

WELL DONE

A Recipe Book on Good Governance



2009 Annual Report

The Institute for Solidarity in Asia (ISA) is a collaborative network of sectoral leaders, public officials, and ordinary citizens committed to governance in all aspects and levels of life in society. By 2015, it shall be recognized as a leading **public governance reform institute** in East Asia.

ISA works with:

- **sectoral leaders** in raising the standards of professional and ethical practice as well as of social responsibility in their respective sectors
 - **public officials** in institutionalizing a public governance system, in partnership with multi-sectoral coalitions, for the long-term development of their communities and institutions
 - **national public institutions** to develop centers for leadership dedicated to the continuing training of citizens in the exercise of their civic duties and in their participation to serve the common good of society
-

Core Values

Patriotism • Subsidiarity • Service to the Common Good
• Commitment • Competence

OUR THEME



Practicing what it preaches, the Institute for Solidarity in Asia (ISA) publishes its first-ever annual report that documents its performance as a civil society and not-for profit association focused on raising the standards of public governance practice in the Philippines and in East Asia.

In the annual report, ISA features its work with local government units, as well as with state agencies, national institutions, and global institutions that share its vision and core values.

Carrying the theme "Well Done", the annual report doubles as a "recipe book" on good governance as it highlights the breakthrough results of ISA's partners and describes how the institute brings governance reform issues to the world stage.

By publishing its own annual report, ISA hopes that other institutions – notably its PGS partners – will follow, to foster greater transparency in reporting their reform efforts and governance practices.

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OUR HISTORY

2000

The Foundation for Community Building in the Asia Pacific, Inc. puts up the Institute for Solidarity in Asia (ISA) to improve governance standards in the public sector.



2001

Malacañang names ISA founding chair Dr. Jesus P. Estanislao as Presidential Adviser for Governance. ISA serves as the Secretariat of the Governance Advisory Council.

2003

Under the auspices of ISA, the Professional Regulation Commission (PRC) issues the Code of Good Governance for the Professions. All professions rate themselves based on the provisions of the code.

2007

A fourth batch of local government units (LGU) gets initiated into the PGS. Sorsogon becomes the first provincial government to undergo the Governance Pathway.

The Philippine Military Academy (PMA) puts up its Center for Leadership and Professional Excellence, the office that will oversee the implementation of its strategy map. The Academy is the first to institutionalize an Office of Strategy Management.

ISA's PGS is a featured case study in a Global Public Sector Summit held in Washington, DC. A delegation of officials from PGS cities attends the summit and does a study tour of Balanced Scorecard cities in the US.

ISA formally launches its Certification Program for ISA Associates. The first run of the first set of certification courses takes place in a full-day Learning Institute attended by over a hundred participants.



ISA enters into a partnership with the League of Cities of the Philippines, the National Competitiveness Council, and the Embassy of the Kingdom of the Netherlands.

2008

ISA signs a Memorandum of Agreement with the Palladium Group making the PGS Pathway an official feeder program to the Balanced Scorecard Hall of Fame for Strategy Execution.

A fifth batch of local government units begins its PGS journey. This batch includes Bani in Pangasinan, the first PGS municipality.

ISA organizes two investment fora for LGUs that have at least completed two stages of the Pathway.

An ISA delegation attends a Master Class under the creators of the Balanced Scorecard (BSC). Held in San Diego, California, the Master Class coincides with the launching of the BSC Strategic Management System.

ISA renames its Learning Institute after the Natrapharm Group, a Filipino pharmaceutical company that has patriotism as its core value.



2004



With a grant from the Center for International Private Enterprise (CIPE) and The Asia Foundation, ISA introduces the Public Governance System (PGS) to a pilot group of cities. City administrators from nine pilot cities undergo training.

ISA and the PRC jointly publish the “Good Governance Report for the Professions” which contains the results of the self-rating on governance practices of all the professions.

2009

Iloilo City and the City of San Fernando Pampanga complete the



Governance Pathway, posting breakthrough results since its adoption of the PGS. Iloilo is elevated to the global BSC Hall of Fame for Strategy Execution, the first from the Philippines.

San Fernando is installed into the ISA-ICD Maharlika Hall of Fame for its institutionalization of the PGS in the entire local bureaucracy. The City's PGS wins a Galing Pook Award for innovation in public governance practice.

ISA renames the PGS “Performance Governance System” to underscore the need for governance to deliver results.

2005



Eight ‘Dream Cities’ present their development strategy and governance scorecards in a Public Governance Forum. In the same event, ISA names its first Fellows consisting of local chief executives and sectoral leaders.

ISA convenes leaders from various sectors to create the Philippines 2030 Strategy Map. Six national sectoral coalitions involving dozens of organizations develop their respective strategy maps in support of the national strategy map.

The Philippine Military Academy (PMA) launches its 2015 strategy map that details its strategy for becoming a leadership school. The PMA becomes the first national institution to adopt the PGS as its governance framework.

ISA begins installing the PGS in six national government agencies as part of the National Government's efforts to qualify for funding from the Millennium Challenge Corporation.

Dr. David Norton, one of the creators of the BSC, talks about the Principles of a Strategy-Focused Organization during the ISA Public Governance Forum. ISA's work is also a featured case study in the Seoul Democracy Forum, the “Democracy That Delivers” Forum in Washington, D.C. and the Palladium Asia-Pacific Summit in Jakarta.

The Management Association of the Philippines names ISA Chair Jesus Estanislao “Management Man of the Year”, a recognition of his work in ISA.



2006

ISA publishes *Philippines 2030: Journey to Nationhood* which details the strategy for accelerating the country's development.

ISA also unveils the four-stage PGS Governance Pathway and spells out the hallmarks as well as interventions at every stage. Two batches of cities begin their PGS journey.



Eight cities formally constitute their respective multi-sector coalitions consisting of private sector leaders who will jointly work with them in meeting their performance commitments.

San Fernando Pampanga legislates its Multi-Sectoral Governance Council, the first city to do so.

ISA forms the *Mahal Ko Ang Pilipinas* National Coalition consisting of cities and sectoral organizations that, by adopting the PGS to institute governance reforms, support the vision of *Philippines 2030*.



ISA names its second batch of Fellows and the first three Associates.

An ISA delegation that includes two City Mayors attends a Global Public Sector Summit in Washington, DC. The delegation visits two cities in the United States that have been elevated to the Balanced Scorecard Hall of Fame for Strategy Execution.

CHAIRMAN'S MESSAGE

What governance is really about

There is no more opportune time for us at the Institute for Solidarity in Asia (ISA) to share inspiring stories on the breakthroughs of our partner institutions than now through the publication of our first-ever annual report. After all, this is a time when Filipinos are again preparing to make their voices heard and exercise their civic duty to elect leaders.

Unfortunately, many of our citizens still believe their responsibility to share in the governance process comes only every election time. In the interim, they bewail or complain about our inability to move towards nationhood. Some have opted to vote with their travel bags and migrate overseas out of frustration and despair.

Who are we to blame them? When governance hogs the headlines, it is being used mainly to lament the seeming hopelessness of our state of affairs. When governance catches on as a buzzword, it is more in the context of fighting corruption.

At ISA, we have been privileged to be always on the ringside seat to witness the significant progress among our progressive local governance units (LGUs) and public institutions. To date, we are working with more than 30 provinces, cities, and municipalities that are in various stages in our Performance Governance System (PGS) Pathway.

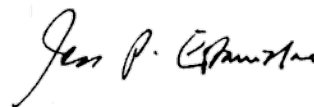
We are also attracting a good number of professional organizations and national public institutions that give governance a positive and substantive ring. For every new “recruit” in our Public Governance System, we find that there is no shortage of private companies and international institutions willing to partner with ISA on this journey.

While the PGS remains a work in progress, we also see this as a testament to how far we have gone in raising the standards of governance in the public sector. More than this, it is also proof that Filipinos can do things right, cleanly and correctly, and that things can be all right right here in the Philippines.

The challenge remains for us to constantly communicate this newfound realization to our fellow Filipinos, particularly those whose love for their country is slowly being eaten up by despondency.

In this annual report, we shine the spotlight on cities, sectors and institutions whose stories provide recipes for good governance.

We invite you to try these recipes so that, finally, we can nourish our nation with many good stories to come. In behalf of ISA and our partners, thank you for your unshaken belief in the Filipino and in the Philippines.



Jesus P. Estanislao



Thoughts on Governance

"In the field of corporate governance in Asia, we are classed as among those in the forefront of reforms. Our average scores in the corporate governance scorecard are comparable with the best in the region. Our initiatives in bringing governance into differentiated sectors... are regarded as cutting edge. Our push to move out of mere box-ticking compliance into using governance as a framework for delivering performance is well regarded as path-breaking. Indeed, we can choose many more areas in which we can raise our flag much higher than many other flags in our part of the world."

– Excerpt from a speech delivered in December 2009 after being conferred "Management Man of the Year 2009" by the Management Association of the Philippines

"The slower pace of development in the Philippines can be attributed to many factors, which are the subject of continuing debate. At the core of these many factors, however, is one challenge that the country has to meet, and over which there is little debate. This is the governance challenge, i.e. the real disconnect between the governance demands of an open society and the largely feudal culture of one still in transition to a modern democracy."

– Excerpt from a speech delivered at the Global Public Sector Summit in Washington, D.C.

"In the polity, economy and society of the Philippines, given its many divisions and lack of depth of feeling about national unity, the bottom-up approach may have been the only realistic alternative to improving the standards of national governance over the long term."

– Excerpt from Dr. Estanislao's article published in the March 2010 issue of the "Balanced Scorecard Report" published by Harvard Business Publishing

PRESIDENT'S REPORT



Celebrating ISA's

When ISA was founded in 2000, it was on the premise that there remained a crying need for improving governance and civic participation in our country.

ISA's founder, Dr. Jesus P. Estanislao, a veteran public servant and a seasoned executive of both public and private financial institutions, melded his practical leadership experience with his passion for a progressive Philippine nation based on responsible leadership, empowered citizenship, and locally generated economic reform.

After 10 years, we are proud to say that our efforts toward this end can now be considered “well done” – which is why we chose this as the theme of our first annual report.

Our decade-old ISA has had a great deal of success in several aspects:

- We now have more than 30 local government units (municipalities, cities and provinces) and some 20 national public institutions and professional organizations as active partners.
- Through our partners' adherence to our Performance Governance System (PGS), ISA was able to make a difference in improving the quality of life of Filipinos who greatly benefit from public institutions responsive to their needs.
- Since partnering with a pilot group of eight LGUs in 2005, ISA now takes pride in producing a PGS Partner that has earned global recognition for its

milestones in governance

successful adoption of the PGS. I am referring to the City of Iloilo, which now holds the enviable position of being the first Philippine organization to be elevated to the Balanced Scorecard Hall of Fame for Strategy Execution. Another partner, the City of San Fernando Pampanga, our first ISA-ICD Maharlika Hall of Fame awardee, is also on its way to getting the distinction after completing the three-year, four-stage cycle prescribed by the PGS.

- ISA has also made headways in bringing our advocacy to the world stage. Our founding Chair's thoughts on good governance and responsible citizenship have graced several local and international publications, in addition to the books that ISA and its partners have helped release.

- In 2009, ISA's work has been recognized in several occasions and fora. These include being a featured case study in the Seoul Democracy Forum, the "Democracy That Delivers" Forum in Washington, D.C., and the Palladium Asia-Pacific Summit in Jakarta.

- The prestigious Management Association of the Philippines (MAP) also conferred on Dr. Estanislao the title "Management Man of the Year" for his contributions through ISA.

- It also brought us great honor to have Dr. David Norton, one of the creators of the Balanced Scorecard, at our Public Governance Forum in September 2009.

ISA will not be able to do much without the able assistance of our Institutional Partners, namely: Center for International Private Enterprise (CIPE), Palladium Group, National Competitiveness Council (NCC), Development Academy of the Philippines (DAP), the Embassy of the Kingdom of the Netherlands, Natrapharm Patriot Group, Union Bank of the Philippines, Development Bank of the Philippines, and Bank of Commerce. By believing in ISA and our partners, these private companies and international agencies have emboldened us to do more for our country and our fellow citizens.

After ten years, I can say that the biggest lesson we learned from our work at ISA is that hope abounds for our nation. We have proven that we can achieve breakthroughs and transformations and create ripples in good governance. Filipinos can make things happen but we should strive harder and make urgent strides toward our vision for Philippines 2030. Our work is cut out for us.



Francisco C. Eizmendi, Jr.

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UNDERSTANDING WHAT WE DO

The Institute for Solidarity in Asia (ISA) began as a reform institute in December 2000. Founded by former Finance Secretary Jesus P. Estanislao, ISA took on the challenge to develop good governance mechanisms in a democracy with weak governance institutions.

Our belief

The governors and the governed (public officials and the citizenry) must have a system where they can translate their common aspirations into specific commitments and initiatives, as well as invoke the financial and human resources to carry out these goals.

PGS: Our core program

From our store of knowledge and network, we introduced the Performance Governance System (PGS) in 2004, piloting with eight cities. It was the development of this system that inspired ISA's work. Through careful application and routine adaptation of the Balanced Scorecard (BSC), ISA has created a rigorous accreditation program for public sector organizations that entails going through a four-stage governance reform and strategic management overhaul.

The PGS was adapted from the Balanced Scorecard (BSC), a revolutionary management and measurement system developed by Professors David Norton and Robert Kaplan of the Harvard Business School in 1992. Originally developed for large corporations, the BSC is widely used today in public and not-for-profit organizations worldwide. It is considered as one of the most important management ideas in the past 75 years.

Forging partnerships

ISA guides local government units, sectors and public institutions through an extensive, multi-year strategic management exercise. This involves setting the vision and mission as well as identifying long- and short-term economic development targets. Those who sign up to undergo the PGS process become ISA's PGS Partners. Members of PGS Technical Working Groups undergo a certification program on the technical aspects of the PGS, as well as on financial strategies and governance values. After fulfilling the course requirements, they are named ISA Associates.



Creating strategy maps

We help our partners craft their own strategy maps. Each commits to a three-year partnership with ISA that is set in motion by identifying a 15- to 20-year strategy map, complete with metrics, investment strategies and social impact assessments.

Shown on the right is the strategy map of DPWH.



Forming multi-sector coalitions

We help our PGS Partners form multi-sectoral coalitions. The coalition is made up of leaders from various sectors who contribute to meeting the targets. This way, governance becomes a common



responsibility of all, with officials and citizens sharing in the task of improving it, raising its standards, and making it yield benefits for the common good.

Scorecard: Sharing responsibilities

A scorecard is developed to monitor and track the progress of the PGS. This serves as a governance compass to improve cooperation and the distribution of responsibilities. The chief executive has a clear set of responsibilities and these are measured by the scorecard. The subsidiary units also have theirs, as well as the external stakeholders. The different scorecards measure actual performance against commitments. No two scorecards are the same; but all scorecards promote the same goal: improved public governance. *Shown above is a detail of the Philippine National Police scorecard.*

 PHILIPPINE NATIONAL POLICE		GOVERNANCE SCORECARD				
Perspectives	Objectives	Measures	Targets			Initiatives
Stakeholders' Support	Sustainable partnership and collaboration with the stakeholders	Percentage of audit recommendations considered as good, fair, correct and appropriate scores	10% of the total number of recommendations	50% of the total number of recommendations	All audit recommendations	Technical assistance, training, capacity building, and other support (TAP)
		Percentage of provinces with peace order	10% of the total number of provinces	50% of the total number of provinces	75% of the total number of provinces	Integrated Risk Management Public Safety Plan (IARMPSP)
		Percentage of Barangays with Barangay Peacekeeping Action Teams	50% of the total number of Barangays	60% of the total number of Barangays	100% of the total number of Barangays	

Tracking progress

The PGS is divided into four distinct phases, each of which requires an audit review of the PGS Partner in order for it to proceed to the next phase and earn accreditation. A system of integrated audits enables ISA to monitor a partner's progress in the PGS Pathway from beginning to end, adding value and identifying areas for improvement along the way. Multiple audits are conducted by "Solidarity Missions" made up of ISA Fellows and Institutional Partners (for the initial stages) and a third-party auditor for PGS Partners in the Institutionalization stage.

Moving up the Governance Pathway

PGS Partners report their progress at the Public Governance Forum that ISA mounts twice a year, usually in March and September, to showcase the concrete, strategic, and proven results they made in improving public governance and making the nation globally competitive. To date, ISA has a working relationship with more than 30 LGUs and scores of public institutions. One of our earliest partners, the City of Iloilo, has been elevated to the Balanced Scorecard Hall of Fame for Strategy Execution recognized worldwide, while the City of San Fernando Pampanga is on its way.



Governance Pathway

ISA-ICD MAHARLIKA HALL OF FAME is a recognition of the full institutionalization of the PGS in the organization. This is shown by the presence of personal governance scorecards and the PGS Partner's effort to influence the governance of similar organizations.

PHASE 4

PGS Institutionalized status is granted after an audit review of a partner's performance for at least two years of implementing its PGS strategy. The scorecard must show breakthrough financial results and high social impact.

PHASE 3

PGS Proficient status is granted after an audit review of the partner's strategic performance as measured by its scorecard. Mechanisms for reporting actual performance against targets must be in place. An Office of Strategy Management in-charge of strategy execution must be fully functional at this stage.

PHASE 2

PGS Compliance is centered on alignment of resources and people to the strategy. This status is granted after an audit review of the PGS Partner once it has formally organized internal and external stakeholders to be part of the governance process.

PHASE 1

PGS Initiated status is granted to a partner who has established a technical working group and a multi-sector council that will undergo orientation and training on the PGS. This phase entails development of a strategy and translating it into a set of measurable targets for learning and growth, operational efficiency, financial viability and social impact on the constituency.





A recipe for shared responsibility

Who would have thought a festival could serve as a perfect launchpad for a successful governance strategy? Learn this Ilonggo recipe from the first Philippine institution elevated to a global Hall of Fame.

THERE'S more to the lovable Dagoy doll, the official mascot of Iloilo City's famous Dinagyang Festival, than meets the eye. More than creating excitement in the annual religious festival, the doll demonstrates the ingenuity and artistry of the Ilonggos, as well as their strong collaborative spirit.

Around 2,000 Dagoy dolls sold like hotcakes in kiosks ran by students who displayed their marketing skills. Organizers also mounted a "Dress Up Dagoy" Contest to engage local artists. Business establishments sold dolls to help raise festival money.

This multi-sector partnership is just a microcosm of how things are done in Iloilo City, which now holds the distinction of being the first Philippine institution to be officially inducted into the 2009 Balanced Scorecard Hall of Fame for Strategy Execution. It wasn't this way more than five years ago when City Hall was "perceived to be home to incompetent employees" and pride among the Ilonggos was more a battlecry than reality, says Maria Gracia Chua, who heads the City's Office of Strategy Management.

In 2005, the LGU was introduced to ISA's Performance Governance System (PGS). "ISA asked to submit our success story and we showcased the Dinagyang," Ms. Chua says. The Dinagyang represents Iloilo City's best practice in private-public partnership (PPP). It involves every sector in Iloilo – from



Mayor Jerry Treñas (center) with City officials and private sector partners



sidewalk vendors and street hawkers to the restaurants and big hotels; from mascot makers to the womenfolk who fashion the Dinagyang necklaces with their hands; and from the schools to the farthest barangays.

"With ISA's help, we were able to transform the Dinagyang as a template for all our programs involving PPP," Ms. Chua adds. From 23 committees, the City's multi-sector coalition now has 78 committees, all involving various sectors, each with a scorecard and working together to meet targets based on one strategy map.

This dynamic participatory governance is also evident in the City's heritage conservation efforts, solid waste management, housing and urban development, environment-friendly infrastructure planning, and education infrastructure.

Since the adoption of the PGS, citizen satisfaction has risen 15%, manufacturing capitalization has expanded fourfold, and National Achievement Test results in the city's public schools are up 20%. Iloilo City also ranks among very few cash-rich cities outside Metro Manila that are part of the Billionaires' Club.

"The process has helped make our city vibrant, well-governed, and prosperous. We are now more confident of becoming a Premier City by 2015," Ms. Chua says.



A recipe for political will

It takes a strong-willed leader and a citizenry solidly behind a common vision to create dramatic transformations. Get this Pampangueño recipe from the first-ever ISA-ICD Maharlika Hall of Fame awardee.

IN 2007, the City Government of San Fernando, Pampanga took out a P100-million bank loan to build 38 new school buildings. But many San Fernandinos frowned upon politicians who resort to debt and so this was seen as the end of Mayor Oscar Rodriguez's career.

When City Hall mulled the closure of the slaughterhouse, which was bleeding the coffers at the rate of P430,000 a month, it drew the ire of butchers and meat dealers. And when a program to save a river and mitigate flooding was drawn up, the City was taken to court by those displaced.

Despite its trials and travails, the city known for rising from the ashes of Mount Pinatubo is now a reputed model of good governance. After being initiated into the Performance Governance System (PGS) in 2006, the city has never looked back in its pursuit to move up the PGS Pathway year after year. It now holds the distinction of being the first ISA-ICD Maharlika Hall of Fame awardee. Its success in the PGS also earned recognition for the City in the 2009 Gawad Galing Pook.

Ask any proud Pampangueño about the recipe for the City's successful turnaround story and the usual reply is "political will".

Before adopting the PGS, the City already had an eight-point, three-year agenda for development. "Our initiation into the PGS gave everything more teeth and



Mayor Oscar Rodriguez (5th from left) and other City Hall officials at the Gawad Galing Pook rites in Malacañang

Recipe for Success

1. Strong political will that emanates from the top
2. Strong public-private partnership
3. Preparedness and a well thought-out plan
4. Sharing governance responsibilities with citizens
5. Institutionalizing reforms through legislation and the Office of Strategy Management (OSM)

urgency," the Mayor said.

Armed with a strategy map and a scorecard crafted in 2005, the city and its citizens set out to pursue a common vision to become the regional hub of Central Luzon and a champion of good urban governance by 2015.

It created the Local Executive Development Advisory Coordinating Council to hasten needed governance reforms. To ensure that targets are met in accordance with the PGS scorecards, it put in place the Office of Strategy Management (OSM).

In less than five years, the City has witnessed a marked improvement: new businesses now number 2,200, rising by an average of 16% every year in the last three years. Its Business One-Stop Shop (BOSS) program adheres to ISO 9001:2000 quality standards. Nowadays, it takes only two hours to get new or renewed business permits. It has also reduced its dependence on Internal Revenue Allotment due to increased collections from business and real property taxes.

It may have taken an ex-MILF and KMU leader to institute governance reforms in San Fernando, but Mayor Rodriguez, a self-confessed maverick, says: "At the end of the day, the leader must realize he won't be there forever."



A recipe for sustainability

*More than personalities, strengthening institutions is the key to good governance.
Get this recipe from the country's premier military training and educational institution.*

Go through the long list of commanders of the Philippine Army, the Air Force, the Navy, and the Armed Forces of the Philippines (AFP), or even some of the captains of industry. Don't be surprised to find that many in the list share one *alma mater*: the Philippine Military Academy (PMA).

Despite being the country's premier training and educational institution for the military and the principal source for the AFP leadership, the PMA suffers from one thing: lack of continuity.

Retired Gen. Leopoldo L. Maligalig, former Superintendent of the PMA, says many innovations had been introduced over the years in the PMA's cadet training program, organizational structure and development, personnel administration, infrastructure and base development. However, these changes were cast aside, replaced, or were not institutionalized due to the many changes in the PMA leadership.

In the past 15 years alone, the Academy already had 12 superintendents, some serving just for a few months. This naturally resulted in confusion, uncertainty and loss of focus.

In 2006, then Defense Secretary Avelino Cruz, Jr., recognizing the need for lasting and permanent reforms, reconvened a long-dormant PMA Board of Visitors (BOV), which was tasked to craft a long-term strategic plan for the Academy.

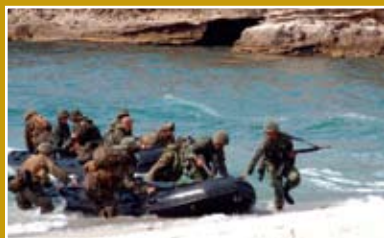


Under the leadership of then Col. Maligalig, the PMA crafted a 10-year strategic plan which envisions the PMA "to be the country's premier leadership school, producing military professionals of character, dedicated to protecting and helping build the nation" by 2015.

The PMA became the first national institution to adopt ISA's Performance Governance System (PGS) as its governance framework. To ensure that PMA's well-known brand of discipline is carried through in its strategy map and scorecard targets, it created the Center for Leadership and Professional Excellence (CLPE), which serves as its Office of Strategy Management.

While the PMA is not immune to the tides of change in the AFP leadership, its cadets have started to reap the benefits from the paradigm. For one, the age-old mindset that "rank has its privileges" (RHIP) has given way to the recognition that "rank has its responsibilities" (RHIR). The training program is now also geared towards raising servant leaders rather than killing machines in battles.

"With a strategy map, we were able to shift from personality-driven projects to institution-building and enhancing initiatives and projects," says Col. Ramon Loria, who heads the CLPE. "Now, we can focus on sustainability."



A recipe for solidarity

*It takes determination, a sense of unity and a clear-cut strategy to chart a course.
Learn from the Philippine Navy's recipe on how to become seaworthy.*

There is no denying the fact that the Philippines is a maritime country. With more than 1.25 million square kilometers of ocean playing host to the “center of the center” of the world’s largest concentration of marine life, the country needs a strong Navy to guard its waters.

But the 20,000-strong Philippine Navy currently carries out its missions using World War II vintage ships. Based on its last projections, the Navy will only be able to afford to buy or build another vessel by 2017.

While ships are crucial to its effectiveness in guarding the country’s territorial boundaries, what also makes the force a Navy is its people, says Commander Giovanni Carlo Bacordo, who heads the Navy’s Center for Naval Leadership and Excellence (CNLE).

Despite being ill-equipped, the Philippine Navy has been known to rely on its gallant men and women’s ingenuity and resilience. Their morale and motivation to protect the country at all cost have remained high even with the meager resources.

This is why the initiation of the Philippine Navy into the Performance Governance System (PGS) of ISA relatively sailed smoothly in 2008, says Lt. Edwin German A. Cordova, Assistant Director and Branch Chief of CNLE. “Once there was buy-in from the top, all we had to do was cascade it. In the military system, this was not hard to do.”



Dr. David Norton (left), creator of the BSC, with Vice Admiral Ferdinand Golez during his visit to the Philippine Navy headquarters in September 2009.



At the heart of the process is a strategy map which the Navy aptly called its Sail Plan 2020. During conceptualization in November 2006, more than 60 naval officers brainstormed the issues besetting the Navy in a leadership planning conference in Tagaytay. The Plan aims to enhance the operational readiness of the Navy ships, as well as improve the skills of sailors.

By 2020, the Philippine Navy envisions itself to become a strong and credible maritime force. Cdr. Bacordo, however, says it still has to find creative ways outside of regular State appropriations to procure additional vessels and build sound fighting capabilities.

Thanks to its Board of Advisers, the Navy is not sailing alone. Made up of top-level representatives of various sectors such as the academe and the banking community, the Board is actively promoting a maritime coalition that helps the Navy realize its Sail Plan. The Development Bank of the Philippines, which sits on the Board, is extending a loan to equip the Navy with a multi-purpose vessel so it can reach out to far-flung areas stricken by national calamities.

“With the Sail Plan and the targets in the scorecards, our Navy now has a clearer direction on its charted course. Before, we were just sailing on a vintage ship in the dark. Now, at least, we have a guiding light and a compass,” says Lt. Cordova.



A recipe for accountability

*The Philippines' age-old fight against corruption is getting more teeth.
Learn this recipe from the six state agencies implementing governance reforms.*

A private lending firm in 2007 filed a complaint with the Office of the Ombudsman to collect on state employees' delinquent personal loans. The Office of the Ombudsman brought the case for mediation, an option that was not available before 2007. This system allows the Office of the Ombudsman to reduce the backlog of unresolved cases.

The Millennium Challenge Corporation (MCC), a U.S. government corporation created by the U.S. Congress to aid the fight against corruption in developing countries, considers this a breakthrough in the Philippines' then barely one-year old program funded with a \$21-million MCC grant. Part of the funding went to the strengthening of the Office of the Ombudsman.

Emboldened by the Ombudsman case, the National Government in early 2009 submitted \$500 million worth of proposals to the MCC, including funding for transport infrastructure, the expansion of a community-based rural development program focusing on poor areas, and the redesign and computerization of key business processes in the Bureau of Internal Revenue (BIR) to curb corruption and tax evasion.

While the country has fared relatively well on political and economic freedom, investment in education, respect for civil liberties, health care spending, fiscal and trade policies and judicial fairness, it is still ineligible for broader MCC assistance due



to nagging problems on public corruption, one of the 16 factors MCC set for eligibility. Its low performance on the corruption index was largely attributed to high levels of corruption in tax and customs administration, conflicts of interest in the public sector and weak enforcement of laws.

Six government agencies – namely, the BIR, Department of Education, Department of Health, Department of Transportation and Communication, Department of Public Works and Highways, and the Philippine National Police – have been tasked to undertake the PGS so the National Government could qualify for MCC funding that will sustain anti-corruption and poverty alleviation efforts.

Six more agencies are set to undertake the PGS before June 2010. These are the Department of Social Welfare and Development, the Department of Budget and Management, the Civil Service Commission, the Development Academy of the Philippines, the Office of the President, and the National Economic and Development Authority. So that governance reforms will be pursued even with changes in leadership, the reform programs

are led by senior career undersecretaries of the agencies. Even the Technical Working Group are made up of career officials to ensure continuity of strategy, says Ambassador Cesar B. Bautista, who co-chairs the National Competitiveness Council.

“The Philippines is undertaking these bold governance reform programs to tackle corruption and become more globally competitive,” he adds. “This should be successful enough to create ripples in our society.”

WHAT OUR PARTNERS SAY



John D. Sullivan
Executive Director
Center for International Private Enterprise (CIPE)

‘Important example of successful reform’

The Center for International Private Enterprise (CIPE) has worked with ISA since 2004 to develop and promote ISA’s performance governance system as a management tool for local governments, national public agencies, and civil society groups.

When a city adopts the PGS, city officials work with a broad-based community consultative group to design specific public goals, an action plan to accomplish them, and performance metrics by which to measure progress.

At ISA’s Public Governance Forum in September 2009, several cities were recognized for their high performance.

These and other examples of improved governance were, in large part, made possible by the systems and practices introduced by the PGS and the enhanced capacity of local institutions brought about by ISA training. Moreover, because the PGS institutionalizes the input of community groups and business associations in the policymaking process, this project has encouraged more democratic participation by citizens and private sector organizations.

CIPE works to strengthen democracy around the globe through private enterprise and market-oriented reform. CIPE is pleased to partner with ISA to develop and promote the PGS. The success of this initiative provides an example of successful reform in the Philippines.



Dr. David P. Norton
Author, *The Balanced Scorecard*
Founder, *The Palladium Group*

‘RP needs a process of orchestrated changes’

A common approach to governance requires buy-in throughout the organization, particularly at the top. How we achieve this buy-in is an art.

Among those of us who study, design, and implement performance management systems, Dr. Estanislao, ISA, and the participating Philippine government agencies are heroes. On the surface, this is a classic case study in managing change.

Dr. Estanislao and his colleagues saw the need for change through the eyes of the citizens, organized a leadership coalition reflecting many stakeholders and developed a vision, measures and initiatives.

ISA found that the key to building a common approach to governance for a multi-sector environment was to create a “community” of committed organizations who could share their experiences and create their own pressure for success.

The work underway in the Philippines requires a process of orchestrated changes in the most complex of environments. What is particularly noteworthy is the role of Dr. Estanislao and ISA as change agents.

Their leadership comes through forcefully at every step of the process. From the personal vision for the Philippines to the construction of a

multi-sector governance coalition to the “show the value” rewards program, they have given us a true role model for managing change.

The challenges facing the Philippines are immense. A performance management system alone is no guaranty of an improved quality of life for its citizens. Yet the system is working. Governance has improved in many agencies and the benefits are accruing to the citizens. These benefits will continue to grow as the movement grows.

Our congratulations to ISA and the pivotal role that they play in making this happen.

‘Governance is about a government that is effective and legitimate’

The expansion and progress that ISA has shown in its Performance Governance System over the past years are truly remarkable. We are very pleased to have been associated with this effort as an institutional partner.

Governance is about a government that is effective and legitimate. Government must be effective in the management of human, natural, economic and financial resources.

At the same time, it must be legitimate, which refers to a political and institutional climate that upholds human rights, democratic principles and the rule of law. It is a matter of two-way traffic between the state and its people; there needs to be a balanced relationship between state and people.

An effective and legitimate state needs a forceful and lively citizenry and vice versa. Where government provides space for the emancipation of its people and the organisation of civil society, including the private sector, the latter can in turn ensure that the government listens to them and performs better.

The efforts of ISA in the field of good governance are important because its work focuses on exactly these issues: effectiveness, legitimacy and the relationship between the state and the people.

What is special and exciting about the Performance Governance System is that it is inclusive and works on different levels: it



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der Nederlanden**

offers everyone willing to do the work the opportunity to take part and to take action.

All this contributes to why the Embassy of the Kingdom of the Netherlands in Manila has been a supporter of ISA's work on governance issues.

*Anita van de Haar-Conijn
Deputy Head of Missions and Counsellor
Embassy of the Kingdom of the Netherlands*



*Matthew Tice
Managing Director
Palladium Group Asia-Pacific*

‘PGS community creates positive pressure for success’

Since meeting Dr. Estanislao in 2006 at the Balanced Scorecard Government Summit held in Washington, D.C., I have had the opportunity and privilege to work closely with ISA and participate and contribute to the multi-faceted program that is the PGS.

The PGS is a unique program that brings the world of good governance together with sound strategy execution principles to create a holistic approach. Based on the Balanced Scorecard Management System, the PGS supports public sector institutions in achieving their aims ethically and efficiently.

The combination of education to build core capability, multi sectoral engagement and involvement, and the innovative pathway system creates an opportunity

for any institution to strive for improved performance.

What strikes me as the critical element is the PGS community itself, led by ISA. The community of organisations progressing through the Pathways provide an outstanding peer network which creates positive pressure for success and a reference point for those entering the PGS program.

Palladium continues to work closely with ISA to support and develop new ideas that can make the PGS more effective in the future, bringing the best of our global thought leadership and experience together with the leadership and vision of ISA to enhance the standards and practice of good governance and strategy execution.

BOARD OF TRUSTEES



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Oscar S. Rodriguez
Mayor
City of San Fernando Pampanga



Evelyn R. Singson
President
Gilt-Edge Properties, Inc.



Jerry P. Treñas
Mayor
Iloilo City

FELLOWS

ISA Fellows are committed to governance reforms through citizen participation. They are advocates and propagators of good governance and responsible citizenship in various sectors of society and at various levels of government. They make the Institute a more effective reform instrument.

Private Sector Leaders

Lt. Gen. Cristolito P. Balaoing (Retired)
Armed Forces of the Philippines AFP-SLAI, Camp Aguinaldo

Amb. Cesar B. Bautista
Co-Chair
National Competitiveness Council

Emilia T. Boncodin+
UP Professor
Former Budget Secretary

Eric S. Canoy
President
Radio Mindanao Network, Inc.

Dr. Pericles P. Dakay
President
Dakay Construction and Development Corp.

Rex. C. Drilon II
Chief Operating Officer
Ortigas & Co. Limited Partnership

Dr. Paul A. Dumol
Associate Professor
University of Asia & the Pacific

Francisco C. Eizmendi, Jr.
President
Institute for Solidarity in Asia

Baltazar N. Endriga
Managing Director
Endriga, Manangu & Associates, CPAs

Dr. Jesus P. Estanislao
Founding Fellow & Chairman
Institute for Solidarity in Asia

Francis G. Estrada
Former President
Asian Institute of Management

Atty. Richard N. Ferrer
Former President
Makati Medical Center

Dr. Aniceto B. Fontanilla
President
Asia-Pacific Center for Research, Inc.

Antonieta Fortuna-Ibe
Chancellor
University of the East-Manila

Gen. Leopoldo L. Maligalig
Consultant
Benpres Holdings Corporation

Mr. Gregorio S. Navarro
President
Financial Executives Institute of the Philippines (FINEX)

Mary Jane C. Ortega
Former City Mayor
San Fernando, La Union

Dr. Cayetano W. Paderanga
Chairman
Institute for Development & Econometrics Analysis

Dr. Cesar G. Saldaña
Principal
PSR Consulting

Evelyn R. Singson
President
Gilt-Edge Properties, Inc.

Atty. Adelita A. Vergel de Dios
Former President
Institute of Corporate Directors

Local Chief Executives

Mario Rogelio P. Antalan
Mayor
Island Garden City of Samal

Maria Lourdes C. Fernando
Mayor
Marikina City

Madelaine Alfelor-Gazmen
Mayor
Iriga City

Linda P. Gonzalez
Mayor
Ligao City

Sally Ante-Lee
Governor
Provincial Government of Sorsogon

Dan N. Lim
Mayor
Tagbilaran City

Jesse M. Robredo
Mayor
Naga City

Oscar S. Rodriguez
Mayor
San Fernando Pampanga

Mel Senen S. Sarmiento
Mayor
Calbayog City

Jennifer Wee-Tan
Mayor
Tangub City

Randolph S. Ting
Mayor
Tuguegarao City

Abraham N. Tolentino
Mayor
Tagaytay City

Jerry P. Treñas
Mayor
Iloilo City

ASSOCIATES

ISA Associates are professionals who provide technical and other support to the local chief executive or head of an institution and are fully aligned with and totally committed to the ISA process of installing the Public Governance System.

The Associate level was created to encourage the technical officers of our PGS partners to aim for such a recognition and designation. ISA confers the designation after a candidate fulfills all the requirements of the ISA Associates Certification Program.

Tomas C. Aguilar, Jr.
City Planning and Development Officer
Marikina City

BGen. Fermin T. De leon
Dean, Corps of Professor
Philippine Military Academy

Lucille Yap-Lagunay
Executive Assistant III, Office the Mayor
Tagbilaran City

Jonathan Juan D. Moreno
President
Institute of Corporate Directors

Sonia P. Soto
Vice President and General Manager
Central Luzon TV 36, San Fernando Pampanga

Christian P. Zaens
Executive Director
Institute for Solidarity in Asia

SECRETARIAT



(Top, L-R)

Francisco C. Eizmendi, *President*
Jennifer V. Santos, *Administrative Officer*
Jim Rommel S. Flores, *Corporate Secretary*
Julie Mea P. Parreño, *Administrative Assistant*
Christian P. Zaens, *Executive Director*

(Bottom, L-R)

Jeremy John A. Pintor, *Program Officer*
Mary Rose G. Anatalio, *Program Assistant for SNIs*
Ma. Esperanza C. Solivar, *Liaison Officer*
Jose Ma. Luis P. Montesclaros, *Program Assistant for LGUs*

INSTITUTIONAL PARTNERS

The **Center for International Private Enterprise (CIPE)** strengthens democracy around the globe through private enterprise and market-oriented reform. CIPE is one of the four core institutes of the National Endowment for Democracy. Since 1983, CIPE has worked with business leaders, policymakers, and journalists to build the civic institutions vital to a democratic society. Its programs are supported by the National Endowment for Democracy, the U.S. Agency for International Development, the Middle East Partnership Initiative, and the U.S. Embassy in Iraq Office for Private Sector Development.



The **National Competitiveness Council (NCC)** was formed last October 2006 as a Public-Private Task Force on Philippine Competitiveness by virtue of Presidential Executive Order No. 571 to address the improvement of the country's competitiveness from the bottom third of competitiveness rankings to the top third by 2010.



The **Embassy of the Kingdom of the Netherlands** in Manila fosters bilateral ties in the economic, political, and cultural fields. While it was decided to end the Dutch development cooperation program in 2004, the Embassy has since remained active on a small scale, supporting initiatives by local NGOs with focus on good governance and human rights.



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The **Natrapharm Patriot Group** is a pharmaceutical organization based and operating in the Philippines. It is engaged in the marketing and distribution of pharmaceutical products acquired through licensing and supply agreements with national and international companies. The group is one of the fastest growing pharmaceutical organizations in the country. Ranked 10th in the Philippine pharmaceutical industry's ethical segment, it is also the 2nd largest national pharmaceutical company (ethical segment) in the local industry.



The **Palladium Group** is the global leader in helping organizations execute their strategies by making better decisions. Our expertise in strategy, performance management, and business intelligence helps our clients achieve an execution premium. Palladium's Balanced Scorecard Hall of Fame for Executing Strategy® recognizes organizations that have achieved an outstanding execution premium.



For 36 years now, the **Development Academy of the Philippines (DAP)** has focused on approaches to national development. Its mandate is to assist in the country's development efforts as change catalyst and as capacity builder.



Partners	Category	Initiated	Compliant	Proficient	Institutionalized
Institutionalized					
City of Iloilo	LGU	10-Aug-05	30-Aug-06	26-Mar-08	24-Sep-09
City of San Fernando Pampanga	LGU	28-Feb-06	30-Aug-06	30-Aug-07	24-Sep-09
Proficient					
Tagbilaran City	LGU	10-Aug-05	30-Aug-06	30-Aug-07	
Marikina City	LGU	10-Aug-05	30-Aug-06	30-Aug-07	
Calbayog City	LGU	10-Aug-05	30-Aug-06	24-Sep-09	
Philippine Military Academy	NPI	28-Feb-06	29-Aug-06	30-Aug-07	
Accounting Profession	SA	29-Aug-06	26-Mar-08	24-Sep-09	
National Electrification Administration	NPI	30-Aug-07	29-Aug-08	24-Sep-09	
Compliant					
Naga	LGU	10-Aug-05	30-Aug-06		
San Fernando La Union	LGU	10-Aug-05	30-Aug-06		
Sorsogon City	LGU	28-Feb-06	30-Aug-06		
Nursing Profession	SA	29-Aug-06	30-Aug-07		
Philippine National Police Academy	NPI	30-Aug-07	30-Aug-07		
Iriga	LGU	30-Aug-06	26-Mar-08		
Tagaytay	LGU	28-Feb-06	26-Mar-08		
Philex Mining Corporation	LGU	26-Mar-08	29-Aug-08		
Balanga	LGU	29-Aug-08	24-Sep-09		
Bani	LGU	11-Mar-09	24-Sep-09		
Bayawan	LGU	29-Aug-08	24-Sep-09		
Initiated					
Cebu	LGU	10-Aug-05			
Island Garden City of Samal	LGU	10-Aug-05			
Dumaguete	LGU	28-Feb-06			
Tangub	LGU	28-Feb-06			
Architecture Profession	SA	29-Aug-06			
Dental Profession	SA	29-Aug-06			
Medical Profession	SA	29-Aug-06			
Ligao	LGU	30-Aug-06			
Tuguegarao	LGU	30-Aug-06			
Escalante	LGU	13-Mar-07			
Philippine Navy	NPI	13-Mar-07			
Foundations for People Development	SA	30-Aug-07			
Masbate	LGU	26-Mar-08			
Initiated					
Sorsogon Province				LGU	26-Mar-08
Legazpi				LGU	10-Mar-09
Sagay				LGU	29-Aug-08
Santiago				LGU	29-Aug-08
Isabela Province				LGU	10-Mar-09
Legazpi				LGU	10-Mar-09
Tabaco				LGU	10-Mar-09
Bureau of Internal Revenue				NPI	24-Sep-09
Department of Education				NPI	24-Sep-09
Department of Health				NPI	24-Sep-09
Department of Public Works & Highways				NPI	24-Sep-09
Department of Transportation & Communica				NPI	24-Sep-09
Philippine National Police				NPI	24-Sep-09

Legend:

LGU Local Government Unit
 NPI National Public Institution
 SA Sectoral Association

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees and Members
INSTITUTE FOR SOLIDARITY IN ASIA, INC.
(Formerly Foundation for Community-Building in the Asia-Pacific, Inc.)
(A Non-stock, Non-profit Association)

We have audited the accompanying financial statements of INSTITUTE FOR SOLIDARITY IN ASIA, INC., which comprise of the Balance Sheets as of December 31, 2009 and 2008, and the related statements of receipts and disbursements, changes in fund balances and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and the fair presentation of these financial statements in accordance with generally-accepted accounting principles in the Philippines. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally-accepted auditing standards in the Philippines. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

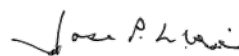
Scope

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the Auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial positions of INSTITUTE OF SOLIDARITY IN ASIA, INC. as at December 31, 2009 and 2008, and Cash Flows for the years then ended in accordance with generally accepted accounting principles in the Philippines.



J. P. LLOPIS AUDITING OFFICE
Certified Public Accountants

JOSE P. LLOPIS, Cert. 9501
TIN : 113-395-692
PTR # 9961602 J
BOA : # 0686, Valid until 31 Dec 2010
SEC : N.A.
BIR : COR # 45309

March 15, 2010

BALANCE SHEET

		December 31	
	NOTES	2009	2008
ASSETS			
Current Assets			
Cash	5	P 2,621,300	P 575,660
Receivables and Advances	6	271,044	719,570
Prepayments	7	-	303,360
Total Current Assets		P 2,892,344	P 1,598,590
Non - Current Assets			
	8		
	9	2,901,135	3,569,536
Property and Equipment - Net		P 693,364	P 818,632
Other Non - Current Assets		3,594,499	4,388,168
TOTAL ASSETS		P 6,486,843	P 5,986,758
LIABILITIES AND MEMBERS' EQUITY			
Liabilities			
		P 153,585	P 965,054
Accrued Expenses and Other Payables		7,831,839	5,492,684
Advances from Members	10	133,275	137,402
Advances from Institute of Corporate Directors, Inc.	11	-	50,000
Short-term borrowing	12	P 8,118,699	P 6,645,140
Total Liabilities		P (1,631,856)	P (658,382)
Members' Equity			
TOTAL LIABILITIES AND MEMBERS' EQUITY		P 6,486,843	P 5,986,758

See Notes to Financial Statements

STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Years Ended December 31				
	NOTES	2009		2008
CASH BALANCE, BEGINNING		₱ 575,660	₱	2,759,947
Receipts				
Grants and donations	13	₱ 6,363,902	₱	6,646,553
Programs		11,427,707		8,123,510
Interest Income	5	4,892		11,685
Other Receipts :				
Sale of Books		297,083		-
Advances from Foundation for People Development		500,000		-
Advances from Officer		1,609,429		-
Refund of Construction Bond		125,268		-
Special Fund (The Way of Mary)		972,969		-
Cash balances from liquidated advances		17,780		-
Miscellaneous		8,450		-
TOTAL RECEIPTS		₱ 21,327,480	₱	14,781,748

Forward

STATEMENT OF RECEIPTS AND DISBURSEMENTS

December 31			
	NOTES	2009	2008
Disbursements			
Seminars, Conference and Exhibits		P 4,661,694	P 4,405,172
Professional Fees		5,236,281	3,302,190
Salaries and Wages		1,370,599	1,467,608
Transportation and Travel		1,039,111	1,685,277
Rent		2,229,757	1,068,416
Other Short-term Employee Benefits	14	622,429	735,776
Communication, Light and Water		691,628	529,232
Representation		504,278	-
Office Supplies		108,613	296,528
Outside Services		185,339	273,582
Membership Dues		122,673	210,205
Repairs and Maintenance		35,436	147,462
Printing and Publication		702,118	96,308
Taxes and Licenses		11,152	16,058
Insurance Expense		-	11,293
Advances		698,233	-
Disbursements from Special Fund (The Way of Mary)		243,850	-
Acquisition of Office Equipment		79,042	-
Leasehold Improvement		563,686	-
Miscellaneous		175,921	532,158
Others		-	2,188,770
TOTAL DISBURSEMENTS		P 19,281,840	P 16,966,035
CASH BALANCE, ENDING		P 2,621,300	P 575,660

(See accompanying Notes to Financial Statements)

CHANGES IN FUND BALANCES

	Members' Equity	Receipts / Disbursements	TOTAL
Balance at January 1, 2008	₱ (662,865)	₱ -	₱ (662,865)
Cash Receipts	-	14,781,748	14,781,748
Adjustments	-	2,188,770	2,188,770
Cash Disbursements	-	(16,966,035)	(16,966,035)
Balance at December 31, 2008	₱ (662,865)	₱ 4,483	₱ (658,382)
Balance at January 1, 2009	₱ (658,382)	₱ -	₱ (658,382)
Cash Receipts	-	21,327,480	21,327,480
Adjustments	-	(3,019,114)	(3,019,114)
Cash Disbursements	-	(19,281,840)	(19,281,840)
Balance at December 31, 2009	₱ (658,382)	₱ (973,474)	₱ (1,631,856)

STATEMENT OF CASH FLOWS

		For the Years Ended December 31	
	NOTES	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of receipts over expenses		P (973,474)	P 4,483
Adjustments for depreciation	8	1,311,129	408,999
Interest Income	5	(4,892)	(11,685)
Excess of receipts over expenses before working capital changes		332,763	401,797
Decrease (Increase) in:			
Receivables		448,526	(182,886)
Prepayments		303,360	(284,467)
Other Non-Current Assets		125,268	-
Increase (Decrease) in:			
Accrued Expenses and other payables		(811,469)	149,032
Advances from Members		2,339,155	2,469,254
Advances from Institute of Corporate Directors, Inc.		(4,127)	(15,084)
Net Cash Generated from Operating Activities		2,733,476	2,537,646
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to Property and Equipment	8	(642,728)	(3,714,986)
Increase in Other Assets		-	(818,632)
Interests income received	5	4,892	11,685
Net Cash Used in Investing Activities		(637,836)	(4,521,933)
CASH FLOWS FROM FINANCING ACTIVITY			
Payment of Short-term borrowing		(50,000)	(200,000)
NET INCREASE (DECREASE) IN CASH		2,045,640	(2,184,287)
Cash, Beginning		575,660	2,759,947
CASH, END		P 2,621,300	P 575,660

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

1. Corporate Information

The Institute for Solidarity In Asia, Inc. ("ISA or Foundation") was registered with the Philippine Securities and Exchange Commission (SEC) on September 20, 1999 as a non-stock, non-profit association organized primarily to inculcate and nurture the spirit of community and cooperation among people in the Asia-Pacific Region and to contribute to the social, economic and financial reform and development agenda of the region. It is exempt from income tax under Section 30 (e) of the National Internal Revenue Code.

On January 3, 2007, SEC approved the amendment of Articles of Incorporation, thereby changing its name from Foundation for Community Building in the Asia-Pacific, Inc. to Institute for Solidarity in Asia, Inc.

The Foundation's principal office is located at the 9th Floor, Philamlife Tower, 8767 Paseo de Roxas, Makati City.

2. Adoption of New Accounting Standards Effective in 2009

The following accounting standards, amendments and interpretations to existing standards that have been published by the International Accounting Standards Board (IASB) and adopted by the FRSC which became effective for accounting periods beginning on or after January 1, 2006 were adopted by the Company.

These new standards, amendments and interpretations prescribe new accounting measurement and disclosure requirements applicable to the Company. When applicable, the adoption of the new standards was made in accordance with the transitional provisions of the standards, other the adoption of the new standards is accounted for as change in accounting policy under PAS 8: "Accounting Policies, Changes in Accounting Estimates and Errors". The effects of these new standard, amendments and interpretations on the company's accounting policies on the amounts disclosed in the financial statements are summarized as follows:

- PFRS 1, "First Time Adoption of PFRS", provides guidance and sets out the procedures that an entity must follow when it adopts PFRS for the first time as the basis for preparing its general purpose financial statements.

- PAS 1, "Presentation of Financial Statements", provides a framework within which an entity assesses how to present fairly the effects of transactions and other events.

- PAS 7, "Cash Flow Statements", requires the presentation of information about the historical changes in cash and cash equivalents of an enterprise by means of a cash flow statement which classifies cash flows during the period according to operating, investing and financing activities.

- PAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", eliminates the concept of fundamental error and requires retrospective application of voluntary changes in accounting policies and retrospective restatement to correct prior period errors.

- PAS 10, "Events After the Balance Sheet Date", prescribes when an entity should adjust its financial statements for events after the balance sheet date and requires disclosure of the date when the financial statements were authorized for issue and other subsequent events.

- PAS 17, "Leases", provides a limited revision to clarify the classification of leases of land and buildings and prohibits expensing of initial direct costs in the financial statements of the lessor.

- PAS 36, "Impairment of Assets", ensure that assets are carried at no more than their recoverable amount, and to define how recoverable amount is calculated.

The applicable new standards did not result in the restatement of prior year financial statements. Additional disclosures required by the new standards, however, were included in the financial statements, where applicable.

3. Basis of Preparation of Financial Statements

The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with PFRS requires the use of certain accounting estimates. Exercise of judgment is also required in the application of these accounting policies.

The Foundation records its transactions on the basis of Cash Receipts and Disbursements. The Statement of Cash Receipts and Disbursements is a summary of the cash activity of the Foundation and does not include certain transactions that would be included if the Foundation prepared its financial statements on the accrual basis.

NOTES TO FINANCIAL STATEMENTS

4. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of financial statements in accordance with PFRS requires management to make estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities.

5. CASH

	2009	2008
Cash in Banks	P 2,611,300	P 565,660
Cash on Hand	10,000	10,000
	P 2,621,300	P 575,660

Interest earned on cash in banks in 2009 and 2008 amounted to P 4,892 and P 11,685, respectively.

6. RECEIVABLES AND ADVANCES

	2009	2008
Advances to Officers and Employees	P 271,044	P 560,570
Others	-	159,000
	P 271,044	P 719,570

Advances to officers and employees represent personal cash advances made by officers and employees. Cash advances remained unliquidated and outstanding as of December 31, 2009.

7. PREPAYMENTS

	2009	2008
Prepaid Rent	-	134,040
Advances to Suppliers	-	109,700
Prepaid Insurance	-	-
Others	-	59,620
	-	303,360

8. PROPERTY AND EQUIPMENT - NET

	Balance (12-31-08)	Additions/ Depreciation	Balance (12-31-09)
Cost:			
Transportation Equipment	P 1,149,625	P -	P 1,149,625
Office Equipment	667,061	79,042	746,103
Furniture and Fixtures	962,937	-	962,937
Leasehold Improvements	2,643,934	563,686	3,207,620
	P 5,423,557	P 642,728	P 6,066,285

Accumulated Depreciation:

Transportation Equipment	P 1,149,625	P -	P 1,149,625
Office Equipment	292,208	81,316	373,524
Furniture and Fixtures	133,404	314,166	447,570
Leasehold Improvements	278,784	915,647	1,194,431
	P 1,854,021	P 1,311,129	P 3,165,150
	P 3,569,536	P	P 2,901,135

Management believes that there are no indications of impairment on the carrying amount of its property and equipment as of December 31, 2009 and 2008.

9. OTHER NON-CURRENT ASSETS

	Note	2009	2008
Rental Deposit	14	403,500	403,500
Advance Rent	14	283,132	283,132
Construction Bond	14	6,732	132,000
		693,364	818,632

NOTES TO FINANCIAL STATEMENTS

10. ACCRUED EXPENSES AND OTHER PAYABLES

	2009	2008
Accrued Expenses	₱ -	₱ 387,051
Payables	-	292,608
Accrued Professional Fee	-	164,244
Special Fund	43,667	37,517
Other Liabilities	109,918	83,634
	₱ 153,585	₱ 965,054

Special fund pertains to contributions received by the Foundation from various organizations for The Way of the Mary Project (TWOM Project). This is not part of the Foundation's project and any receipts in favor of the TWOM project does not form part of Foundation's income but recorded as liability under special fund account.

Other liabilities consist mainly of withholding tax payable, SSS payable, PHIC payable and HDMF payable.

Management believes that the carrying amounts of the other payables approximate fair value.

11. ADVANCES FROM MEMBERS

This account mainly represents amount due to members for cash advances made to the Foundation to support the design, organization, delivery and administration of the programs of the Foundation prior to receipt of financial commitment from the funding agencies.

The Advances from Members in 2009 and 2008 amounted to P 7,831,839 and P 5,492,684, respectively.

12. ADVANCES FROM INSTITUTE OF CORPORATE DIRECTORS, INC.

This pertains to the expenses paid by ICD in behalf of the Foundation. The Advances from Institute of Corporate Directors, Inc in 2009 and 2008 amounted to ₱133,275 and ₱137,402, respectively.

13. GRANTS AND DONATIONS

This represents grants and donations from various trustees, organizations and individuals as support to the Foundation's project.

14. OPERATING LEASE AGREEMENTS

The Foundation has entered into an operating lease contract for its office facilities for a period of five (5) years commencing on August 1, 2008 to July 31, 2013. The lease is subject to 4% escalation annually.

Rent deposit amounting to ₱403,500 and advance rent of ₱283,132 are included in the statement of assets, liabilities and fund balances under other non-current assets as disclosed on Note 9. Rent deposit is refundable at end of the lease contract while the advance rent will be applied at the last three months of the lease term. Moreover, there was a construction bond amounting to ₱132,000 to ensure compliance on the improvement of the leased premises. Construction bond will be refunded upon completion of the office improvement during the fit out period given to the lessor. There is a balance in the construction bond in the amount of ₱6,732 as of December 31, 2009.

15. SUBSEQUENT EVENTS

On November 16, 2009, the Bureau of Internal Revenue has approved the exemption of the Institute for Solidarity in Asia Inc. from the payment of income tax on income received by it as non-stock, non-profit organization, subject to certain conditions, and therefore, need not file an income tax return concerning such income.

On August 18, 2009, the Board of Trustees approved the write-off of receivables and payables from different individuals amounting to ₱558,964 and ₱17,209, respectively.

16. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Management and authorized for issue on March 15, 2010.



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A Recipe Book on Good Governance

2009 Annual Report

