/service design and planning, implementation, monitoring, evaluation, and learning.
4. **Collaboration.** This looks into the linkages or partnerships that the organization establishes with other organizations in pursuing common development agenda.
5. **Administration.** The organization's administrative policies, procedures and practices that cover human resources, procurement, asset management, safety and security, and other support services are assessed under this dimension.

6. **Financial Management and Sustainability.** This dimension examines the sufficiency and appropriateness of the organization’s policies, procedures, and practices for the efficient and effective management of its financial resources that are anchored on the principles of accountability, transparency, and sustainability.

### C. Measurement

1. Each organizational dimension described in Section B above is assessed using criteria that correspond to its key elements. **Table 1** shows the number of criteria and corresponding weight per dimension.

**Table 1. Number of Criteria and Weight per Organizational Dimension**

No.	Organizational Dimension	No. of Criteria	Weight
1	Organizational Purpose	4	0.09
2	Governance and Leadership	5	0.11
3	Program/Operations Management	11	0.24
4	Collaboration	2	0.04
5	Administration	8	0.18
6	Financial Management and Sustainability	15	0.33
		<b>45</b>	<b>1.00</b>

2. Each criterion is then described progressively by series of indicators corresponding to a rating scale (ordinal measure), with assigned values of 1 indicating poor or unacceptable compliance or practice to 5 indicating excellent or perfectly acceptable compliance or practice, to determine the organization’s level of performance or the degree of acceptability of the current practice vis-à-vis established policies, rules or norms.
3. As shown in **Table 2**, the progression of indicators from 1 to 5 demonstrates how an organization can evolve or improve to achieve optimal performance at par with leading practices and/or fully comply with regulatory requirements. The rating of “3” corresponding to satisfactory or acceptable represents the minimum level of practice or compliance.
4. The ratings for each dimension are summarized by computing the mean. The dimension’s mean score is then multiplied by the corresponding weight to arrive at the dimension’s weighted mean score. The weight of

each dimension, which represents the relative value of such dimension, is determined based on the proportion of the number of criteria of the dimension to the total number of criteria.

**Table 2. Rating Scale to Measure Each Criterion**

Rating	Adjectival Equivalent	Description
5	Excellent (Perfectly Acceptable)	All aspects or elements of the criterion are extremely well managed; the organization performs so well in this criterion that it provides a "best practice" role model for others to follow.
4	Very Satisfactory (Very Acceptable)	All aspects or elements of the criterion are managed well, with minimal area for improvement noted.
3	Satisfactory (Acceptable)	This criterion is given careful attention; there is still some progress to be made; a few areas may call for further improvement, but there is nothing seriously wrong.
2	Below Satisfactory (Marginally Unacceptable)	While some aspects of this criterion are adequate, but some elements are significantly below acceptable standards; immediate improvement is needed.
1	Poor (Unacceptable)	Many aspects of this criterion are either non-existent or seriously and consistently below acceptable standards; significant improvement is required.

5. The overall rating is then computed using the weighted mean score of the six dimensions.
6. The overall rating will determine the evaluation outcome and the corresponding recommended action.

**D. Evaluation Outcome**

Upon deliberation of the PCNC Board, the evaluation outcome can be any of the following:

1. **Approval of Accreditation.** Accreditation may be granted to NGO-applicant if its overall rating is between **2.61 and 5.00, provided that there is no mean rating below 2.61 in any of the dimension.** The certification period can either be 1, 3 or 5 years depending on the overall rating obtained as shown in **Table 3** and **Table 4** below.

2. **Deferment of Accreditation.** Accreditation may be deferred if the overall rating is **between 1.81 and 2.60 or when there is a mean rating below 2.61 in any of the dimension,** and/or there are findings in the evaluation involving deficiencies which are generally due to incomplete data, lack of proper documentation, or procedural lapse. These deficiencies have to be cured or addressed for reconsideration by the PCNC Board.
  
3. **Denial of Accreditation.** Accreditation shall be denied if the overall rating is **1.80 or below** (Poor/Unacceptable) and/or the evaluation findings show serious deviation from PCNC Standards, commission of grave violation against statutory rules and regulations, or willful disregard/non-compliance with the previous obligatory recommendations of PCNC.

**Table 3. Evaluation Outcome for NGOs Applying for Renewal of Accreditation**

Range	Adjectival Equivalent	Decision
4.21 - 5.00	Excellent (Perfectly acceptable)	Approval for 5 years certification
3.41 - 4.20	Very Satisfactory (Very acceptable)	Approval for 3 years certification
2.61 - 3.40	Satisfactory (Acceptable)	Approval for 1 year certification
1.81 - 2.60	Below Satisfactory (Marginally unacceptable)	Deferment
1.00 - 1.80	Poor (Unacceptable)	Denial

**Table 4. Evaluation Outcome for First Time NGO-applicants**

Range	Adjectival Equivalent	Decision
4.21 - 5.00	Excellent (Perfectly acceptable)	Approval for 3 years certification
3.41 - 4.20	Very Satisfactory (Very acceptable)	
2.61 - 3.40	Satisfactory (Acceptable)	Approval for 1 year certification
1.81 - 2.60	Below Satisfactory (Marginally unacceptable)	Deferment
1.00 - 1.80	Poor (Unacceptable)	Denial

## **E. Evaluation Tool**

The NGO-applicant will be evaluated using the **PCNC Self-Assessment and Peer-Appraisal Tool or SAPAT** (see **Annex B**). Only one tool shall be used for the NGO-applicant's self-assessment and for the evaluators' peer-appraisal.

## **IV. PCNC ACCREDITATION PROCESS**

PCNC accreditation process can be completed within three months depending on the readiness of the NGO-applicant and completeness of required documents. It covers six steps as follows:

### **A. Evaluation**

#### **1. Pre-Evaluation**

- a) *Submission of Application for Accreditation by NGO-applicant to PCNC.* Three (3) sets (1 set original, and 2 sets duplicate) in hard copies of complete documents listed in **PCNC Form 101 - Checklist of Documents (Annex A)** must be packaged and sent to PCNC either through courier or hand-carry. All documents must be thoroughly reviewed prior to submission to PCNC particularly the Articles of Incorporation and By-laws to make sure that the required provisions in item No. 6 in the Checklist are complied with. Those provisions may not be written verbatim as in the list, but should be similar in intent and meaning. Once the accreditation is approved by the PCNC Board, one set of the documents will be endorsed to the BIR for further review as the NGO's application for registration as donee institution.
- b) *Preliminary review of documents.* PCNC staff conducts preliminary review of submitted documents to determine completeness and correctness. The review will also establish the legitimacy of the NGO-applicant. The NGO-applicant will be notified of any deficiencies within two days after receipt of documents. Lacking documents must be submitted for the evaluation to proceed.
- c) *Formation of PET.* PCNC will constitute the Evaluation Team (PET) composed of two volunteer peer evaluators—one is an expert in governance, program/project management, and linkages, and the other is an expert in accounting, financial management, and administration—and a PCNC Certification Officer. The schedule of evaluation visit by PET will be coordinated by PCNC with the NGO-applicant.

#### **2. The evaluation proper**

- a) *NGO-applicant self-assessment.* Using the **SAPAT**, the NGO-applicant undertakes a self-assessment. This is important because the NGO-

applicant will be aware of the evaluation standards and will have the opportunity to prepare for the peer-appraisal. It is suggested that the self-assessment is done in a participatory manner involving key personnel of the different units in the organization, and the ratings are arrived at through consensus. By going through the self-assessment, the NGO-applicant will have a better understanding of how it will be evaluated and what needs to be done to obtain higher ratings. The importance of honesty and objectivity in the conduct of the self-assessment must be emphasized.

- b) *PET documents review.* The PET reviews the documents submitted and those presented during the actual visit including the Self-Assessment to ascertain their completeness, correctness, and validity. The PET may verify, seek clarification, request additional information and conduct interview during the evaluation visit.
- c) *PET Peer-Appraisal.* The PET conducts either onsite evaluation, online evaluation, or a combination thereof (blended evaluation). **Annex D** contains the list of supplemental documents that must be prepared and made available to the PET during the evaluation visit.

**Annex E** contains the guide questions that may be considered by the PET during the conduct of interviews.

Using SAPAT, the PET rates the NGO-applicant based on its appreciation of the documents or evidence provided, and the outcome of the interviews. After completing its rating, the PET may refer to the Self-Assessment results to cross-validate the Peer-Appraisal results. Disparities in the ratings may be discussed further during the Exit Meeting. The ratings of the PET will prevail.

- d) *Exit meeting with NGO-applicant.* PET will conduct an Exit Meeting with the NGO-applicant to present its key findings focusing on significant strengths or good practices as well as areas for improvement with corresponding recommendations.

In case of any deficiency or non-compliance identified during the evaluation, the NGO-applicant will be notified in writing and will be given a maximum of six months to comply and to submit to PCNC proof of compliance.

## **B. Evaluation Report**

1. After completing the evaluation, the PET will prepare the Evaluation Report which will cover significant findings on the strengths and areas for



improvement of the NGO-applicant relative to the six organizational dimensions with corresponding recommendation on how the NGO can further improve its operations, and the recommended action.

2. The Evaluation Report shall contain the following information:

**I. Profile of NGO**

- Brief history of the organization
- Mission, vision, goals and core values
- Type of organization and nature of operations
- SEC registration, date
- PCNC accreditation history

**II. Evaluation Results**

- A. Compliance with recommendations from previous evaluation
- B. Evaluation findings
  - 1. Organizational Purpose
  - 2. Governance and Leadership
  - 3. Programs/Operations Management
  - 4. Collaboration
  - 5. Administration
  - 6. Financial Management and Sustainability

**III. Recommendations**

- A. For compliance
- B. For consideration

**IV. Action Requested**

- Approval, with certification period
- Deferment
- Denial

**V. Evaluation Team**

3. The Evaluation Report is submitted to the PCNC Executive Director for review.

4. If found in order, the Executive Director will endorse it to the PCNC Board for deliberation.

**C. PCNC Board deliberation**

1. The PCNC Board reviews and deliberates the findings and recommendations of the PET. It may request additional information or seek clarification, as deemed necessary. The Board may modify the PET recommendations based on its appreciation of the information presented.

After thorough deliberations, the Board may approve, defer or deny the accreditation of NGO-applicant.

2. The NGO-applicant will be notified in writing by PCNC of the Board's decision.
3. In case of **Deferment**, the NGO-applicant will be given six months to address the issues or deficiencies cited by the Board. Failure to do so would require a re-evaluation of the NGO-applicant. After submission to PCNC proof of compliance or actions taken, a follow-up report will be prepared for re-deliberation by the Board.
4. In case of **Denial**, the NGO-applicant may re-apply after one year from the date of the Board decision.

#### **D. Issuance of the PCNC Certificate of Accreditation**

1. PCNC will issue a *Certificate of Accreditation* to the NGO-applicant whose accreditation has been approved by the PCNC Board.
2. This certificate is separate and distinct from the *Certificate of Registration (COR)* as donee-institution to be issued by the BIR.

#### **E. Endorsement to BIR for Certification as Donee-Institution**

1. PCNC will endorse accredited NGO with complete documentary requirements to the BIR for further review.
2. If the BIR finds the application in order, it will issue the COR as donee-institution through PCNC.
3. In case of deferment or denial by the BIR, the NGO will be notified in writing of such decision through PCNC.

#### **F. Issuance of BIR Certification as a Donee-Institution**

1. PCNC will send the NGOs the COR as donee-institution issued by BIR.
2. As a donee-institution, the NGO can issue a Certificate of Donation for donations received which can be used by the donor to claim for tax deductibility of donation given.

## **V. SHARING OF INFORMATION AND DATA PRIVACY**

PCNC values and protects the privacy of its members, applicant-organizations, partners, trustees, officers and staff. PCNC, through its Volunteer Peer Evaluators, staff members and the Board of Trustees, collects and analyzes the data and other relevant information provided in relation to the organization's application for accreditation in order to make a fairly accurate assessment of the organization in accordance to existing laws and PCNC policies as the duly designated accrediting entity. PCNC will not share or disclose personal data to other parties without the subject's consent, except when the information is of public knowledge.

By submitting to the PCNC accreditation process, the applicant-organization explicitly acknowledges, agrees and consents to the collection, use and processing of necessary and relevant data and information. In doing so, the applicant-organization understands that such information may be transferred throughout PCNC and may be shared with the evaluators, trustees, officers, and staff members who will be working on such certification process. The applicant-organization understand that its consent does not preclude PCNC to process any personal data or information based on lawful criteria, and does not waive any of its rights, individually and collectively as an organization under the Data Privacy Act of 2012 and other applicable laws.

## **VI. AMENDMENT/REPEAL**

All policies, guidelines, standards and issuances of the Council that are inconsistent with these revised guidelines are hereby amended and/or repealed accordingly.

## **VII. EFFECTIVITY**

These revised guidelines and standards shall take effect on **July 1, 2022**.

Approved by the PCNC Board of Trustees at City of Manila on May 25, 2022.

FOR THE COUNCIL:

  
**FELIX A. TONOG**  
Executive Director

## **LIST OF ANNEXES**

Annex	<b>A</b>	Checklist of Documents (PCNC Form 101)
	<b>B</b>	PCNC Self-Assessment and Peer-Appraisal Tool (SAPAT)
	<b>C</b>	SAPAT Rating Sheet
	<b>D</b>	List of Supplemental Documents for Review During Evaluation
	<b>E</b>	Guide Questions for PET
	<b>F</b>	Evaluation Report Template
	<b>G</b>	Certification and Standards Committee and Technical Review Panel Members

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