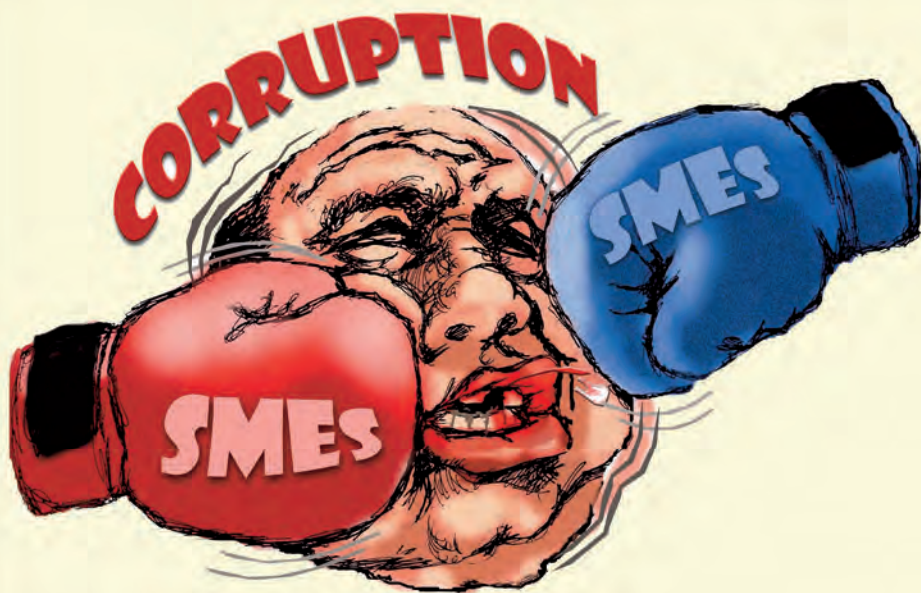


ANTI-CORRUPTION MANUAL FOR SMES



Hills Program on Governance
Ramon V. del Rosario, Sr. - C.V. Starr
Center for Corporate Governance
Asian Institute of Management

ANTI-CORRUPTION MANUAL FOR SMES



HILLS

PROGRAM ON GOVERNANCE

**RAMON V. DEL ROSARIO, SR. – C.V. STARR
CENTER FOR CORPORATE GOVERNANCE**

Printed: July 2011

Copyright pending

Published by the AIM Hills Program on Governance

ISBN 978-971-679-088-7

The findings, interpretations, and conclusions expressed in this manual do not necessarily reflect the views of the AIM Hills Program on Governance or its sponsors. The AIM Hills Program does not guarantee the accuracy of the data included in this manual and accepts no responsibility for any consequences of their use. The manual is the product of independent research work commissioned by the AIM Hills Program and is based in large part on information provided by owners and managers of SMEs in various interviews, focus group discussions, and workshops.



We thank the Center for International Private Enterprise for its generous grant which made this manual possible.

TABLE OF CONTENTS

Chapter 1: Introduction.....	1
Chapter 2: Understanding Corruption.....	9
Definition and Forms of Corruption.....	10
Private-to-Private Corruption.....	13
The Causes of Corruption.....	15
Chapter 3: The Business Case Against Corruption.....	18
Chapter 4: Implementing an Effective Anti-Corruption Program.....	24
Chapter 5: Individual Measures for Avoiding Corruption Situations.....	44

Chapter 6: Corruption Scenarios.....	56
Chapter 7: Collective Action.....	66
Types.....	69
Tools.....	71
Chapter 8: Conclusion.....	82
Notes.....	85
References.....	93
Appendices	
Hotlines and Websites.....	101
Government Hotlines.....	103
Selected Anti-Corruption Websites.....	106
Other Websites Useful for SMEs.....	111
Guides for Preparing Codes of Conduct and Samples.....	117
Anti-Corruption Laws.....	141
Excerpts from the Constitution.....	143

Anti-Red Tape Act.....	145
Anti-Graft and Corrupt Practices Act.....	158
Excerpts from the Code of Conduct and Ethical Standards for Public Officials and Employees.....	172
Anti-Graft and Corruption Awareness Month.....	185
Other Relevant Laws.....	189
Excerpts from the Government Procurement Reform Act.....	191
Barangay Micro Business Enterprise Act.....	202
Excerpts from the Magna Carta for Small Enterprises.....	213
Excerpts from the National Building Code.....	223
Excerpts from the Fire Code.....	232
Excerpts from the Code on Sanitation.....	238

1 | INTRODUCTION

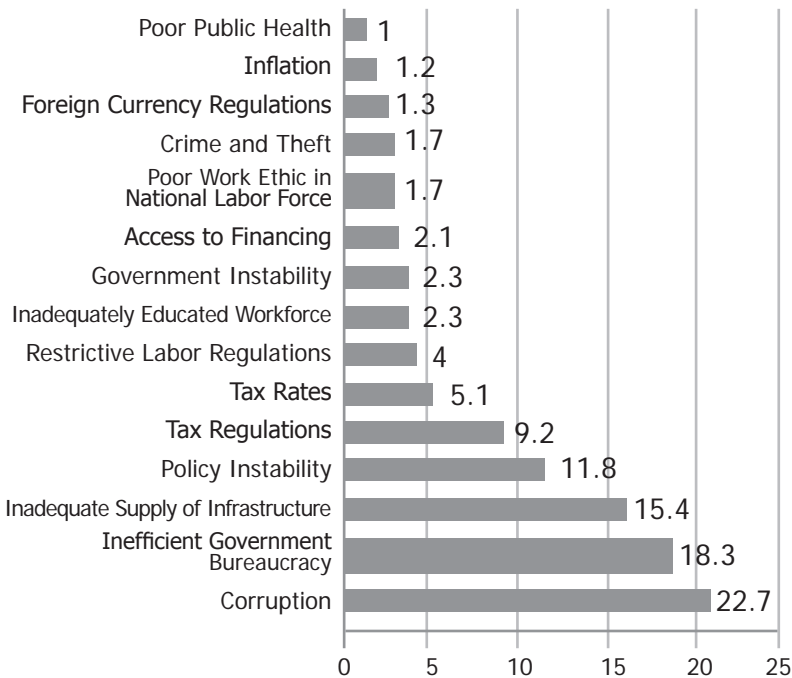
Although they are usually low profile, small and medium-sized enterprises (SMEs) play a significant role in this country. Data from the Department of Trade and Industry (DTI) show that as of 2009, SMEs make up 99.6 percent of all businesses, employ 63.2 percent of the labor force, and account for 35.7 percent of total sales and value added in the country.¹

Classifying SMEs		
	Assets (excluding land)	Number of Employees
Micro Enterprises	P3,000,000 or less	1 to 9
Small Enterprises	P3,000,001 to P15,000,000	10 to 99
Medium Enterprises	P15,000,001 to P100,000,000	100 to 199

Source: "Micro, Small, and Medium Enterprises (MSMEs) – About MSME," Small and Medium Enterprise Development Council, January 2003, <http://www.dti.gov.ph>.

SMEs, however, have not realized their full potential as drivers of the economy. There are many factors that negatively affect the business environment for SMEs, and one of the biggest factors is corruption. Indeed, a recent study by the World Economic Forum shows that the most problematic factor for doing business in the Philippines is corruption.

Most Problematic Factors for Doing Business in the Philippines



Source: World Economic Forum – Centre for Global Competitiveness and Performance, Global Competitiveness Report 2010-2011 (Geneva, Switzerland: World Economic Forum, 2010).

SMEs are easy targets for low level government officials seeking to supplement their incomes. A frequent complaint heard from owners and managers of SMEs is that for every signature they need on an application for a license or permit, they need to give a bribe to the government bureaucrat whose signature is required. For SMEs involved in importing goods, it has become routine for them to give a “tip” to the customs official before their shipments are released.

During tax time, it is not uncommon for an official from the Bureau of Internal Revenue (BIR) to assess an exorbitant tax for an SME with the suggestion that it can be lowered with the appropriate sharing of any savings. Another typical experience for SMEs is being visited by inspectors from the Bureau of Fire and Protection and told that they are required to have a certain number of fire extinguishers, and that “by the way, here is our list of recommended suppliers.” Corruption can be costly, and even in small amounts, they are a constant annoyance for SMEs.

To be sure, SMEs are not always the “victims” of corruption. For too many SMEs, bribery is a readily available tool for gaining an unfair competitive advantage. Some are quick to offer a bribe to obtain preferential treatment in securing a business permit despite incomplete documentation. There are those

Corruption has become so prevalent in this country that Filipinos have even developed a lingo to refer to transactions with irregularities. The more common terms include:

1. ***Areglo*** – Settling or arranging something through illicit means.
2. ***Ayos*** – Filipino for “to fix.”
3. ***Backer*** – An influential person who can assure a desired outcome for a price.
4. ***Barya-barya*** – Filipino for spare change; usually refers to small-scale bribery.
5. ***Kumisyon*** – An unauthorized payment given to someone who facilitates an illegal transaction.
6. ***Lagay*** – Filipino term for bribe.
7. ***Lakad*** – The act of “fixing” or “facilitating” a deal or transaction.
8. ***Lutong-makaw*** – When a decision or outcome is predetermined to favor or give advantage to one party without regard to any fixed criteria.
9. ***Rebateh*** – The same as “kumisyon,” derived from the English word “rebate.”

who use bribes to get around red tape. Others instigate corruption by giving cash or an expensive gift to a BIR official in exchange for a lower tax assessment. Once they fall into the bribery cycle, however, SMEs often find it more costly and more troublesome than if they had just followed the required procedures.

Moreover, corruption does not happen just in interactions between business and government. Corruption also happens in purely private transactions. It is not unusual for

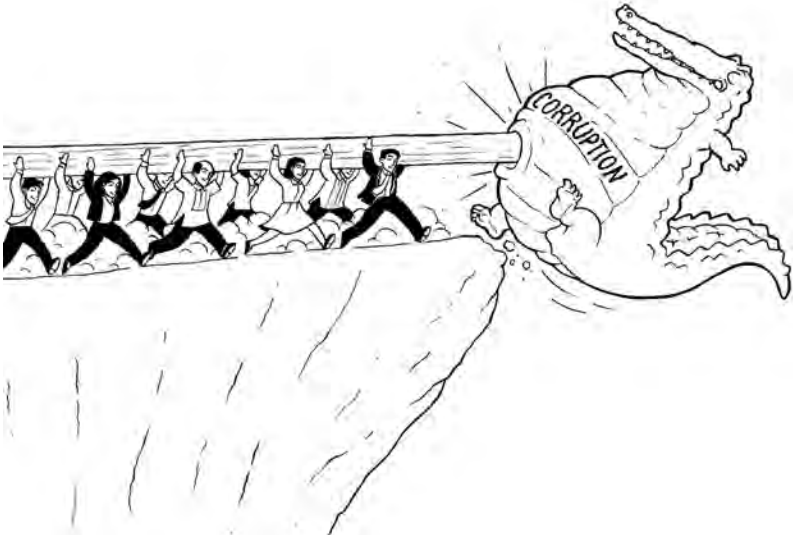
10. **SOP** – Standard Operating Procedure. The “automatic” percentage or fee given to government officials in order to “facilitate” transactions.
11. **Suhol** – Another Filipino word for bribe.
12. **Tongpat or Patong** – Refers to the amount added to the actual cost of a service or product to account for illicit fees and payments.
13. **Padulas** – Filipino for “grease money.”
14. **Pang-merienda** – Money for snacks. It is a mild way of asking for a bribe of a small amount.

Source: Philippine Province of the Society of Jesus - Committee on the Evangelization of Culture, Ehem!: A Manual for Deepening Involvement in Combating Corruption (Davao City: Research and Publication Office, Ateneo de Davao University, 2003).

a salesperson of one company to give an expensive gift to the procurement officer of another company to obtain an order of goods or services. Companies applying for a loan have been known to give cash or an expensive gift to a bank manager to obtain approval. Auditors are sometimes bribed by the company being audited to overlook certain irregularities. While not as widely publicized, private-to-private corruption can be as harmful to businesses as public sector corruption.

Corruption thrives in secrecy. In a corrupt transaction, both sides usually gain some form of benefit to which they would otherwise not be entitled, and there is usually a third party, not privy to the transaction, who is put at an unfair disadvantage. Thus, it is rare for one side in a corrupt transaction to expose an irregularity. To a large extent, this secrecy has allowed corruption to flourish.

Solving the corruption problem is generally viewed as the responsibility of the government. The government's anti-corruption efforts, however, can succeed only with the support and cooperation of all sectors of society. Moreover, regardless of what the government is doing, SMEs can take matters in their own hands to create a better business environment for themselves.



There are no easy fixes, and fighting corruption is a long-term effort that will require a lot of patience and perseverance, but there are certain steps SMEs can take that will make a difference. After all, whether willingly or unwillingly, SMEs “supply” much of the “demand” for corruption. If SMEs make a concerted effort to cut off this supply, corruption in this country could be reduced drastically.

We offer this manual to SMEs that have had enough of the corrupt environment in which they operate and are willing to do their part in promoting integrity and accountability in business. The objectives of this manual

are to provide answers to the following questions: 1) What is corruption and why does it happen?; 2) In what situations can an SME anticipate encountering corruption?; 3) How can an SME conduct its business without engaging in corruption in its daily operations?; and 4) What can SMEs together do to fight corruption?



The good news is we can do something about it.

Interviews, focus group discussions, and workshops conducted nationwide with owners and managers of SMEs have shown that businesses can be successful without engaging in corruption.² We have

seen how some SMEs have overhauled their systems to implement measures to detect and prevent unethical conduct among their employees. We have seen how others have found simple solutions out of their daily corruption dilemmas. We have seen how SMEs in similar situations have banded together to solve a corruption problem.

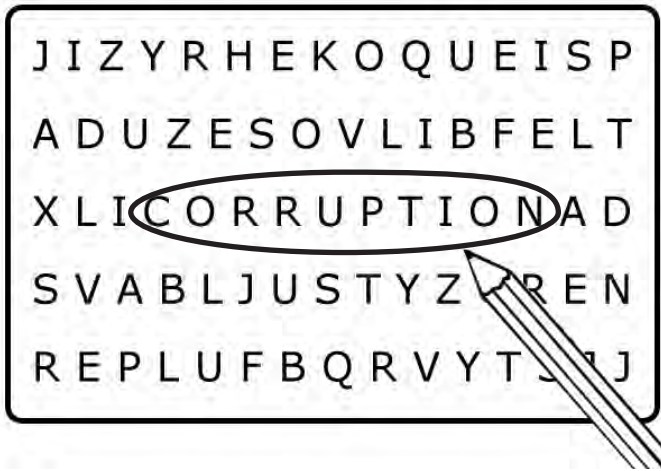
In compiling some tried and tested tools and tips and featuring success stories, this manual aims to contribute to the SME's search for a better way of doing business. It is about what SMEs have done and can do. By their sheer numbers alone, SMEs can be a major force in the fight against corruption.

2 | UNDERSTANDING CORRUPTION

We are all too familiar with corruption. Television and newspapers have exposed how government officials with modest salaries acquire expensive homes and fancy cars and stash money in secret bank accounts. We are appalled and outraged by such acts because those officials are clearly using their positions of power to enrich themselves at the expense of taxpayers.

We do not, however, always acknowledge our own role in propagating corruption. Certain practices – such as bringing *merienda* to the staff of a government office that is processing the renewal of your permit; sending a gift to the purchasing officer of a company where you are bidding to be a supplier; giving a “tip” to the customs official facilitating the release of your cargo – have become so commonplace that, to a certain extent, they are accepted as a normal part of doing business.

Recognizing corruption is not always easy, especially when our own actions are involved. In this chapter, we will explain what constitutes corruption, the various forms it takes, and the causes of corruption.



Definition and Forms of Corruption

Corruption is commonly defined as the “misuse of public office for private gain.”³ Elected officials and public servants are considered corrupt when they take advantage of opportunities made available to them by their positions of trust to divert money and assets from government to their own pockets.

Corruption can be divided into two types: petty corruption and grand corruption. Petty corruption generally

involves public servants who are not paid a decent living wage and therefore have to depend on small bribes to supplement their incomes. This is the type of corruption most frequently encountered by SMEs.

Grand corruption, on the other hand, generally involves high-level government officials who use their positions to profit personally from large-scale contracts or projects financed by the government or donor agencies. Petty corruption can exist within the context of an established governance framework, whereas grand corruption distorts the central functions of government and can threaten the economic and political stability of the government.⁴

Corruption can take various forms. These include:

1. **Bribery** – The giving of a benefit to someone to influence his or her action or decision. The benefit does not necessarily involve money. It can take the form of favors, gifts, entertainment, employment, loans, or other inducement. It can also take the form of facilitation payments, which are small payments demanded by government officials to facilitate a service to which you are entitled.

2. **Extortion** – The use of the threat of violence, damaging public exposure, and other such intimidations to force someone to cooperate. A public prosecutor may use the threat of a criminal prosecution as a basis for extortion. Firefighters who refuse to hose down a burning building in the absence of a payment would also be guilty of extortion.
3. **Kickbacks** – Illicit payments made to a person with the authority to decide or influence who is awarded a contract or selected for a transaction. The price of the contract or transaction is typically inflated to account for the money that has to be “kicked back” to the person of authority who bestowed favor on a particular individual or company.
4. **State Capture** – A situation in which a powerful individual or group makes payments to public officials to induce them to pass laws and regulations that give unfair advantage to that individual or group.⁵

There are those who say that in a country like the Philippines – where people place so much importance on gift-giving – distinguishing between a gift and a bribe is not always easy. It is true that Filipinos have a penchant for gift-giving. We do not just give gifts during special

occasions such as birthdays, weddings, and baptisms. We also exchange gifts as a token of gratitude or as *pasalubong* (souvenir) from a trip. A true gift, however, has no strings attached. If a gift, regardless of its value, is given for the purpose of influencing an action or decision of the recipient of the gift, then it is a bribe.



Private-to-Private Corruption

Corruption does not always have to involve a government official or civil servant. Corruption can also take place between two private actors. Private-to-private sector corruption occurs when an officer or employee of a company exercises power over the performance of a function within the company and uses that power for his or her own personal benefit and to the detriment of the company.⁶

Private-to-private corruption can occur in a variety of situations and can take numerous forms. Some common examples of this type of corruption include:

1. ***Purchasing and Procurement*** – Gifts of cash or entertainment given by a sales representative of a company to the purchasing manager of another company to obtain an order of goods or services.
2. ***Loans or Other Financial Services*** – Payments made by a company to a bank manager or loan officer to obtain approval of a loan.
3. ***Hiring and Promotions*** – Gifts given to a company's personnel director to ensure that a particular person is hired or promoted.
4. ***Audits*** – Payments to the auditors of an accounting firm by the company being audited to induce them to overlook certain irregularities.
5. ***Publicity and Promotion*** – Payments made by a company to journalists to write a favorable article about the company or not to expose negative information about the company.

Private-to-private corruption can be just as debilitating for an SME as corruption that occurs with a public official. In both instances, someone in an official position of trust acts contrary to his or her duties and

responsibilities to profit personally from a transaction or arrangement made possible by that position of trust.⁷

The Causes of Corruption

Corruption does not happen spontaneously. Someone will engage in corruption only if the potential benefit is high and the risk of getting caught is low. Thus, a low-level bureaucrat who does not get paid enough to support his or her family would be very tempted to accept bribes to supplement his income if he or she believes that there is very little chance of getting caught.

Robert Klitgaard, a renowned anti-corruption expert, offers a formula to explain how corruption happens:

$$\mathbf{C = M + D - A}$$

C is Corruption

M is Monopoly

D is Discretion

A is Accountability

The formula illustrates that when someone has a monopoly over a good or service, is given the discretion to decide who receives that good or service, and does not need to account to anyone for how he or she makes the decision, then the situation is conducive to corruption.⁸

There are numerous factors that contribute to this M + D – A equation. These factors include:

1. ***Unclear, complex, and frequently changing laws and regulations.*** Laws and regulations that are vague or contradictory provide government officials more discretionary power in interpreting them. Business owners cannot be certain about their rights and obligations, and therefore resort to corruption to avoid arbitrary decisions by the government officials.



“Bureau-crazy”

2. ***Lack of transparency and accountability.*** When there is no oversight on transactions, the criteria used for entering into those transactions cannot be assessed. The people involved in the

transactions will therefore not be held accountable for their actions.

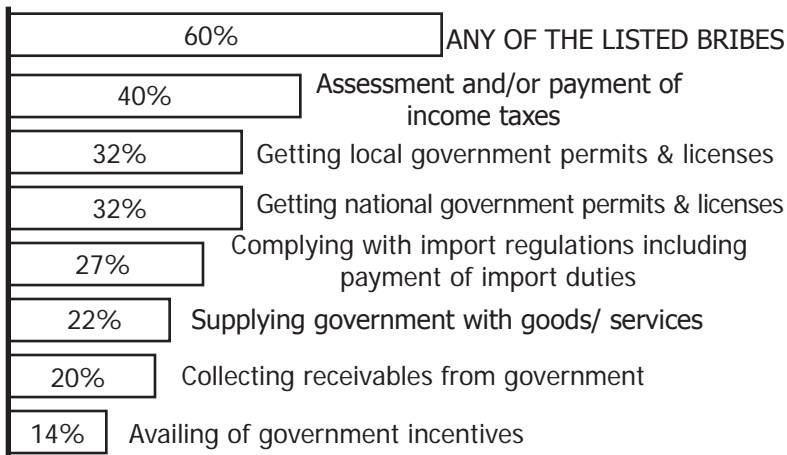
3. ***Lack of competition.*** Companies that have a monopoly in the provision of a good or service have strong incentives to bribe government officials to obtain decisions favoring their interests.
4. ***Low public sector wages.*** When public officials are not paid enough to make a decent living, supplementing their income through corruption becomes very attractive. Also, when the public officials are paid poorly, they would be less concerned about losing their jobs if they get caught engaging in corruption.
5. ***Inadequate, inconsistent, and unfair enforcement of laws and regulations.*** When laws are not enforced consistently and fairly, people know they can use bribes to avoid fines and other penalties.⁹

Thus, in assessing how to address a corruption dilemma, we need to consider how we get around the monopoly of the person seeking a bribe, how we can limit the discretion of the person seeking the bribe, and how we can make the person seeking the bribe accountable.

3 | THE BUSINESS CASE AGAINST CORRUPTION

Anyone running a business in the Philippines has probably experienced corruption in one way or another. Indeed, a recent survey by the Social Weather Stations (SWS) shows that 60 percent of businesses have experienced being solicited for a bribe by government officials.

Enterprises Asked by Anyone in Government for a Bribe on the Following Transactions



Source: Social Weather Stations, "Transparent Accountable Governance: The 2009 SWS Surveys on Corruption."

According to the same survey by SWS, 48 percent of businesses give bribes to win public sector contracts. Twenty-three percent of businesses acknowledged giving bribes to win private sector contracts.¹⁰

SMEs are more vulnerable to corruption than larger companies as they do not have adequate resources to deal with inefficiencies and bureaucracies in government. An opportunistic government official who delays release of a shipment or the issuance of a permit until he or she receives “grease money” could sometimes mean life or death for a small business. The SME that does not pay a corrupt tax official may end up being stuck with a huge tax assessment that bears no relation to its actual income. With no resources to challenge the assessment, the SME may be forced to close its doors unless it gives in to the demands of the tax official.

While paying a bribe may secure an immediate benefit for the SME, it is detrimental to the SME in the long term. Having paid a bribe, the SME is placed in a position of dependency on the corrupt official, who will likely continue to make demands in ever increasing amounts. For an SME, bribes amount to a hidden tax on its business that can continue in perpetuity. Even when only small amounts are involved, bribes become a constant irritant for SMEs.



It is not easy for an SME to extricate itself from the corruption cycle or to avoid falling into it to begin with. It takes determination, effort, and patience. The potential benefits of running a business ethically, however, are enormous. These include:

1. **Competitive Advantage.** An SME with a good reputation has a competitive advantage as it becomes the preferred choice of customers. A good reputation also increases an SME's chances of being selected as a supplier to multinationals and local large companies in their supply chains.
2. **Reduced cost of doing business.** Bribes can be costly and even small ones add up. Money

that would have gone to bribes is saved and can be used to expand the business.

3. **Recruitment and retention of principled employees.** A business with ethical standards is conducive to high employee morale and becomes known as a good place to work.
4. **Attractive for acquisition.** Should an SME owner decide to sell the business, a good reputation will make the business more attractive to potential purchasers.
5. **Protection from penalties.** Corruption is against the law. An SME that does not engage in corruption will be better protected against penalties, blacklisting, and license losses.¹¹

Corruption, of course, has consequences beyond the damage to the SME that engages in it. Corruption creates an uneven playing field for businesses, giving unfair advantage to a few to the detriment of others. The inherent uncertainty associated with doing business in a corrupt environment is a major deterrent to both foreign and local investors. Even when the corruption involves only small amounts, it nonetheless contributes to an environment where the rule of law is not observed and business dealings have no predictability.

Reaping the Benefits of a No-Bribe Policy

After attending an anti-corruption workshop, the general manager of a customs brokerage firm based in Manila decided to implement a no-bribe policy in her company. The general manager met with all the employees, and after some discussion, all agreed to the policy. The company's employee manual was amended to add a provision prohibiting the "offering or accepting anything of value in exchange for a job, work assignment, work location, or favorable condition of employment."

It was a bold and potentially risky move for the company, which had been in business since 1994. The employees discussed with each of their clients the new policy and its implications. To avoid situations where they would need to "facilitate" the speedy processing of their transactions, the employees encouraged their clients to give complete and accurate documents on time, preferably way before the deadline.

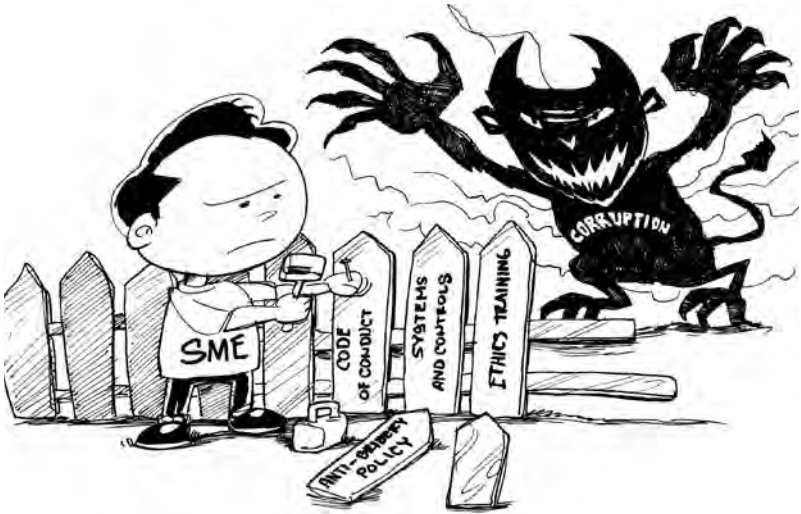
Although the company has experienced some delays in the processing of transactions as a result of its no-bribe policy, the company believes that the policy will be good for business in the long run. The company is able to keep and even gain clients through its good reputation. The general manager also believes that employee performance has begun to improve as employees are taking more pride in working for a company with integrity.

Moreover, corruption causes the misallocation of scarce resources, thereby exacerbating poverty. Instead of resources being used to raise the standard of living of the poor or to build infrastructure and develop technology, government funds are being diverted to the pockets of a few.¹² Taking all matters into consideration, an SME will do better for itself and for the country if it does not engage in corruption.

4 | **IMPLEMENTING AN EFFECTIVE ANTI-CORRUPTION PROGRAM**

Many people accept corruption as a normal part of doing business because they believe that nothing can be done about it. This acceptance, in turn, enables corruption to flourish even more. It becomes a vicious cycle. But it does not have to be that way. In fact, something can be done about corruption. There are countless SMEs that refuse to take part in corruption and still manage to succeed.

A key to avoiding corruption in business is to implement an effective anti-corruption program. An effective program enables a business to detect and prevent corruption and other unethical conduct within the organization, as well as in transactions with other entities. This chapter provides some guidelines for developing such a program.



1. Make It a Policy to Prohibit Bribery in Any Form

An essential first step in establishing an effective anti-corruption program is to implement a policy prohibiting bribery in any form. Such a policy, when properly communicated and enforced, sends a clear message that your business is founded on honesty and integrity. A company that establishes a reputation that it does not pay bribes will find that the demand for bribes will eventually stop and that the needed service will still be rendered.



Sample Policy on Bribery

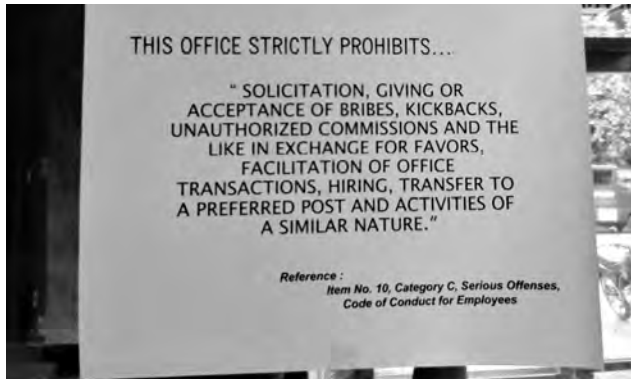
Bribery is prohibited in all business transactions that are carried out either directly or through third parties such as agents, representatives, consultants, brokers, contractors, suppliers, or any other intermediary.

Bribery is prohibited in any form, including on any contract payment or portion of a contract payment, or by any means or channels to provide improper benefits to customers, agents, contractors, suppliers, or employees.

Source: Adapted from World Economic Forum, Partnering Against Corruption – Principles for Countering Bribery: Partnering Against Corruption Initiative (PACI) (Switzerland: World Economic Forum, 2009).

The anti-bribery policy must be clearly communicated to all employees, agents, clients, customers, and business partners. It does no good to have a no-bribe policy if your agents or other third parties are doing it on your behalf. Employees also need to be assured that they will not be penalized for losing a sale or contract as a result of their refusal to pay a bribe.

Furthermore, the anti-bribery policy must be enforced consistently. If exceptions are made, employees become confused and the credibility of the policy is undermined.



Anti-bribery policy posted at the office of an SME in Davao.

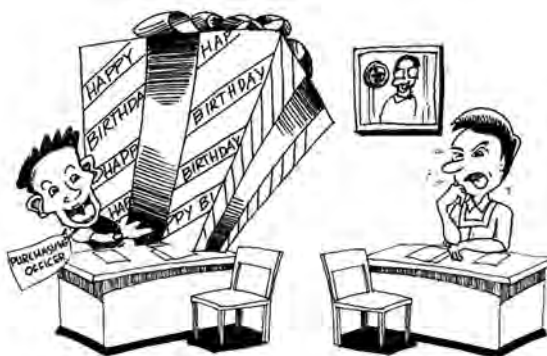
2. Implement a Policy on Gifts and Entertainment

Giving or accepting gifts or entertainment can be an important part of building business relationships, but they become unethical when used to influence a business decision or gain an unfair business advantage. It is critical for employees to understand the difference between an acceptable gift or entertainment and a bribe.

SMEs should therefore consider implementing a policy on receiving and giving gifts, as well as on entertaining and being entertained. The policy should provide guidance on when gifts or entertainment may be appropriate and what records are to be kept.¹³

In some companies, employees are outright prohibited from receiving any gifts from vendors, suppliers, customers or potential employees, with the exception of promotional materials of nominal value, such as coffee mugs, T-shirts, pens, key chains, and note pads. For these companies, a no-gift policy demonstrates their commitment to impartial treatment of all persons and entities with whom they do business.

Other companies specify the maximum value of gifts and entertainment that employees are allowed to give or accept. Still other companies require that all gifts above a certain value be declared to management and recorded in a centralized register. Requiring that gifts be recorded serves a dual purpose: 1) it allows the company to monitor the giving and receiving of gifts and entertainment by employees, and 2) it makes the employees think carefully before accepting or giving gifts or entertainment.



"That's the third birthday you've had this month!"

The type of gift and entertainment policy an SME adopts will depend on its particular circumstances. It is important, however, for employees to understand that perception can be just as important as reality. Thus, they should be instructed that if the intent behind a gift or entertainment could be misconstrued, it should not be given or accepted.

The size of a gift can also be an indication of its purpose. An expensive gift strongly suggests that it is being given for purposes other than building a normal business relationship. A useful test for employees to apply in deciding whether a gift or entertainment is appropriate is to ask how your competitors would respond if it was reported in the newspapers.¹⁴

Sample Policy on Gifts and Entertainment

Individual employees are prohibited from accepting gifts or entertainment from current or prospective suppliers and vendors valued at over P____. Gifts below that value may be accepted but must be reported to management and recorded in the company's gifts and entertainment register. Small promotional items such as mugs, key chains, T-shirts, and note pads may be accepted by the employee for personal use and need not be reported.

Source: Adapted from "Policies and Practices – Sample Gifts Policy," 2003, <http://www.axi.ca>.

Sample Policy on Conflicts of Interest

All persons employed by _____ (the "Company") owe a duty of loyalty to the Company. Employees must never place themselves in a position where their self-interest may conflict with this duty. Any employee who violates this policy is subject to disciplinary action, including termination of employment.

Employees must promptly disclose to the Company information regarding any relationship, ownership, or business interest, whether direct or indirect, that the employee or a member of his or her immediate family has with any person or in any business or enterprise that: 1) competes with the Company, or 2) purchases or sells, or seeks to purchase or sell, goods or services to or from the Company.

Upon disclosure of the foregoing information, the Company will take appropriate steps to protect against any actual or potential conflict of interest. Such steps may include:

1. requiring the employee to refrain from being involved in any decisions made by the Company regarding its dealings with such person, business, or enterprise; or
2. requiring the employee to refrain from being involved in any dealings on behalf of the Company with such person, business, or enterprise; or

3. Require that Conflicts of Interest Be Declared

A conflict of interest is when an employee's personal interest conflicts with his or her official duties and responsibilities. An example of a conflict of interest is when a company's procurement officer gives a family member a contract for the supply of goods even though the goods offered by the family member are more costly or inferior in quality.

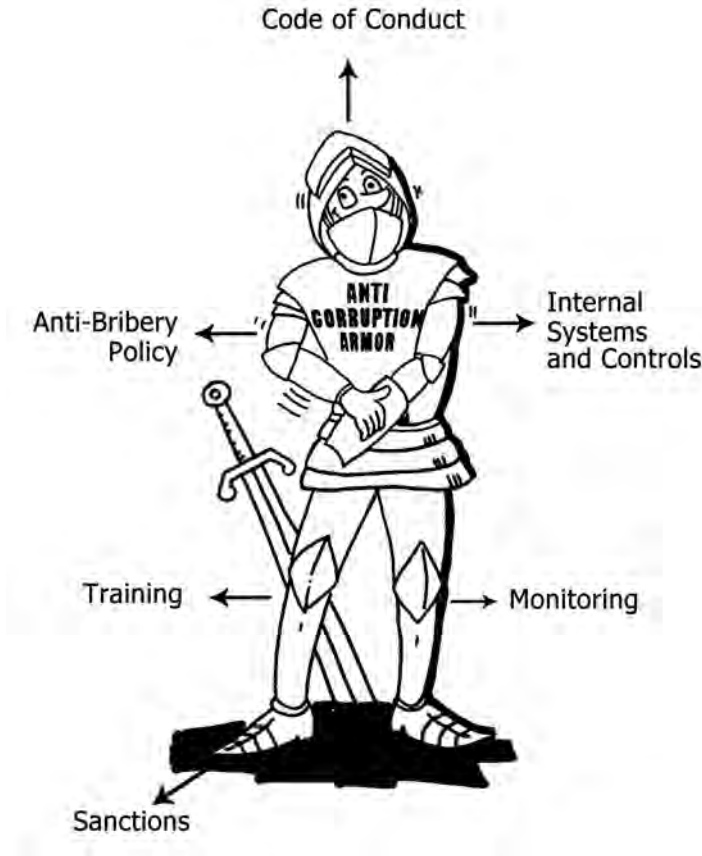
To maintain the integrity of business relationships and transactions, all employees should be required to declare any actual or perceived conflicts of interest. A standard form for declaration of conflict of interest should be made readily available. There should also be an established procedure for managing declared conflicts of interest, such as requiring the employee with the conflict to withdraw from any involvement in the transaction at issue.¹⁵

3. requiring the employee to dispose of his or her interest in such business or enterprise if he or she wishes to remain in the Company's employ.

Source: Adapted from "Sample Employee Handbook Policies: The Conflict of Interest Statement," <http://www.more-for-small-business.com/sample-employee-handbook.html>.

4. Create a Code of Conduct

A code of conduct serves as a guide for all employees on acceptable behavior in decision-making, engaging in transactions, and participating in other business activities. The code should reflect the values and principles that the business seeks to uphold.



Through the code, management and employees may be guided in:

- The values and principles of the organization
- Acceptable and unacceptable behavior
- Courses of action in tricky or difficult circumstances
- Venues and procedures for seeking advice
- Incentives for adhering to the code and penalties for unethical practices ¹⁶

There are many available samples and templates for codes of conduct. There is no need to reinvent the wheel. SMEs may use those that apply best to their respective businesses.¹⁷



"Don't reinvent the wheel."

The code must be shared with business partners, suppliers, clients/customers to ensure that any transactions involving your SME are ethical. The code of conduct needs to be regularly reviewed and updated as necessary. Monitoring allows for constant adjustments and improvements to the code.¹⁸

5. Train All Employees on the Anti-Corruption Program

An important aspect of an anti-corruption program is employee training on the company's policies and code of conduct. The training should be provided to employees when they are first hired and periodically during the term of their employment. Each employee could also be asked to sign the code every year to keep it fresh in his or her mind.

Sample Annual Commitment Form for Code of Conduct

I acknowledge that I received a copy of the Company A Code of Business Conduct dated _____ ("the Code"), that I have read the Code and that I understand it. I will comply with the code. If I learn that there has been a violation of the code, I will contact my general manager or supervisor.

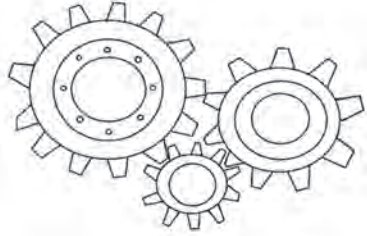
Dated: _____

Employee's Signature

Source: KnowledgeLeader Website, www.knowledgeleader.com

6. Develop Systems and Controls

Checks and balances ensure transparency and accountability in transactions and help address areas of vulnerability to corruption. Below are some guidelines in developing systems of checks and balances:



a. Maintain accurate books and records



Your business should keep only one set of books that is accurate and shows all financial transactions. There should be no off-the-book transactions. Maintaining accurate

books and records will help you monitor your business, guard against unauthorized transactions, and better manage risks. It will also help protect your business if there is ever a need to explain a transaction.

Moreover, employees should be instructed to always ask for and give receipts. Receipts enable a business to monitor expenses and income. They are also the backup for computing

No. 11504 Date: 2/5/16
 OFFICIAL RECEIPT
 RECEIVED from: Alfredo J. Jorda
 the sum of: 100 Pesos
 (P. _____) for the following:
 Purpose: OTHERS
 Amount: 100
 TOTAL P. 100
 Cash _____ Received Payment: _____
 Check _____ Generated by: Capitacion



Some businesses create incentives for customers to help monitor the issuance of receipts.

the amount of income tax your business must pay the tax authorities.¹⁹

b. Clearly define responsibilities

It should be clear at all times who is in control and who bears responsibility, for specific tasks, especially in areas where there is a possibility of corruption. It may help to have written job descriptions for each position.

Responsibilities should be divided in a way so that nobody controls a transaction completely from start to finish. For example:

- The employee who has access to money should not be the same employee who maintains the accounting of the money.

- The one disbursing cash should be different from the one approving the disbursement.

c. Establish clear guidelines for disbursement and purchasing

- Require that check or cash disbursements are always justified with supporting documents.
- Require canvassing with two or three other suppliers before purchasing an item.
- Require more than one signatory for checks and disbursements above a certain amount. This reduces the control and discretion of a single person on each transaction above a certain amount.
- Adopt guidelines for the use of petty cash funds. Make it difficult to abuse petty cash through rules such as:



Unacceptable use of petty cash.

- Require that each amount taken from petty cash be recorded and signed.
- Set a reasonable ceiling amount for purchases to be made with the fund. Also identify types of purchases that can be made with this fund. Specify prohibi-

tions on its use such as cash advance for employee's personal use.

- Make sure the fund is enough to cover small, incidental expenses for a month or six weeks at the most, and not more. The fund should be properly liquidated before it can be replenished.

d. Engage external auditors to conduct regular audits

External auditors can help detect irregular transactions engaged in by your employees. Make sure that the auditor is reputable and aligned with your own ethical standards. You may also request an external auditor to review your business's internal controls and make recommendations for improvement.²⁰

e. Provide channels for reporting corruption and other unethical conduct



Employees should be provided a mechanism for reporting corruption or other unethical conduct without fear of reprisal. The mechanism should ensure either confidential

or anonymous reports, as appropriate, to encourage reporting. Reports, however, may need to be screened by a neutral person to safeguard against malicious or frivolous reports.

Reports must be investigated at once and effective action taken. If employees do not think that anything will be done as a result of their report, they will not use the system.²¹



f. Penalize corrupt and other unethical behavior

SMEs must apply stringent penalties for employees found to engage in corruption or other unethical conduct. The following are examples of penalties a business may apply as disincentive for unethical behavior:

- **Reprimand** is a written memorandum to the erring employee/worker for commission of a simple offense or an offense committed for the first time as provided under this code.
- **Suspension** is a temporary physical detachment from the service. The suspended employee shall not earn any salary/wage

A Cultural Revolution

An electric cooperative in Northern Luzon was founded in 1979 and services seven towns in the province. In the late 1990s, suspicions were raised regarding the integrity of the cooperative's board of directors and management. Aside from the bad service that many customers had been complaining about, there were questions on substandard and overpriced equipment and ghost deliveries. Also rampant were petty crimes committed by employees, such as installing jumpers on electric meters, enabling them to change meter readings. Furthermore, the board refused to conduct elections.

In 2007, after almost a decade of no elections, the members organized themselves and called for elections of board members. The result of the elections was an entirely new board. Faced with unhappy customers, a grossly mismanaged organization and a huge debt, the newly elected chairman of the board began undertaking what has been dubbed as a "cultural revolution." He enlisted the support of the cooperative's management and members in "waging a war" against "kawatinismo, tamadinismo, and tardinismo" (theft, laziness, and tardiness). The new management made each employee sign a covenant to indicate his or her commitment to honest and efficient service.

Reforms were instituted within the organization and throughout the entire membership. To restore people's faith in the organization, management formed a special task force to investigate members of the board and

employees who were involved in any dishonest or corrupt acts. Those found guilty were either penalized or removed. The cooperative also gave a reward (P1,000) to “tipsters” or those who would report illegal activities. It even gave incentives to those who turned themselves in. For instance, if a member reported a jumper they had installed on their own meter, the cooperative would change the meter for free. However, if the member failed to report it and it was later discovered, the member’s electric connection would be cut off and the member would have to buy another meter in order to get reconnected.

Another important aspect of the cooperative’s reform initiatives was the implementation of internal systems and controls. For instance, the cooperative applied rigorous bidding procedures. Suppliers with a record of corruption or collusion were blacklisted. The cooperative also put in place strict audit policies, such as conducting a physical inspection of every purchase made. In addition, with every new item purchased, the old item that was replaced had to be presented to the internal auditor.

These reforms would not have been possible without considerable investment in people and technology. The cooperative has found that the investment has definitely paid off. Revenue losses due to corruption, pilferage, and inefficiency were reduced by 80 percent. Memberships increased due to improved services. Finally, system loss was reduced from 27 percent in 2007 to 14.7 percent in 2008.

during the period including benefits, such as vacation and sick leave accrual, bonus, or gratuity pay accruals, etc. An employee being investigated for misconduct can be put in suspension while the investigation is pending.

- **Dismissal** is a dishonorable discharge from the company. A dismissed employee loses his accrued sick/vacation and other leave credits. He shall also lose his right to separation pay as he is discharged for cause.

SMEs should also have a policy on communicating corruption and other criminal conduct to law enforcement agencies.

g. Implement Incentives for Ethical Conduct

To encourage observance of the code of conduct and related policies, SMEs need to recognize ethical behavior and provide incentives for them. SMEs should consider:



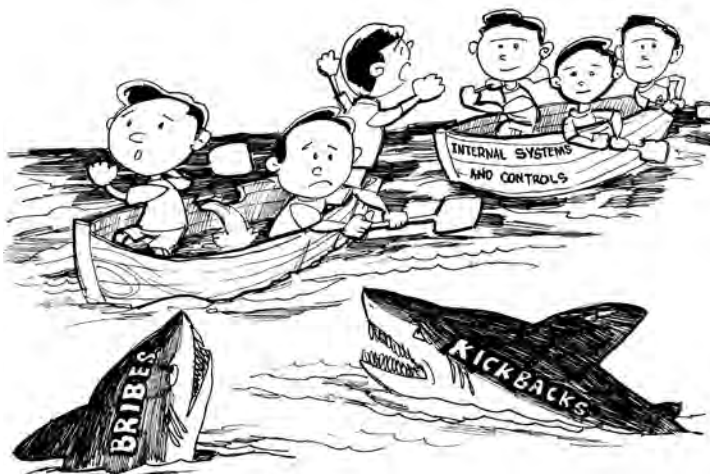
- **Affirming good behavior and performance** by private or public recognition. Some companies give plaques or trophies monthly or an-

nually to employees who best exemplify the company's values.

- Including ethical standards as part of the criteria in evaluating an employee's performance. Ethical behavior would then become a factor in determining who receives a merit bonus or promotion.

7. Declare Correct Taxes and Pay on Time

Operating a business is a privilege accorded by the government. Businesses, in exchange, have an obligation to follow laws and regulations, which include the payment of taxes. Moreover, an SME can resist bribery demands from tax officials only if it is in fact declaring correct revenues and paying taxes on those revenues.

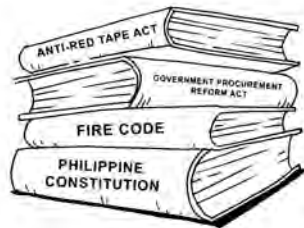


5 | INDIVIDUAL MEASURES FOR AVOIDING CORRUPTION SITUATIONS

The previous chapter focuses on policies and systems that an SME can implement to detect and prevent corruption and other unethical conduct by its employees and agents. There are also measures that can be undertaken by business owners and managers individually to avoid situations that may provide opportunities for corruption. This chapter discusses some of those measures.²²

Tip 1: Knowledge Is Power

To avoid being pressured into engaging in corrupt conduct, it is extremely useful to know the laws and regulations applicable to your business. At the very least, you should know where you can access those laws and regulations when needed.



For example, the Anti-Red Tape Act of 2007 (R.A. 9485) mandates that each agency set up service standards to be embodied in a Citizen's Charter. The Citizen's Charter must set forth in detail the step-by-step procedures for obtaining a service, together with the documentary requirements, fees, the officer responsible for each step, the maximum time to conclude the process, and the procedure for filing complaints. Accordingly, when you are applying for a business permit or license, you can use the Charter to challenge any unreasonable requirement or delay being imposed on you by a government bureaucrat fishing for a bribe. If the Charter is not displayed in the agency to which you are submitting your application, do not hesitate to demand to see it.

Other laws relevant to applying for business permits include the National Building Code (R.A. 6541), which sets out the requirements for constructing business infrastructure; the Fire Code (R.A. 9514), which contains the requirements for obtaining a fire safety clearance from the Bureau of Fire Protection; and the Code of Sanitation (P.D. 856), which establishes the standards for proper sanitation of various types of businesses.

If your business bids for government contracts, it is a must to be well-versed in the Government Procurement Reform Act (R.A. 9184) which is designed to prevent bid rigging and collusion in procurement. This law,

Example of a Citizen's Charter

LIST OF BIR FRONTLINE SERVICES Bureau of Internal Revenue Revenue District Offices			
TYPE OF FRONTLINE SERVICE	FEES	FORMS	PROCESSING TIME (UNDER NORMAL CIRCUMSTANCES)
Processing of Application for Taxpayer Identification Number (TIN) & Registration of Local Employee	None	BIR Form 1902	25 minutes
Processing of Application for TIN for EO 98 / ONETT	None	BIR Form 1904	21 minutes
Processing of Application for TIN and Registration of Self-Employed Individuals, Estates, Trust including their branches and facilities	Annual Registration Fee (P500.00) DST (P15.00)	BIR Form 1901	1 hour and 18 minutes
Processing of Application for TIN and Registration of Non-Individuals including their branches & facilities	Annual Registration Fee (P500.00) DST (P15.00)	BIR Form 1903	1 hour and 1 minutes
Processing of Request for Certification of Certificate of Registration (COR)/Authority to Print (ATP)/TIN Card	P100.00 Certification Fee P15.00 or Doc. Stamp per document	None	16 minutes
Processing of Application for Subsequent Registration of Manual Books of Accounts	None	BIR Form 1905	22 minutes
Processing of Application for Subsequent Registration of Manual Books of Accounts (Loose-leaf)	None	BIR Form 1905	24 minutes
Processing of application for Subsequent Request for Authority to Print (ATP) Receipts/Invoices	None	BIR Form 1906	39 minutes

Source: "BIR Citizen's Charter," Bureau of Internal Revenue, last modified 2004, <http://www.bir.gov.ph/>.

together with its Implementing Rules and Regulations, is the bible for government procurement activities.

Another law that may be useful to know is the Barangay Micro Business Enterprise Act (R.A. 9178). This law provides incentives, benefits, and services available for micro enterprises that fall under the set qualifications.

Business owners should keep themselves updated with changes in the relevant laws and regulations. Government officials are themselves not always aware of recent developments in the law, so keeping yourself updated on your rights and obligations will make it difficult for them to impose unreasonable requirements for the processing of your papers.

Tip 2: Go by the Book

Business owners should also comply with the law. Complying with applicable laws and regulations will deprive government officials of one of their usual grounds for demanding bribes. Also, unless you comply with applicable laws and regulations yourself, any effort you might make to challenge the corrupt acts of others will neither be credible nor effective.

The Law at Work

An SME in Metro Manila has been in business for 11 years as the exclusive distributor of fire fighting and safety equipment. Around 60 percent of its business comes from government accounts, and the rest from private accounts. Members of management have made it a point to know all the provisions of the Government Procurement Reform Act (GPRA) (R.A. 9184). They even hired a lawyer on retainer to assist them in public bidding.

Knowledge of the law has already proved useful to management several times. For example, in a pre-bid conference with a government agency, it became apparent that the Bids and Awards Committee was favoring a certain bidder. Technical specifications were being altered so that the account would fall to only one bidder, and nobody else. The company did research on the favored bidder and discovered it had no track record, which is a requirement of the GPRA. The company openly questioned the grounds for changes in the technical specifications. When the chair of the Bids and Award Committee realized that he was dealing with a business that was going to insist on adherence to the law, he started pulling away from the favored bidder. In the end, being the most qualified among the bidders, the company won the bid.

If, for some unfortunate circumstance, your business violates a regulation, it is better to own up to the violation and pay the fine for the violation. Paying a bribe to get away with the illegality will leave you beholden to a government official who may demand even larger payments in the future.



Tip 3: Prepare and Anticipate

When business owners and managers are prepared for possible delays or bribery demands, it will be easier for them to avoid being caught in the corruption trap. Among the precautions you can take are:

1. Submit requirements on time or, if possible, even ahead of time.
2. Factor in possible delays in planning business timelines.
3. Keep documents pertinent to your business organized for easy access.
4. Whenever possible, operate as a team consisting of at least two employees when you suspect that a bribe will be demanded.

5. In some cases, a business owner should not deal directly with government inspectors at the first instance. Designating a member, staff, or an agent to meet with the inspector initially would help avoid putting the business owner in the situation of pressure from the inspectors.
6. Never let on that you are under a tight deadline or in a critical situation. This will avoid having people take advantage of your circumstances.
7. Listen carefully to what the government official is saying. Do not assume a bribe is being sought at the first mention of delay. The delay may be legitimate and the official may be willing to do what he can to expedite matters.
8. Buy or borrow a book on negotiations. It will have useful tips on negotiating strategies that you might find helpful when government officials make unreasonable demands on your business.
9. In a dispute with a government official, be completely familiar with your case. Thoroughly review all pertinent documents in your possession and the laws and regulations that may be applicable to your specific case. By being prepared, you will show the government official who might be looking for a bribe that he cannot mess with you.

Tip 4: Send the Message that You Do Not Give Bribes

Communicate that you will absolutely not give a bribe under any circumstances. There are numerous ways of conveying this message, including:

- a. *"I do not have extra funds at my disposal."*
- b. *"My company has a very strict policy against giving bribes, and I would lose my job if I violate this policy."*
- c. *"I am prepared to go through whatever procedures are necessary to obtain the license or permit I am applying for."*
- d. *"It is against my religion to pay bribes."*
- e. *"My business is constantly being audited."*
- f. *"I am not looking for special services or arrangements."*
- g. *"I will simply walk away if you make unreasonable demands."*
- h. *"I will go to your supervisor if you don't give me the service to which I am entitled."²³*

Tip 5: Create a Paper Trail

With proper documentation and records, it will be more difficult for a government official to find reason to delay or deny the service to which you are entitled. It will also help you make your case in the event you need to bring a problem to the official's supervisor or someone higher up. The following are some suggestions for creating a paper trail:

1. Whenever you need to submit documents to a government agency, bring along an extra set of copies and ask that both the original and the copy be stamped "RECEIVED" with the date and signature of the person receiving the documents. Asking for a date stamp with a signature sends the message that you are documenting the processing of your papers and will be prepared to elevate any problems to a higher level.
2. Use a logbook to record the frequency of audits and visits by government inspectors.
3. Follow up meetings with government officials with a letter setting forth what the issue was and what you were told by the officials.
4. Bring a tape recorder to a meeting with a government official if you suspect that the official will ask for a bribe at the meeting.

5. If you attend a meeting in which a government official demands a bribe, immediately write an internal memorandum describing all that was said at the meeting.
6. In an audit by the Bureau of Internal Revenue, make an inventory of all materials and documents shown to the auditor.

Tip 6: Do Not Deal with Fixers

Do not deal with fixers. Fixers offer to expedite obtaining a business permit or license that you need for a fee. They work covertly because they generally use bribes to get around the bureaucracy. Although you may obtain an immediate benefit by resorting to fixers, you would be propagating corruption. With Citizens' Charters in place outlining the exact procedures and requirements for obtaining a business permit or license, you will likely find that you can obtain the license or permit that you need within a reasonable time without the assistance of fixers.

Going Through the Process

A company in Davao manufactures and distributes industrial pipes. It has been servicing the entire Mindanao region for almost 20 years. For more than a decade, management would hire an accounting firm to process the renewal of the company's permits and licenses. On one occasion, the release of its Mayor's permit was delayed for an unusually long time. The permit was crucial as they needed it in order to participate in government biddings.

When the delay reached two months, the manager decided to go to City Hall herself to inquire on the cause of the delay. The head of the Business Bureau informed her that they were holding the signing of the permit because her company was suspected of using fixers. Disturbed by the accusation, the manager explained that her company hired an external accounting firm to process its papers and had not authorized the use of fixers. After much discussion, the government official finally signed the company's permit.

After that incident, the company no longer outsourced the processing of its permits and licenses. Going through the process herself, the manager realized that it was not difficult as long as one is updated in the procedures and any new rulings or memorandums. It also helps to start the process way ahead of time so as not to be placed in a position where options are limited and bribery becomes an option. She also teaches her staff that when all else fails, it is better to bring the matter up to higher authority, just as she did with the head of the Business Bureau.



Tip 7: Get Help When Needed

Do not hesitate to ask for help. You can talk to other business owners or managers or consult with business associations to find out if they have encountered issues similar to yours and if so, how they resolved those issues.

When necessary, seek the advice of a professional, such as a lawyer or an accountant. Although a professional is expensive, he or she may end up saving you money in the long run by showing you how you can resolve your issues without constantly having to pay bribes in ever increasing amounts.

6 | CORRUPTION SCENARIOS

Even with the best of systems and controls, it is likely that SME owners and managers will find themselves in a corruption dilemma from time to time. This chapter presents various corruption scenarios with suggestions on how to respond.²⁴

Scenario 1

Ms. Malou Cruz is an importer and distributor of processed deli meats from Spain. She has been anticipating the release of her latest shipment in order to meet her delivery deadlines with her customers.

Upon following up the release of her cargo with her broker, she was informed that her entry documents were being held up at the Bureau of Customs. When she approached the customs official to inquire about her shipment, the official said there were problems with the documentation but suggested that they might be able to reach an arrangement for resolving the problems.



"Your shipment will be delayed until you submit the final requirement."

Possible Responses:

- Make sure all your documents are in order and that you have followed all required procedures.
- When you meet with the customs official, bring someone with you to act as a witness. Having a witness will make it more difficult for the official to solicit a bribe. At the meeting, ask the official to explain exactly what the problems are with the documentation.
- Do not give the impression that you are under a tight deadline. Be calm and gentle, yet persistent.

- Take everything the official says at face value and ignore hints for a bribe. The official may not ask for a bribe directly, since he or she knows it is illegal. If you do not pick up on hints and if all your documentation is in order, the official may just give up and release your shipment.
- Let the customs official know that paying a bribe is not an option for you.
- If the customs official is unreasonable, ask to speak to his or her supervisor or somebody higher.
- Discuss the problem with your customers and ask for extra time for delivery.

Scenario 2

Mr. Clarito Villarta, manager of a furniture and upholstery shop, is visited by inspectors from the Bureau of Fire Protection and told that he needed to buy additional fire extinguishers and refill existing units. Before leaving, the inspectors gave him the calling cards of two companies that were their recommended suppliers. Mr. Villarta was concerned that if he did not buy additional fire extinguishers or refill his existing units from one of those two suppliers, he might not receive his fire safety clearance which he needs for renewing his business permit.



"You'll be needing 10 fire extinguishers, 5 smoke alarms..."

Possible Responses:

- Review the Fire Code to determine whether your business is in compliance with its requirements.
- Have at least one witness when you meet with the BFP inspectors.
- If your business is in compliance with the Fire Code's requirements, politely advise the fire inspectors that you have reviewed the Fire Code and are confident that you are not required to purchase any additional fire extinguishers or to refill your existing units.
- If your business in fact needs to increase the number of its fire extinguishers, let the inspectors

know that you will be purchasing the units from your own accredited supplier.

- If your fire safety clearance is delayed, pay a personal visit to the supervisor of the BFP inspectors and report the incident. Bring all necessary documentations with you.
- If your business still does not receive its fire safety clearance, bring your case to the Mayor's Office.

Standing Up to Inspectors

The manager of an SME based in Davao recalled that inspectors from the Bureau of Fire Protections visited his company and told him that the company needed to increase the number of its fire extinguishers to obtain a fire safety clearance. The inspectors also gave him the name of a certain supplier from which the company had to purchase the fire extinguishers. The fire extinguishers from that supplier, however, carried a price that the manager believed was way above market value. His company then canvassed for market prices of fire extinguishers in Davao and General Santos and showed it to the fire safety inspectors. The manager told them firmly that his company will only buy at the market price. The inspectors relented and eventually issued the company's fire safety clearance.

Scenario 3

Eric's small video editing company was finally accredited by a big telecommunications company to bid for a P500,000 project. Getting this contract would mean a big break for his company. Aside from the revenue, it would give the company the track record and credibility to bid for contracts with other large companies. A few days after they had presented their bid, the procurement officer of the telecommunications company approached one of Eric's employees claiming that he can assure the awarding of the contract to his company if he gives him a percentage of the project budget.



"And the bid is awarded to..."

Potential Responses:

- Inform the procurement officer that your company is subject to regular audits from auditors who require official documentation for all payments, fees, or commissions.
- Review the Government Procurement Reform Act so you can challenge any actions taken by the procurement officer that is not in accordance with the regulations.
- Cease further discussions with the procurement officer. Immediately report the incident to the supervisor of the procurement officer or someone higher up. Ask that the procurement officer in charge of the bid be replaced.
- Prepare an internal memorandum setting forth the circumstances of the bribery demand.
- If changes are made to technical specifications in what appears to be an effort to favor one bidder, demand to know the grounds for the changes.
- Contact a civil society organization about sending someone to monitor the bidding process.
- Be prepared to lose the bid. Losing the bid is preferable to getting involved in an illegal arrangement that will lead to a bad reputation for your business.

Scenario 4

Helen's drug store has been in operation for the past three years. She has been religiously declaring and paying the correct taxes ever since she started operations. This year, she received a Letter of Authority from the BIR, together with an exorbitant tax assessment computation. Her accountant was informed that the assessment can be lowered if they agree to pay a "fee" to the tax assessor. Helen cannot afford to pay the current assessment. If she did, she would end up having to close her store, but she also does not want to pay a bribe to the tax assessor.

Possible Responses:

- Meet with the tax assessor, together with your own accountant, and ask him or her to explain the basis for the tax assessment. Bring all the back-up documents for your own tax computation.
- Review the BIR rules and regulations to make sure your business is in compliance with all requirements.
- Consult with an outside accountant or lawyer to confirm that your own tax computation is correct.
- Communicate to the tax assessor that you will never resort to bribery to resolve an issue and instead will use all available channels for challenging the assessment.

- If the BIR officer insists on the assessment, bring the case up to his or her superior.
- If you are able to negotiate a lower tax assessment, ensure that it is properly documented.
- Do not give in to any bribery demands. Once you start, the tax assessor may keep coming back with bribery demands in ever increasing amounts.

Scenario 5

Manuel, a computer sales representative secretly approaches Elena, the IT Manager of a small business process outsourcing company and offers to give her a “commission” for each computer that the company buys from his company.



Let's close the deal at P120,000 to include my P20,000 “rebate” and the project is yours!

Possible Responses:

- Inform the sales representative that your company strictly prohibits kickbacks and you could lose your job if you take part in what he is proposing.
- Immediately report the incident to your superior and to the supplier. Ask the supplier to replace the sales representative.
- If the sales representative persists and the supplier does not replace their sales representative, look for another supplier.
- Write an internal memorandum recording the incident and how it was handled.

7 | COLLECTIVE ACTION

Collective action is a “process of cooperation between various stakeholders with the aim to jointly counter corruption.”²⁵ While SMEs can individually undertake certain measures to fight corruption, they would be much more effective if they join forces. In addition, collective action creates a “level playing field” so that no one business is put at a disadvantage by not engaging in corruption.



All sectors of society have a role to play in collective action:

1. Government should adopt international frameworks and conventions on anti-corruption into national laws, ensure rigorous enforcement of anti-corruption laws, and create an environment that promotes integrity and accountability in business.
2. Businesses should implement effective anti-corruption programs to detect and prevent corruption in their organizations.
3. Civil society organizations can take on a “watch dog” role and monitor the anti-corruption efforts of government and the private sector.

To be successful in the fight against corruption, all these sectors have to build an alliance and act collectively.²⁶

Collective action, however, is not a quick and simple solution. It takes time, persistence, and a lot of patience. It is also not a “cure-all.” Not all situations may call for collective action, and there are different types of collective action for different situations. This chapter provides a general overview of the types of collective action, as well as the tools and techniques used.

Quick Results for One Collective Action Effort

Ms. A, the owner of a chicken farm in Nueva Ecija, recalls the time when inspectors from the Bureau of Fire Protection visited her farm and told her that she needed to buy 20 additional units of fire extinguishers from their recommended suppliers. She questioned the need for such a large number of fire extinguishing units, especially since her farm consisted of mostly open space. The inspectors threatened that her business would not obtain its fire safety clearance if she did not comply. She talked with owners of nearby farms and discovered that they also had been inspected and were being required to purchase additional fire extinguishers from recommended suppliers.

After various discussions, Ms. A and the other farm owners in her area met with the Mayor and asked for an explanation to the demands being imposed by the fire safety inspectors. The Mayor assured them that they did not need to comply with the demands. Ms. A and her neighboring farm owners soon received their fire safety clearances.

Types

Collective action can be categorized into two types: project-based and long-term. Determining which type is appropriate at any given time requires an evaluation of different aspects of the situation.²⁷

1. Project-based – If the following conditions are satisfied, then a project-based collective action would be appropriate:

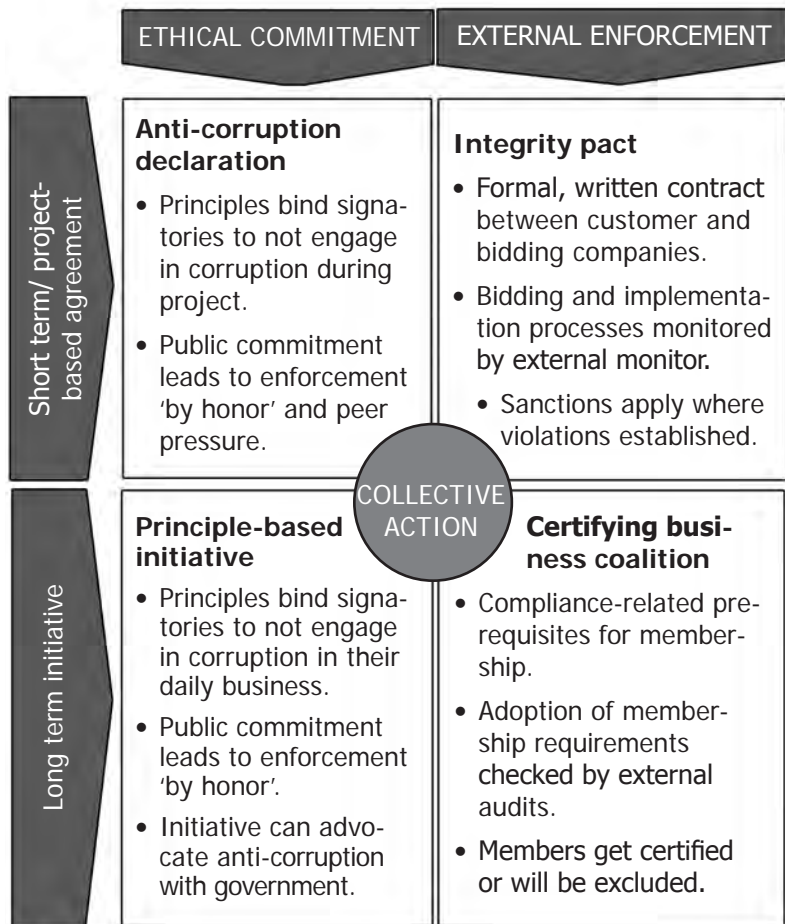
- *Corruption is evident only in one project.* This could be a situation of procurement, where there are concerns that bidding could be rigged.
- *It is not possible to create a bigger alliance of companies and stakeholders.* Many difficulties could arise in forming such alliances. The main obstacle could be willingness of other stakeholders. They may not be comfortable with the idea of an alliance, especially among competitors.
- *Can be used for "testing the waters" for collective action.* This is especially true for those who have no experience with collective action. Even if the intention is to eventually form an alliance for long-term collective action, it may be good to test out its viability by trying it out on a smaller scale first.

2. Long-term initiative – If the following conditions are satisfied, a long-term initiative may be more appropriate:

- *A broader change of behavior is required.* Corruption is apparent not just in a particular project. The problem may stem from larger institutional causes, such as poor legislation or lack of law enforcement.
- *A project-based initiative is not possible.* There may not be enough opportunities for stakeholders to encounter each other on projects. Certain business industries, by their very nature, may not have the opportunity to face each other on common projects.
- *A successful project-based initiative is expanded into a wider alliance.* When collective action on the project-level becomes effective, the participants in the project may be encouraged to institutionalize it through long-term efforts. A certain level of enforcement or verification among industry peers should be considered.

Tools

There are various tools available for collective action. Determining which tool to use depends on the purpose and the circumstances of the business, the industry and its stakeholders.



Source: World Bank Institute, "Fighting Corruption through Collective Action: A guide for business" (PowerPoint slides, 2008), <http://www.unglobalcompact.org>.

- A. In the case of **project-based** efforts, there are two tools available for collective action.²⁸

1. Integrity Pacts

An Integrity Pact is a formal contract in which a government agency and bidders agree to create fair and transparent bidding in public procurement related to specific projects. Its key requirements are:²⁹



- a. A formal written contract between the government agency and all bidders who commit not to pay bribes or collude in the bidding process.
- b. It is introduced in pre-tender phase.
- c. Its principles are transparency, fair business conduct, and no corruption or bribery.
- d. An independent monitor is appointed to oversee compliance with the Integrity Pact.
- e. Any bidder found to violate the Integrity Pact is subjected to penalties, including exclusion from future tenders for several years and a fine.

Integrity Pacts are beneficial for all concerned. They benefit the bidding companies, which are assured of a fair chance of selection as a supplier for a project, the government agency which will avoid overpaying for a product that may be of inferior quality, and the public which is the ultimate beneficiary of the project.

2. **Anti-Corruption Declaration**

An anti-corruption declaration is similar to an integrity pact, but without a monitoring system. Adherence is based on the participants' "word of honor" and possibly public pressure. Through the declaration, participants agree to:

- Prohibit bribery
- Implement a code of conduct for employees
- Conduct employee training on integrity and accountability
- Implement internal systems and controls
- Institute transparent financial reporting mechanisms
- Maintain channels where stakeholders can report ethical concerns

DepEd, various groups forge 'integrity pact'

by Rainier Allan Ronda

The Philippine Star, February 24, 2011

MANILA, Philippines – The Department of Education (DepEd) forged yesterday a first-of-its-kind “integrity pact” with its suppliers, business partners, and civil society groups, that commits DepEd and the people who do business with it to eschew graft and corruption in all transactions.

The pact was signed by Education Secretary Armin Luistro and the representatives of over 60 suppliers including 39 publishers and copyright owners, seven printing companies, three office supplies and equipment companies, two freight forwarders, four school furniture suppliers, two science laboratory equipment companies, three hotels offering meeting venues, two construction materials suppliers, three sports equipment suppliers, and one company offering soil testing services.

Also affixing their signature to the pact are representatives of civil society organizations which include the Ateneo School of Government (G-Watch), Procurement Watch, Inc. (PWI), the Boy Scouts of the Philippines (BSP), the National Movement for Free Elections (NAMFREL), PTCA of Quezon City, and the Affiliated Network for Social Accountability in East Asia and the Pacific (NSA-EAP).

Luistro said that while government has its own initiatives to address corruption, those steps cannot succeed without individual and collective commitment from private businesses that deal with government.

"First we must acknowledge that corruption erodes the moral fiber and impedes economic growth. Second, we must act responsibly by leading by example, thus this integrity pledge which binds DepEd and the business groups to always observe ethical business practices and good corporate governance," Luistro explained.

In the integrity pledge, the business sector declared to prohibit bribery in any form and ensure that its charitable and political contributions, business gifts, and sponsorships are transparent and are not aimed to attempt to influence the recipient whether from government or the private sector.

The business sector also pledged to maintain a code of conduct to guide its employees towards ethical and accountable behavior at all times and committed to apply appropriate sanctions to violators of the code.

It also commits to enter into integrity pacts with other businesses and with government agencies when dealing with procedures related to the bidding and procurement of supplies, materials, equipment, and construction supplies.

To ensure collective action among business enterprises to foster ethical, clean, and transparent business transactions in the country, the business sector will support a nationwide initiative intended to create fair market conditions and transparency in business transactions.

The business groups also agreed to share best practices, tools, and concepts to be used by all participating entities to achieve the goals of the nationwide initiative.

- Enter into integrity pacts with government agencies when bidding for a project
- Refrain from dealing with unethical parties
- Participate in collective action to fight corruption

B. For **long-term initiatives**, there are also two potential tools:³¹

1. **Certifying Business Coalitions**

A business coalition is established to promote integrity standards in the industry. The coalition sets ethical standards, and its members are required to comply with those standards to maintain their membership. The coalition must thus take on the task of monitoring compliance to safeguard the credibility of the group. Possible incentives for members to join the coalition are:

- The company is awarded certification by the coalition. The certification serves as a “stamp” of professional and ethical business practice.
- The coalition publicizes and promotes the list of certified companies, giving them a good reputation with customers and possible benefits from the government.

- Monitoring and audits by the coalition could give valuable feedback to its members for areas of improvement in their business.

2. Principle-Based Initiatives

A principle-based initiative engages various stakeholders to promote appropriate business conduct within a particular sector. The main outcomes of this initiative are:

- Creates an opportunity to guide government in formulating and enforcing anti-corruption policies.
- Promotes best anti-corruption practices among members.
- “Zero tolerance” statement by members of the initiative.

Example of an Anti-Corruption Declaration

INTEGRITY PLEDGE

(A commitment to Ethical Business Practices and Good Corporate Governance)

We believe that corruption has been one of the biggest impediments to economic growth and prosperity in the Philippines and has been eroding the moral fiber of this society.

As owners or managers of established businesses in the Philippines, we acknowledge our companies' responsibility to lead by example in the fight against corruption and to operate our businesses ethically and with integrity.

While the government has its own initiatives for reducing corruption, we realize that those initiatives cannot succeed without individual and collective commitment from businesses to level the playing field and to build integrity in the business environment.

In view of the foregoing, we pledge the following:

We will prohibit bribery in any form in all activities under our control and ensure that our charitable and political contributions, business gifts, and sponsorships are transparent and will not be for the purpose of attempting to influence the recipient, whether government or private, into an improper exercise of functions, duties or judgment.

We will maintain a code of conduct to guide our employees towards ethical and accountable behavior at all times, and will apply appropriate sanctions for violations of the code.

We will conduct training programs for our employees to promote integrity, honesty, and accountability in the exercise of their duties and responsibilities and to convey with resolve our company's commitment to ethical business practices.

We will implement appropriate internal systems and controls to prevent unethical conduct by our employees, ensure good governance, and institutionalize the values of integrity and accountability in our business.

We will maintain appropriate financial reporting mechanisms that are accurate and transparent.

We will maintain channels by which employees and other stakeholders can raise ethical concerns and report suspicious circumstances in confidence without risk of reprisal, and a designated officer will be tasked with investigating all reports received.

We will enter into integrity pacts with other businesses and with government agencies when dealing with procedures related to the bidding and procurement of supplies, materials, equipment and construction.

We will refrain from engaging in business with parties who have demonstrated unethical business practices.

To ensure collective action among business enterprises to foster ethical, clean, and transparent business transactions in the Philippines, we commit to:

1. Support a nationwide initiative intended to create fair market conditions, transparency in business transactions and ensure good corporate governance;

2. Participate in roundtable discussions, meetings and forum to identify the key concerns and current problems affecting the private sectors related to integrity and transparency in business transactions;
3. Share “best practice”, tools and concepts which are intended to be used by all participating entities to achieve the goals of the nationwide initiative;
4. Assist and contribute ideas to develop a unified “Business Code of Conduct” acceptable to all participating entities;
5. Participate in the creation of key measures and control activities intended to ensure transparency, integrity and ethical business practice.
6. Support the development of an audit and certification program (including a training program for advisers and auditors) that will offer a toolbox for enterprises to introduce and implement ethical practices in their business processes; and institutionalize the whole process to promote sustainability of the Integrity Initiative.

Signature

Name

Position

Company

Prepared by the AIM Hills Program on Governance, in collaboration with the Makati Business Club and the European Chamber of Commerce of the Philippines, in connection with its Promoting Integrity and Accountability in Business project.

Once a group has determined the appropriate setting and tools to engage in their collective action, there are several factors that need to be considered in the planning of their action:³²

1. Timeline

- a. What is the expected output?
- b. What are the long-term goals?

2. Organization

- a. Who will be responsible to lead the initiative?
- b. Where will it be based (e.g. office of one of the members)?

3. Funding

- a. Where will initial funding for activities come from?
- b. How will the initiative be sustained?

As the above questions show, considerable planning and consultation goes into any collective action effort. And since it requires working with various stakeholders, social and personal dynamics must be considered to ensure that all people involved are aligned with the same vision and goals, and are clear on how they are to be achieved. While the process may be lengthy and perhaps even cumbersome, the potential benefits of collective action are tremendous.

8 | CONCLUSION

Corruption is so pervasive in the Philippines that doing something about it may seem daunting. But SMEs are not helpless. For SMEs that have had enough of doing business the old way, this manual provides guidance on what they can do to make a difference in the fight against corruption. Countless SMEs have shown that it is possible to operate a successful business without giving in to corruption.

For the SME that makes the decision not to engage in corruption, an essential first step is to implement a policy prohibiting bribery in any form. The SME should then set up systems and controls to detect and prevent corrupt conduct by its employees. Individual SME owners and managers can also use various tactics to foil attempts by government officials and other businesses to involve them in corruption. Finally, SMEs within a certain industry or geographical area can band together to address a particular corruption problem or to pursue long-term strategies for countering corruption.

The benefits to be reaped by an SME from not engaging in corruption are immense. It will significantly reduce the cost of doing business, allowing money that would have gone to bribes to be used to expand the business. Moreover, an SME with a good reputation for ethical business practices will have a competitive advantage by becoming the preferred choice of customers. It is also more likely to be selected as a supplier to multinationals and local large companies in their supply chains.

Enough SMEs conducting their businesses ethically create a level playing field in which no business has an unfair advantage. A level playing field, in turn, would attract more local and foreign investments in the Philippines. Thus, by operating ethically, SMEs not only benefit their bottom lines, but also contribute to the country's economic development.

The tools and tips offered in this manual for fighting corruption are by no means exhaustive. The possibilities are endless. SME owners and managers can tap into their innate creativity and capacity for innovative thinking to come up with novel ways of dealing with corruption in their day-to-day operations.

There is also a wealth of insight and information to be gained from the experiences of other SME owners and managers, as well as research on anti-corruption

undertaken by various government and non-government organizations in this country and internationally. The guidance offered in this manual represents only a sampling of what SMEs can do individually and together to promote integrity and accountability in business.



NOTES

Chapter 1

¹“Micro, Small, and Medium Enterprises – Statistics,” Department of Trade and Industry, last modified 2008, <http://www.dti.gov.ph>. The statistics refer to micro, small, and medium enterprises (MSMEs). For purposes of this manual, MSMEs will simply be referred to as SMEs.

² The Hills Program on Governance, *Promoting Integrity and Accountability in Business* (proceedings from the focus group discussions and workshops, Asian Institute of Management, Manila, July 2011 – February 2011).

Chapter 2

- ³ World Bank, *Helping Countries Combat Corruption: The Role of the World Bank* (Poverty Reduction and Economic Management, 1997).
- ⁴ United Nations Office on Drug Control and Crime Prevention, *Prevention: An Effective Tool to Reduce Corruption* (Vienna: United Nations Office on Drugs and Crime, 2004); Farzana Nawaz and Alfred Bridi, *Overview of Corruption and Anti-Corruption in the Philippines* (U4, 2008).
- ⁵ United Nations Office on Drugs and Crime, *The Global Programme Against Corruption: UN Anti-Corruption Toolkit* (Vienna: United Nations Office on Drugs and Crime, 2004); Jenny Balboa and Erlinda M. Medalla, "Anti-Corruption and Governance: The Philippine Experience" (APEC, 2006); Nawaz and Bridi, *Overview of Corruption and Anti-Corruption in the Philippines*; Philippine Province of the Society of Jesus - Committee on the Evangelization of Culture, *Ehem!: A Manual for Deepening Involvement in Combating Corruption* (Davao City: Research and Publication Office, Ateneo de Davao University, 2003).
- ⁶ Antonio Argandoña, "Private-to-Private Corruption," *Journal of Business Ethics*, 47 (2003): 253-267.

- ⁷ Argandoña, "Private-to-Private Corruption," 253-267.
- ⁸ Robert Klitgaard, *Controlling Corruption* (Berkeley: University of California Press, June 1991); Robert Klitgaard, Ronald MacLean-Abaroa, and H. Lindsey Parris, "A Practical Approach to Dealing with Municipal Malfeasance" (UMP Working Paper Series No. 7, UN-HABITAT, Nairobi, 1996).
- ⁹ Center for International Private Enterprise, *Combating Corruption: A Private Sector Approach* (Washington, DC: Center for International Private Enterprise, 2008).

Chapter 3

- ¹⁰ Mahar Mangahas, "Transparent Accountable Governance: The 2009 SWS Surveys on Corruption" (presented at the Forum on the SWS 2009 Surveys of Enterprises on Corruption and Anti-Corruption Strategies, Social Weather Stations, Makati City, Metro Manila, Philippines, February 19, 2010).
- ¹¹ Transparency International, *Business Principles for Countering Bribery: Small and Medium Enterprise (SME) Edition* (Berlin, Germany: Transparency International, 2008); "Clean Business is Good Business: The Business Case against Corruption," Interna-

tional Chamber of Commerce, Transparency International, the United Nations Global Compact, & the World Economic Forum Partnering Against Corruption Initiative (PACI), 2008, <http://www.iccwbo.org/iccgcgdi/index.html>.

- ¹² Center for International Private Enterprise, *Combating Corruption: A Private Sector Approach* (Washington, DC: Center for International Private Enterprise, 2008); Jenny Balboa and Erlinda M. Medalla, "Anti-Corruption and Governance: The Philippine Experience" (APEC, 2006).

Chapter 4

- ¹³ Transparency International, *Business Principles for Countering Bribery: Small and Medium Enterprise (SME) Edition* (Transparency International, 2008); UK Anti-Corruption Forum, "Corporate Anti-Corruption Actions" (summary of workshop content, UK Anti-Corruption Forum, October 17, 2008).
- ¹⁴ Independent Commission Against Corruption, *Governance and Internal Control: A Best Practice Checklist (for use by Small and Medium Enterprises)* (Hong Kong: Corruption Prevention Department, Independent Commission Against Corrup-

tion); Transparency International, *Business Principles for Countering Bribery: Small and Medium Enterprise (SME) Edition*; UK Anti-Corruption Forum, "Corporate Anti-Corruption Actions."

- 15 Transparency International, *Business Principles for Countering Bribery: Small and Medium Enterprise (SME) Edition*.
- 16 Business Unity South Africa, *Corruption: An anti-corruption guide for South African SMEs* (South Africa: Ethics Institute of South Africa, 2009).
- 17 See appendices for samples.
- 18 Transparency International, *Business Principles for Countering Bribery: Small and Medium Enterprise (SME) Edition*; PricewaterhouseCoopers, *Confronting corruption: The business case for an effective anti-corruption programme* (PricewaterhouseCoopers, 2008).
- 19 World Economic Forum, *Partnering Against Corruption – Principles for Countering Bribery: Partnering Against Corruption Initiative (PACI)* (Switzerland: World Economic Forum, 2009).

- ²⁰ World Economic Forum, *Partnering Against Corruption – Principles for Countering Bribery: Partnering Against Corruption Initiative (PACI)*.
- ²¹ UK Anti-Corruption Forum, “Corporate Anti-Corruption Actions.”

Chapter 5

- ²² These tips were collected and adapted from various sources, including: Loretta Graziano Breuning, *Greaseless: How to Thrive Without Bribes in Developing Countries* (System Integrity Press, 2005); Transparency International, *Business Principles for Countering Bribery: Small and Medium Enterprise (SME) Edition* (Berlin, Germany: Transparency International, 2008); UK Anti-Corruption Forum, “Corporate Anti-Corruption Actions” (summary of workshop content, UK Anti-Corruption Forum, October 17, 2008); Independent Commission Against Corruption, *Governance and Internal Control: A Best Practice Checklist (for use by Small and Medium Enterprises)* (Hong Kong: Corruption Prevention Department, Independent Commission Against Corruption).
- ²³ Adapted from Breuning, *Greaseless: How to Thrive Without Bribes in Developing Countries*.

Chapter 6

- 24 All the scenarios are fictitious, as all names of individuals and companies used, but based on experiences shared in anti-corruption focus group discussions and workshops for SMEs.

Chapter 7

- 25 World Bank Institute Working Group, *Collective Action in the Fight Against Corruption* (World Bank, 2010), <http://www.unglobalcompact.org>.
- 26 World Bank Institute Working Group, *Collective Action in the Fight Against Corruption*.
- 27 World Bank Institute, "Fighting Corruption through Collective Action - A Guide for Business" (PowerPoint slides, 2008), <http://www.unglobalcompact.org>.
- 28 World Bank Institute, "Fighting Corruption through Collective Action - A Guide for Business."
- 29 World Bank Institute Working Group, *Collective Action in the Fight Against Corruption* (World Bank, 2010), <http://www.unglobalcompact.org>.

- ³⁰ World Bank Institute, "Fighting Corruption through Collective Action - A Guide for Business" (PowerPoint slides, 2008), <http://www.unglobalcompact.org>.
- ³¹ World Bank Institute, "Fighting Corruption through Collective Action - A Guide for Business."

REFERENCES

Anti-Corruption Conference of the ADB/OECD Anti-Corruption Initiative for Asia and the Pacific. "Controlling Corruption in Asia and the Pacific." Summary of workshop content of the 4th Regional Anti-Corruption Conference of the ADB/OECD Anti-Corruption Initiative for Asia and the Pacific, Organisation for Economic Co-operation and Development, and Asian Development Bank, Kuala Lumpur, Malaysia, December 3 – 5, 2003.

Argandoña, Antonio. "Private-to-Private Corruption." *Journal of Business Ethics* 47 (2003): 253-267.

Association Xpertise Inc. "Policies and Practices – Sample Gifts Policy." Last modified 2003. <http://www.axi.ca>.

Balboa, Jenny and Erlinda M. Medalla. "Anti-Corruption and Governance: The Philippine Experience." Paper presented at the APEC Study Center Consortium Conference, Ho Chi Minh City, Viet Nam, May 23 – 24, 2006.

Bettcher, Kim Eric, and Boris Melnikov. "Combating Corruption: A Private Sector Approach." In *Center for International Private Enterprise Reform Toolkit*. Washington DC: Center for International Private Enterprise, January 2011.

Breuning, Loretta Graziano. *Greaseless: How to Thrive Without Bribes in Developing Countries*. System Integrity Press, 2005.

Bureau of Internal Revenue. "BIR Citizen's Charter." Last modified 2004. <http://www.bir.gov.ph/>.

Bureau of Micro, Small and Medium Enterprise Development (BMSMED). *Guide to R.A. 9178: Barangay Micro Business Enterprises (BMBEs) Act of 2002*. Department of Trade and Industry Philippines, August 2009.

Bureau of Micro, Small and Medium Enterprise Development (BMSMED). *Guide to the Magna Carta for Micro, Small and Medium Enterprises (RA 6977, as amended by RA 8289, and further amended by RA 9501)*. Department of Trade and Industry, Philippines.

Business Unity South Africa. *Corruption: An anti-corruption guide for South African SMEs*. South Africa: Ethics Institute of South Africa, 2009.

Center for International Private Enterprise. *Combating Corruption: A Private Sector Approach*. Washington, DC: Center for International Private Enterprise, 2008.

Department of Trade and Industry. "Micro, Small, and Medium Enterprises – Statistics." Last modified 2008. <http://www.dti.gov.ph>.

Errath, Birgit. *Business against Corruption: Case Stories and Examples, Implementation of the 10th United Nations Global Compact Principle against Corruption*. New York: United Nations Global Compact Office, 2006.

Independent Commission Against Corruption. *Governance and Internal Control: A Best Practice Checklist (for use by Small and Medium Enterprises)*. Hong Kong: Corruption Prevention Department, Independent Commission Against Corruption.

International Chamber of Commerce, Transparency International, the United Nations Global Compact, and the World Economic Forum Partnering Against Corruption Initiative (PACI). *Clean Business is Good Business: The Business Case against Corruption*. ICC, TI, the UN Global Compact, and PACI, 2008. <http://www.iccwbo.org/iccgcgdi/index.html>.

International Chamber of Commerce, Transparency International, United Nations Global Compact, and World Economic Forum. RESIST: Resisting Extortion and Solicitation in International Transactions (A Company Tool for Employee Training). ICC, TI, the UN Global Compact, and the World Economic Forum, 2010. <http://www.transparency.org/publications/publications/resist>.

Klitgaard, Robert, Ronald MacLean-Abaroa, and H. Lindsey Parris. "A Practical Approach to Dealing with Municipal Malfeasance." UMP Working Paper Series No. 7, UN-HABITAT, Nairobi, 1996.

Klitgaard, Robert, Ronald MacLean-Abaroa, and H. Lindsey Parris. *Corrupt Cities: A Practical Guide to Cure and Prevention*. Washington: World Bank Institute, 2000.

Klitgaard, Robert. *Controlling Corruption*. Berkley: University of California Press, June 1991.

Local Government Academy (LGA). *Primer on RA 9485: The Anti-Red Tape Act of 2007*. Department of the Interior and Local Government, 2008.

Mangahas, Mahar. "Transparent Accountable Governance: The 2009 SWS Surveys on Corruption." Presented at the Forum on the SWS 2009 Surveys of Enterprises

- on Corruption and Anti-Corruption Strategies, Social Weather Stations, Makati City, Metro Manila, Philippines, February 19, 2010.
- Nawaz, Farzana and Alfred Bridi. *Overview of Corruption and Anti-Corruption in the Philippines*. U4, 2008.
- Philippine Province of the Society of Jesus - Committee on the Evangelization of Culture. *Ehem!: A Manual for Deepening Involvement in Combating Corruption*. Davao City: Research and Publication Office, Ateneo de Davao University, 2003.
- PricewaterhouseCoopers. "Confronting corruption: The business case for an effective anti-corruption programme." In *PwC US: Building Relationships, Creating Value*. PricewaterhouseCoopers International, January 2008.
- Ronda, Rainier Allan. "DepEd, various groups forge 'integrity pact'." *Philstar* (2011).
- Small and Medium Enterprise Development (SMED) Council. "Micro, Small, and Medium Enterprises (MSMEs) – About MSME." Last modified 2008. <http://www.dti.gov.ph>.

SMED Council. *Department of Trade and Industry Philippines: SME Development Plan 2004-2010*. Bureau of Small and Medium Enterprise Development, May 2006.

Sullivan, John D. "The Moral Compass of Companies: Business Ethics and Corporate Governance as Anti-Corruption Tools." In *Focus 7*. International Finance Corporation, 2009.

The Hills Program on Governance. *Promoting Integrity and Accountability in Business*. Proceedings from the focus group discussions and workshops, Asian Institute of Management, Manila, July 2011 – February 2011.

Transparency International. *Business Principles for Countering Bribery: Small and Medium Enterprise (SME) Edition*. Berlin, Germany: Transparency International, 2008.

UK Anti-Corruption Forum. "Corporate Anti-Corruption Actions." Summary of workshop content, UK Anti-Corruption Forum, October 17, 2008.

United Nations Office on Drug Control and Crime Prevention. *Prevention: An Effective Tool to Reduce Corruption*. Vienna: United Nations Office on Drugs and Crime, 2004.

United Nations Office on Drugs and Crime. *The Global Programme Against Corruption: UN Anti-Corruption Toolkit*. Vienna: United Nations Office on Drugs and Crime, 2004.

U.S. Department of Commerce. *Business Ethics: A Manual for Managing a Responsible Business Enterprise in Emerging Market Economies*. Washington D.C.: U.S. Department of Commerce, International Trade Administration, 2004.

Voice Marketing Inc. "Sample Employee Handbook Policies: The Conflict of Interest Statement." Last modified 2011. <http://www.more-for-small-business.com/sample-employee-handbook.html>.

World Bank. *Helping Countries Combat Corruption: The Role of the World Bank*. Poverty Reduction and Economic Management, 1997.

World Bank Institute. "Fighting Corruption through Collective Action: A guide for business." PowerPoint slides, World Bank, 2008. <http://www.unglobalcompact.org>.

World Bank Institute Working Group. *Collective Action in the Fight Against Corruption*. World Bank, 2010. <http://www.unglobalcompact.org>.

World Economic Forum – Centre for Global Competitiveness and Performance. *Global Competitiveness Report 2010-2011*. Geneva, Switzerland: World Economic Forum, 2010.

World Economic Forum. *Partnering Against Corruption – Principles for Countering Bribery: Partnering Against Corruption Initiative (PACI)*. Switzerland: World Economic Forum, 2009.

HOTLINES AND WEBSITES

Government Hotlines

Bureau of Customs

Office of the Commissioner - (02) 527-4573 or 37

Customer Relations Management - (02) 917-3200 locals
3201 to 3205

Bureau of Internal Revenue

Main - (02) 981-8888 or email at contact_us@cctr.bir.gov.ph

Luzon - (02) 929-7676; 927-2511

Visayas - (033) 338-14-65

Mindanao - (083) 520-0610

E-COMPLAINT - ecomplaint@bir.gov.ph

Civil Service Commission

Main - (02) 932-0111 or text 0917-TextCSC
(09178398272)

Mamamayan Muna Action Center - (02) 951-2575 to 76

Public Assistance and Information Office -
(02) 931-6850 to 51

Commission on Audit

Main - (02) 952-5700; 9319207; 9319286

Fraud Audit and Investigation Office - (02) 931-9295
locals 8002, 8006 and 8010

Department of Finance

Revenue Integrity Protection Service - (02) 404-1775 or
email at rips@dof.gov.ph

Pera ng Bayan – email at reports@perangbayan.com or
visit <http://perangbayan.com>

Department of Trade and Industry

DTI Call Center - 751-3330

MSME Assistance - (02) 751-5096

EXPONET (for exporters) - (02) 890-4723

NERBAC (for investors) - (02) 896-7342

Government Procurement Policy Board

Main - (02) 900-6741 to 44

Office of the Ombudsman

Metro Manila

Main - (02) 9262-OMB (9262-662)

Lifestyle Check - (02) 927-4102; 9272404

Anti-Fixer Campaign - (02) 927-4102; 9272404; or
text 09266994703

Visayas

Cebu - (032) 255-0976

Iloilo - Cebu; (033) 509-5644

Mindanao

Davao - (082) 221-3431 up to 33

Cagayan de Oro - (0882) 271-4752

Philippine National Police

*Internal Affairs Service For Police Services Complaints or
Complaints on a Police Officer* - (02) 899-7504

Complaints Referrals Action Center - (02) 722-0650
locals 3453 and 3473

*Non-Emergency Police Response via Short Text
Messaging Service (SMS)* - Type: PNP (space)
(message) then send to 2920

Government Procurement Policy Board

Main - (02) 900-6741 to 44

Selected Anti-Corruption Websites

Businesses Fighting Corruption:

www.businessesfightingcorruption.org

This website provides a forum for SMEs to report incidents of bribery and to exchange ideas on dealing with corruption. The site also makes available for downloading a copy of the Integrity Pledge in which businesses commit to ethical business practices. In addition, the site contains anti-corruption resources, including relevant laws, sample codes of conduct, and hotlines and websites for reporting corruption. It is operated by the Hills Program on Governance at the Asian Institute of Management.

Coalition Against Corruption (CAC):

www.cac.org.ph

CAC is an alliance of the academe, business sector, civil society organizations, and church groups that advocate and work against corruption. The website features the CAC's counter-corruption projects in the area of procurement reforms and delivery of essential public services. It also provides a link for those who may want to volunteer in their programs.

Integrity Initiative: www.integrityinitiative.com

This website describes the activities of the Integrity Initiative, a multi-sectoral effort to establish integrity standards in the private sector, government, judiciary, academe/youth, civil society, church, and media. The initiative is lead by the Makati Business Club and the European Chamber of Commerce of the Philippines.

Philippine Public Transparency

Reporting Project: www.transparencyreporting.net

The site provides information to enable people to monitor and report corruption. It also features news and information on corruption, and provides a mechanism for joining signature campaigns against corruption.

Procurement Watch: www.procurementwatch.org

The site features the projects of Procurement Watch, a non-profit civil society organization involved in policy advocacy and public information and education, particularly in the area of procurement.

Transparency and Accountability Network (TAN):

www.tan.org.ph

TAN is a coalition of multi-sectoral groups that promote transparency and accountability reform initiatives in the public and private sector. The site contains news and information on corruption issues on a national scale.

It also features TAN's programs which focus largely on monitoring appointments and procurements in various government offices.

International

Business Anti-Corruption Portal:

www.business-anti-corruption.com

The site features practical business tools for SMEs to avoid corruption. These tools include corporate policies and codes, risk assessment instruments, guide to due diligence, training modules, information networks, and other relevant information.

Center for International Private Enterprise (CIPE):

www.cipe.org

This site describes the activities of CIPE, a non-profit organization that seeks to promote democracy world-wide through market-oriented reform. Its programs are geared towards addressing various governance issues, including corruption.

International Chamber of Commerce:

<http://www.iccwbo.org/policy/anticorruption/>

This site gives basic information on corruption in business. Businesses interested in developing a code of conduct may also find a guide by the ICC.

Partnership for Transparency Fund (PTF):

<http://partnershipfortransparency.info>

PTF is an international non-governmental organization that supports civil society groups in developing, implementing and monitoring anti-corruption programs. The site gives information and status reports on PTF-supported projects around the world, as well as relevant information for groups interested in applying for a grant.

Transparency International (TI):

www.transparency.org

The site features corruption data and research, including anti-corruption tools and policy measures. TI has chapters in different parts of the world that bring stakeholders together to fight corruption in elections, public administration, procurement and business. Contact information of each chapter can also be found in the site.

United Nations Global Compact:

www.unglobalcompact.org

The Global Compact guides businesses in formulating strategies and operations that are aligned with the United Nations' "ten universally accepted principles" in the areas of human rights, labor, environment and anti-corruption.

World Bank Institute:

Business Fighting Corruption:

<http://info.worldbank.org/etools/antic/index.asp>

This is “an anti-corruption resource for business.” It provides resources and tools for businesses to fight corruption through collective action.

Other Websites Useful for SMEs

Private Sector

Association of Development Financing Institutions in Asia and the Pacific (ADFIAP):
www.adfiap.org

The website houses ADFIAP's online helpdesk on business advice and networking activities. It also provides "resources on technical information, publications, tool kits, and other resources on development financing."

Cebu Chamber of Commerce and Industry, Inc. (CCCI): <http://cebuchamber.org>

The site gives background information on CCCI's including the services it provides to its members.

Davao City Chamber of Commerce and Industry (DCCI): www.davaochamber.com

DCCI is a non-profit organization of businesses that provide support in the form of networks, training, promotions and other opportunities for the business community of Davao City.

Filipino Cebuano Business Club:

www.filcebubusiness.org

The Filipino-Cebuano Business Club was founded for the purpose of supporting and promoting MSMEs in Cebu. Its main activities are networking, training, and business development.

Philippine Center for Entrepreneurship:

www.gonegosyo.net

The site describes activities of Go Negosyo which are geared towards providing business opportunities, training programs, and funding sources.

Philippine Chamber of Commerce and

Industry (PCCI): www.philippinechamber.com

The PCCI is a non-profit organization of small, medium, and large businesses, local chambers and industry associations that support the viability of businesses in the country through advocacy and networking services.

Procurement and Sourcing Institute

of Asia (PASIA): www.pasia.org

PASIA is a non-stock, non-profit organization that aims to develop a community of procurement, finance, manufacturing, IT, and C-level executives in the Asia-Pacific Region. The site describes the activities and

benefits of membership which center on education, training and networking on procurement and supply management issues.

SME.com.ph: www.sme.com.ph

SME.com.ph is operated by SME Solutions, Inc., a joint venture of the World Bank's International Finance Corporation (IFC) and Planters Development Bank. The site includes an SME Toolkit to assist SMEs in the areas of accounting and finance, business planning, human resources, marketing and sales, operations, and information technology.

Public Sector

Bureau of Customs (BOC): www.customs.gov.ph

This site contains BOC administrative and memorandum orders and circulars, and provides a description of the Bureau's services.

Bureau of Fire Protection: www.bfpresponse.gov.ph

The site contains the Bureau's issuances and policies, downloadable forms, and invitations to bid.

Bureau of Internal Revenue (BIR): www.bir.gov.ph

The site contains BIR forms, laws, issuances, directories

and information on tax laws, implementing rules and regulations, key tax terms and registration procedures.

Commission on Audit (COA): www.coa.gov.ph

This site contains relevant laws and other general information on the mandate and services of COA.

Department of Labor and Employment:

www.dole.gov.ph

This site provides information on labor laws, issuances, advisories and labor-related and human resource government programs and services.

Department of Trade and Industry: www.dti.gov.ph

This site provides information on government plans and programs for MSMEs, relevant trade and business statistics, financing options for MSMEs, among others. It also provides a directory of DTI regional offices for those operating outside Metro Manila. Online services include business name registration and renewal and consumer complaints, among others.

Government Procurement Policy Board (GPPB):

www.gppb.gov.ph

The site contains laws, issuances, documents and manuals relevant to the proper implementation of Republic Act 9184 or the Government Procurement Reform Act.

Intellectual Property Office of the Philippines:

www.ipophil.gov.ph

This site provides information on laws, fees, forms and procedures on patents, trademarks, copyrights, utility models and designs.

Office of the Ombudsman:

www.ombudsman.gov.ph

The Ombudsman is mandated to act promptly on complaints against government officials and/or offices. The site contains the Office's citizen's charter, mediation guide and other information such as relevant laws, issuances and hotlines. Online services include: requests for assistance, filing of complaints and requests for clearance.

Philippine Government Electronic

Procurement System: www.philgeps.net

The site provides online services for interested bidders, including electronic bulletin board, supplier's registry, electronic catalogue, automatic bid notification, and a virtual store.

Revenue Integrity Protection Service:

www.rips.gov.ph

RIPS is the anti-corruption arm of the Department of Finance. It investigates allegations of corruption within

the Department and its agencies such as the Bureau of Internal Revenue and the Bureau of Customs, the Bureau of Local Government Finance, Bureau of Treasury, Central Board of Assessment Appeals, the Insurance Commission, the National Tax Research Center, the Fiscal Incentives Review Board, and the Privatization and Management Office.

Securities and Exchange Commission (SEC):

www.sec.gov.ph

This site provides online SEC services, including reserving a business name and registering a corporation or partnership. The site also contains the SEC's citizen's charter, as well as other relevant information for investors and incorporators.

Small Business Corporation: www.sbgfc.org.ph

This site features financing products for SMEs offered by the Small Business Corporation, including retail lending, wholesale lending and credit guarantees.

GUIDES FOR PREPARING CODES OF CONDUCT AND SAMPLES

RBE WORKSHEET

6

Sample Outline for a Code of Conduct

Topic	Discussion Points
Title	Use a title page that captures the nature of the document and sets a theme to run throughout the document. Examples include “Living Our Values” (World Bank Group); “Leading With Integrity” (United Parcel Service); “The Way We Do Business” (PriceWaterhouseCoopers).
Table of Contents	A good code is accessible. For even a relatively simple code, it is wise to include a detailed outline of the contents and page numbers to aid use.
Introductory Materials <ul style="list-style-type: none"> • Letter from Owner or Chief Executive • Statement of Code Purpose • Statement of core beliefs • Statement of guiding principles • Background, explanatory materials 	<ul style="list-style-type: none"> • A letter from the owner or chief executive demonstrates top management’s commitment to the ethics and compliance program and develops the theme of the title. • A brief, but clear statement of the purpose of the code—what it is intended to achieve—is important. • A one-page restatement of the core beliefs of the enterprise—

Topic	Discussion Points
	<p>core purpose and values, envisioned future—sets the essential foundation. Use this as another opportunity to reinforce the importance of core beliefs.</p> <ul style="list-style-type: none">• If the enterprise has developed a set of guiding principles, these may be included as a separate page for emphasis.• Background or explanatory materials may address a crisis that spurred code development, what responsible business conduct is all about in general, or the process by which the code was developed. Anything that readers need to know to understand the import of the code itself and its place in the broader ethics and compliance program.
<p>Specific Guidance Provisions organized by relationship or responsibilities to stakeholders</p> <ul style="list-style-type: none">• Customers• Shareholders/ investors	<ul style="list-style-type: none">• There are many ways to arrange specific code provisions, but arranging by relationship with or responsibilities to stakeholders provides a logical way of organizing guidance and reinforces the sense of responsibility to stakeholders.

Topic	Discussion Points
<ul style="list-style-type: none"> • Suppliers/service providers • Employees • The enterprise itself • Community • Government • Environment 	<ul style="list-style-type: none"> • A reason to refer to these provisions as describing the <i>relationship</i> with stakeholders is to avoid any private legal claims of obligation. • Specific issues will necessarily touch on human resource issues: fairness in promotion, termination, sexual harassment, and diversity. A temptation is to treat HR issues a separate from ethics issues. They must be included in the ethics and compliance program for it to be effective, for to the employee, ethics often means <i>fairness</i>.
<p>Description of the Ethics, Compliance, Responsibility Program</p> <ul style="list-style-type: none"> • Responsible executive • Responsible staff • Communications • Monitoring and Auditing • How to seek advice and report misconduct 	<ul style="list-style-type: none"> • The code should specifically address ethics and compliance training and education. It should lay the essential foundation for all forms of communication regarding program issues. • It should also encourage employees and agents to seek advice and report misconduct. Since they may turn to the code to make decisions, the code should fully describe the process, includ-

Topic	Discussion Points
<ul style="list-style-type: none"> • Investigations • Dispute-resolution process • Tracking, Measuring and Reporting • Program Evaluation and Modification Process 	<p>ing the circumstances under which they can call anonymously or confidentially.</p> <ul style="list-style-type: none"> • Also important is setting broad guidelines for tracking, measuring and reporting enterprise performance, especially reporting to interested stakeholders.
<p>Supporting/ related Policies and Procedures</p> <ul style="list-style-type: none"> • Business Ethics Officer Duties and Responsibilities • Due Diligence Positions • Monitoring and Auditing policy • Investigations policy and Procedures • Confidentiality policy • Non-retaliation policy • Confidentiality Agreements • Education and Training policies 	<ul style="list-style-type: none"> • To be useable, a code of conduct needs to address only those matters of general interest or applicability to its stakeholders. Matters relating to specific duties or responsibilities, or more detailed policies or procedures, should be established in separate policies. However, it may be important to note in the code that there are more specific policies and procedures and how to access them. • An excellent guide to applicable policy statements, though their emphasis is on healthcare compliance policies in the US, is Richard P. Kusserow and Andrew H. Joseph, <i>Corporate Compliance Policies and Procedures: A Guide to</i>

Topic	Discussion Points
<ul style="list-style-type: none"> • Problem reporting and non-retaliation policies and procedures • Helpline policy and procedures • Response, Follow-Up, and Resolution policies 	<p><i>Assessment and Development</i> (Marblehead, MA: Opus Communications, 2000).</p>
<p>Supporting Resources</p> <ul style="list-style-type: none"> • Guides to ethical decision making • Contact names and phone numbers • Cases studies • Ethics Games • Online resource links • Quick reference guide Index 	<ul style="list-style-type: none"> • This portion of the code provides ready access to important supporting resources or quick reference materials. • If a code of conduct is very large or complex because of the needs and culture of the enterprise, consider providing an index.

Source: "Business Ethics: A Manual for Managing a Responsible Business Enterprise in Emerging Market Economies," Published by the U.S. Department of Commerce, International Trade Administration, 2004, http://www.ita.doc.gov/goodgovernance/adobe/bem_manual.pdf

Checklist for Code of Conduct

Code of Conduct

2.1 Introduction

The first step to good governance is to demonstrate that the company is committed to ethical practices through setting out the standard of conduct expected of the company directors and staff in a Code of Conduct. The things-to-do are listed below.

2.2 Commitment to Ethical Practices

- Include in the Code a statement that integrity, honesty and fair play is the company's core values and that a high standard of business ethics is expected of all directors and staff.
- State the company's "zero tolerance" towards corruption and fraud.
- Make known the company policy to business partners, suppliers, and contractors.

2.3 Key Elements of the Code

(i) Acceptance of Advantage

- Prohibit directors and staff from accepting advantages from persons with whom they have official dealings and from their colleagues/ subordinates, except with the

company's permission, as this may affect their objectivity in conducting the company's business.

- Specify the permissible value of token gifts they are allowed to accept in their official capacity.
- Lay down the procedures and authority for approval of acceptance of advantages under specified circumstances.

(ii) Offering Bribes

- Prohibit directors and staff from offering bribes or illicit advantages to directors, staff or agents of another company or organization, in conducting the company's business.

(iii) Acceptance of Entertainment

- Advise directors and staff to avoid accepting overly lavish or frequent entertainment offered by business associates, as this may be a "sweetener" to build up a store of goodwill for future demands of unjustified favours.

(iv) Declaration of Conflict of Interest

- Require directors and staff to avoid and declare any actual or perceived conflict of interest.
- Remind them not to misuse their position in company or abuse the power entrusted in them to make personal gains or to benefit their relatives or personal friends.
- Require directors to make a declaration to the board and the staff to their supervisors when a conflict of interest arises.

- Provide examples of conflict of interest in work situations (e.g. those relating to procurement and recruitment of staff).
- Provide a standard form for declaration of conflict of interest.
- Specify the actions for managing declared conflict of interest, such as requirements to abstain from related meetings or to reassign the tasks.

(v) Protection of Company Property and Information

- Remind directors and staff to use company assets and information solely for the purpose of the company's business and prohibit any unauthorized use.
- Require directors and staff to protect the company's classified information in their possession and prohibit unauthorized disclosure of such information.

(vi) Compliance with the Code

- State the disciplinary sanctions against breaches of the Code, such as warning, dismissal, etc.
- Designate a staff member of the appropriate level, if resources allow, to handle enquiries on the Code.

(vii) Compliance with the Law

- Remind directors and staff to comply with the local laws and those of overseas jurisdiction when conducting the company's business.

2.4 Promulgation of the Code

- Have the Code endorsed by the Board and top management.
- Issue the Code or incorporate it into the staff handbook, if any, for issue to each employee upon appointment.
- Organize training or briefing for the staff.

Source: "Governance and Internal Control: A Best Practice Checklist (for use by Small and Medium Enterprise)," Corruption Prevention Department, Independent Commission Against Corruption, Hong Kong, http://www.icac.org.hk/filemanager/en/Content_1031/sme.pdf

Sample Code of Conduct

Your business name goes here

Your Company's Values

In all our operations and relationships we value:

- *set out here your values, role or mission*

Personal behaviour – I will:

- act ethically and with integrity;
- act according to the legislative requirements, policies and ethical codes that apply;
- make decisions fairly, impartially and promptly, considering all available information, legislation, policies and procedures;
- treat members of the public and colleagues with respect, courtesy, honesty and fairness, and have proper regard for their interests rights, safety and welfare;
- not harass, bully or discriminate against colleagues, members of the public and employees;
- contribute to a harmonious, safe and productive work environment by our work habits, and professional workplace relationships; and

Communication and official information – I will:

- not disclose official information or documents acquired through my work, other than as required by law or where proper authorisation is given;
- not misuse official information for personal or commercial gain for myself or another;
- respect the confidentiality and privacy of all information as it pertains to individuals.

Fraudulent and corrupt behaviour – I will:

- not engage in fraud or corruption;
- report any fraudulent or corrupt behaviour;
- report any breaches of the code of conduct; and
- understand and apply the accountability requirements that apply.

Use of resources – I will:

- be accountable for official expenditure;
- use resources diligently and efficiently. These include office facilities and equipment, vehicles, cab charge vouchers, corporate credit cards;
- not use office time or resources for for personal gain, financial or otherwise;

- keep to policies and guidelines in the use of computing and communication facilities, and use these resources in a responsible and practical manner; and
- be careful to ensure that any travel for official purposes is only done so when absolutely necessary.

Record keeping and use of information – I will:

- record actions and reasons for decisions to ensure transparency;
- ensure the secure storage of sensitive or confidential information;
- comply with our record keeping plan; and

Conflicts of interest – I will:

- ensure personal or financial interests do not conflict with my ability to perform my official duties in an impartial manner;
- manage and declare any conflict between my personal and official duty; and
- where conflicts of interest do arise, ensure they are managed in the proper guidelines set by the company.

I commit

- to taking responsibility for reporting improper conduct or misconduct which has been, or may be occurring in the workplace. I will report the details to the relevant people or agency; and
- to taking responsibility for contributing in a constructive and positive way to enhance good governance and the reputation of the company.

I am committed to upholding the principles in the Code of Ethics.

Source: Adapted from the Public Sector Commission, Government of West Australia, www.opssc.wa.gov.au

	Integrity management			
	SAMPLE CODE OF CONDUCT			
	Issued by: Global Advice Network	Eff. Date: 00/00/00	Rev.: A	Pg. 1 of 9

Code of Conduct of Global Advice Network (GAN)

1 Our overall policy

1.1 As employees in GAN we:

- Behave honestly, are trustworthy and set a good example
- Make sure that our behaviour complies with the policies and rules of GAN
- Use the resources of our company in the best interest of the company, and do not misuse these resources
- Do not pay or accept bribes
- Make a clear distinction between the interests of our company and our private interests, and avoid possible conflicts of interest; we do not accept gifts, invitations or other advantages which could contradict this principle
- Ensure that we comply with national legislation
- Report incidents, risks and issues which deviates from our policies
- Are continuously conscious about and aim to maintain our integrity

Approved by/date:	
name - 00/00/00	

	Integrity management			
	SAMPLE CODE OF CONDUCT			
	Issued by: Global Advice Network	Eff. Date: 00/00/00	Rev.: A	Pg. 2 of 9

1.2 As owners of GAN we:

- Commit ourselves to this policy, and to an ongoing effort to maintain our integrity
- Make sure that GAN complies with national regulation and commit GAN to an open and transparent management approach
- Expect our partners and other business associates to respect this policy

2 Definition of Corruption and Bribery

Corruption is the misuse of entrusted power for private gains

Bribery is to offer, receive, promise or give any undue pecuniary or other advantage, whether directly or through intermediaries, to a foreign public official, for that official or for a third party, in order that the official act or refrain from acting in relation to the performance of official duties, in order to obtain or retain business or other improper advantage. (Definition from the OECD-Convention on Combating Bribery of Foreign Public Officials in International Business Transactions)

Approved by/date:	
name - 00/00/00	

	Integrity management			
	SAMPLE CODE OF CONDUCT			
	Issued by: Global Advice Network	Eff. Date: 00/00/00	Rev.: A	Pg. 3 of 9

3 Political and Charitable Contributions and Sponsorships

GAN does not grant financial or other support to political parties or political campaign efforts, as this can be perceived as an attempt to gain an improper business advantage. We encourage our employees to use their personal right to participate in political and democratic processes.

Community support and donations are acceptable, be it in-kind services, knowledge, services exchange, or direct financial contributions. However, managers and employees must be careful to ensure that charitable contributions and sponsorships are not used as a subterfuge for and do not constitute bribery. In relation to donations and community support, GAN should consult local stakeholders to unveil relevant needs.

4 Facilitation Payments

Facilitation payments are a form of bribery made with the purpose of expediting or facilitating the performance by a public official for a routine governmental action and not to obtain or retain business or any other improper advantage. The facilitation payment is typically demanded by low level and low income officials to obtain levels of service, one under normal conditions would be entitled to. Facilitation payments are prohibited in most countries.

GAN has a zero tolerance policy regarding facilitation payment.

Approved by/date:	
name - 00/00/00	

	Integrity management			
	SAMPLE CODE OF CONDUCT			
	Issued by: Global Advice Network	Eff. Date: 00/00/00	Rev.: A	Pg. 4 of 9

Faced with a demand for a facilitation payment, the following steps must be taken by the person faced with the demand:

1. Actively resist the payment
2. Inform your manager, if possible, before making any payment.
3. Keep any amount to a minimum
4. Create a record concerning the payment

GAN has established a procedure for record keeping of the payments as part of a quarterly specification of facilitation payments. This specification is used for an ongoing evaluation of potential business risk or damage to GAN's image and is used to develop a strategy and setting achievable targets in order to achieve the zero tolerance policy.

5 Gifts, Hospitality and Expenses

You must not give or receive courtesies which could be evaluated as illegal or improper exchanges. You must refrain from offering courtesies which violates the recipients standards. In addition government or public servants may be under strict guidelines preventing them from receiving courtesies. Offering courtesies to government or public servants may be considered as a legal offense in certain countries.

Approved by/date:	
name - 00/00/00	

	Integrity management			
	SAMPLE CODE OF CONDUCT			
	Issued by: Global Advice Network	Eff. Date: 00/00/00	Rev.: A	Pg. 5 of 9

You are not allowed to accept or give courtesies which involves cash or cash equivalents. You may offer or receive gifts, hospitality and expenses provided they will not motivate favouritism and or create any obligation. All courtesies must be reasonable and may not be frequent suggesting a pattern.

Courtesies in the form of travel, meals, receptions, sightseeing, gifts or other expenses may only be offered or given to persons with a professional interest in the relationship but not to any spouses and relatives.

To avoid that gifts, hospitality and entertainment have undue influence on business decisions, the maximum amount for gifts, hospitality and entertainment must be defined by management in accordance with local professional and industry standards prior to doing business in the specific country.

Courtesies whenever accepted or given must documented and recorded. The recorded entry must expressly state the nature and purpose of the expenditure, and records must be preserved.

Approved by/date:	
name - 00/00/00	

	Integrity management		
	SAMPLE CODE OF CONDUCT		
	Issued by: Global Advice Network	Eff. Date: 00/00/00	Rev.: A Pg. 6 of 9

6 Protection money

In some instances protection money may be solicited. This is a kind of extortion which might involve physical threats. We will not engage in such affairs. It is our obligation to protect any employee or partner, and such incidents should be reported to the management immediately. In certain situations such threats might lead to a cessation of business.

7 Implementation

7.1 Roles and Responsibilities

This code of conduct has been developed to secure and detect actions which does not comply with guidelines herein. It is every employee's responsibility to prevent bribery and corruption in GAN and to comply with the code of conduct, hereunder any other relevant provisions within our field of business.

Every manager and employee has an independent obligation to secure that any interaction with public officials comply with all relevant laws and regulations, as well as this code.

It is the responsibility of every manager to communicate this code and ensure that all relevant employees and external parties working on behalf of GAN, within their area of responsibility, understand and comply with the procedure.

Approved by/date:	
name - 00/00/00	

	Integrity management			
	SAMPLE CODE OF CONDUCT			
	Issued by: Global Advice Network	Eff. Date: 00/00/00	Rev.: A	Pg. 7 of 9

The responsibility for the program implementation, monitoring and questions regarding policy and principles rests with Management.

In sections 2 to 5 of this code minimum requirements in relation to political contributions, charitable contributions and sponsorships, facilitation payments, gifts, hospitality and expenses, have been established. They do not supersede national law and it is imperative at any time always to comply with relevant laws and regulations.

7.2 Business Relationships

7.2.1 Subsidiaries and Business Partners

We act with due care before engaging with a business partner and ensure that subsidiaries and business partners know and respect our code of conduct. [see Due Diligence Tools]

7.2.1.1 Distributors and Agents

Compensation paid to distributors and agents must be appropriate and justifiable remuneration for legitimate services rendered. The relationship must be documented and the agent or distributor must contractually agree to comply with our code of conduct. We will follow the

Approved by/date:	
name - 00/00/00	

	Integrity management		
	SAMPLE CODE OF CONDUCT		
	Issued by: Global Advice Network	Eff. Date: 00/00/00	Rev.: A Pg. 8 of 9

conduct of our agents and distributors and reserve the right to termination in the event that they pay or solicit bribes or in any other ways violate this code of conduct.

7.2.1.2 Contractors and Suppliers

We conduct our procurement practices in a fair and transparent manner and we act with due care when evaluating major prospective contractors and suppliers. We will make our anti-bribery policies known to our contractors and suppliers. We will follow the conduct of major contractors and suppliers and have a right of termination in the event that they pay or solicit bribes. We will avoid dealing with prospective contractors and suppliers known to be paying bribes.

7.3 Communication and Training

GAN is responsible to secure that all employees are informed about and understand this code of conduct. Each employee will receive relevant training and new employees will be briefed as a part of the welcome orientation . As minimum key employees will receive yearly mandatory training including compliance with laws, regulations, or standard conducts relevant for our field of business.

Approved by/date:	
name - 00/00/00	

	Integrity management			
	SAMPLE CODE OF CONDUCT			
	Issued by: Global Advice Network	Eff. Date: 00/00/00	Rev.: A	Pg. 9 of 9

7.4 Procedures

GAN has a set of procedures that underpins this code of conduct. This includes procedures for Reporting and Control [see Integrity Tools].

7.5 Sanctions

No employee will be penalised or be subject to other adverse consequences for refusing to pay bribes even if it may result in GAN losing business.
Failure to observe this code is a cause for disciplinary action, which by default involve dismissal.

Source: Global Advice Network - www.globaladvice.dk

Approved by/date:	
name - 00/00/00	

ANTI-CORRUPTION LAWS

THE PHILIPPINE CONSTITUTION

Excerpts:

ARTICLE II DECLARATION OF PRINCIPLES AND STATE POLICIES PRINCIPLES

Section 27. The State shall maintain honesty and integrity in the public service and take positive and effective measures against graft and corruption.

Section 28. Subject to reasonable conditions prescribed by law, the State adopts and implements a policy of full public disclosure of all its transactions involving public interest.

ARTICLE XI ACCOUNTABILITY OF PUBLIC OFFICERS

Section 1. Public office is a public trust. Public officers and employees must, at all times, be accountable to the people, serve them with utmost responsibility, integrity, loyalty, and efficiency; act with patriotism and justice, and lead modest lives.

Section 2. The President, the Vice-President, the Members of the Supreme Court, the Members of the Constitutional Commissions, and the Ombudsman may be removed from office on impeachment for, and conviction of, culpable violation of the Constitution, treason, bribery, graft and corruption, other high crimes, or betrayal of public trust. All other public officers and employees may be removed from office as provided by law, but not by impeachment.

REPUBLIC OF THE PHILIPPINES
CONGRESS OF THE PHILIPPINES
METRO MANILA

[REPUBLIC ACT NO. 9485]

AN ACT TO IMPROVE EFFICIENCY IN THE
DELIVERY OF GOVERNMENT SERVICE TO THE
PUBLIC BY REDUCING BUREAUCRATIC RED TAPE,
PREVENTING GRAFT AND CORRUPTION, AND
PROVIDING PENALTIES THEREFOR

*Be it enacted by the Senate and the House of
Representatives of the Philippines in Congress assembled:*

Section 1. Short Title. - This Act shall be known as
the "Anti-Red Tape Act of 2007".

Section 2. Declaration of Policy. - It is hereby
declared the policy of the State to promote integrity,
accountability, proper management of public affairs
and public property as well as to establish effective
practices aimed at the prevention of graft and
corruption in government. Towards this end, the
State shall maintain honesty and responsibility among
its public officials and employees, and shall take
appropriate measures to promote transparency in

each agency with regard to the manner of transacting with the public, which shall encompass a program for the adoption of simplified procedures that will reduce red tape and expedite transactions in government.

Section 3. Coverage. - This Act shall apply to all government offices and agencies including local government units and government-owned or -controlled corporations that provide frontline services as defined in this Act. Those performing judicial, quasi-judicial and legislative functions are excluded from the coverage of this Act.

Section 4. Definition of Terms. - As used in this Act, the following terms are defined as follows:

- (a) "Simple Transactions" refer to requests or applications submitted by clients of a government office or agency which only require ministerial actions on the part of the public officer or employee, or that which present only inconsequential issues for the resolution by an officer or employee of said government office.
- (b) "Complex Transactions" refer to requests or applications submitted by clients of a government office which necessitate the use of discretion in the

resolution of complicated issues by an officer or employee of said government office, such transaction to be determined by the office concerned.

- (c) "Frontline Service" refers to the process or transaction between clients and government offices or agencies involving applications for any privilege, right, permit, reward, license, concession, or for any modification, renewal or extension of the enumerated applications and/or requests which are acted upon in the ordinary course of business of the agency or office concerned.
- (d) "Action" refers to the written approval or disapproval made by a government office or agency on the application or request submitted by a client for processing.
- (e) "Officer or Employee" refers to a person employed in a government office or agency required to perform specific duties and responsibilities related to the application or request submitted by a client for processing.
- (f) "Irrelevant requirement" refer to any document or performance of an act not directly material to the resolution of the issues raised in the request or needed in the application submitted by the client.
- (g) "Fixer" refers to any individual whether or not officially involved in the operation of a government

office or agency who has access to people working therein, and whether or not in collusion with them, facilitates speedy completion of transactions for pecuniary gain or any other advantage or consideration.

Section 5. Reengineering of Systems and Procedures. - All offices and agencies which provide frontline services are hereby mandated to regularly undertake time and motion studies, undergo evaluation and improvement of their transaction systems and procedures and re-engineer the same if deemed necessary to reduce bureaucratic red tape and processing time.

Section 6. Citizen's Charter. - All government agencies including departments, bureaus, offices, instrumentalities, or government-owned and/or controlled corporations, or local government or district units shall set up their respective service standards to be known as the Citizen's Charter in the form of information billboards which should be posted at the main entrance of offices or at the most conspicuous place, and in the form of published materials written either in English, Filipino, or in the local dialect, that detail:

- (a) The procedure to obtain a particular service;

- (b) The person/s responsible for each step;
- (c) The maximum time to conclude the process;
- (d) The document/s to be presented by the customer, if necessary;
- (e) The amount of fees, if necessary; and
- (f) The procedure for filing complaints.

Section 7. Accountability of the Heads of Offices and Agencies. - The head of the office or agency shall be primarily responsible for the implementation of this Act and shall be held accountable to the public in rendering fast, efficient, convenient and reliable service. All transactions and processes are deemed to have been made with the permission or clearance from the highest authority having jurisdiction over the government office or agency concerned.

Section 8. Accessing Frontline Services. - The following shall be adopted by all government offices and agencies:

- (a) Acceptance of Applications and Request - (1) All officers or employees shall accept written applications, requests, and/or documents being submitted by clients of the office or agencies. (2) The responsible officer or employee shall acknowledge

receipt of such application and/or request by writing or printing clearly thereon his/her name, the unit where he/she is connected with, and the time and date of receipt. (3) The receiving officer or employee shall perform a preliminary assessment of the request so as to promote a more expeditious action on requests.

- (b) Action of Offices - (1) All applications and/or requests submitted shall be acted upon by the assigned officer or employee during the period stated in the Citizen's Charter which shall not be longer than five working days in the case of simple transactions and ten (10) working days in the case of complex transactions from the date the request or application was received. Depending on the nature of the frontline services requested or the mandate of the office or agency under unusual circumstances, the maximum time prescribed above may be extended. For the extension due to nature of frontline services or the mandate of the office or agency concerned the period for the delivery of frontline services shall be indicated in the Citizen's Charter. The office or agency concerned shall notify the requesting party in writing of the reason for the extension and the final date of release for the extension and the final date of release of the frontline service/s requested. (2)

No application or request shall be returned to the client without appropriate action. In case an application or request is disapproved, the officer or employee who rendered the decision shall send a formal notice to the client within five working days from the receipt of the request and/or application, stating therein the reason for the disapproval including a list of specific requirement/s which the client failed to submit.

- (c) Denial of Request for Access to Government Service - Any denial of request for access to government service shall be fully explained in writing, stating the name of the person making the denial and the grounds upon which such denial is based. Any denial of request is deemed to have been made with the permission or clearance from the highest authority having jurisdiction over the government office or agency concerned.
- (d) Limitation of Signatories - The number of signatories in any document shall be limited to a maximum of five signatures which shall represent officers directly supervising the office or agency concerned.
- (e) Adoption of Working Schedules to Serve Clients - Heads of offices and agencies which render frontline services shall adopt appropriate working

schedules to ensure that all clients who are within their premises prior to the end of official working hours are attended to and served even during lunch break and after regular working hours.

- (f) Identification Card - All employees transacting with the public shall be provided with an official identification card which should be visibly worn during office hours.
- (g) Establishment of Public Assistance/Complaints Desk - Each office or agency shall establish a public assistance/complaints desk in all their offices.

Section 9. Automatic Extension of Permits and Licenses. - If a government office or agency fails to act on an application and/or request for renewal of a license, permit or authority subject for renewal within the prescribed period, said permit, license or authority shall automatically be extended until a decision or resolution is rendered on the application for renewal: Provided, That the automatic extension shall not apply when the permit, license, or authority covers activities which pose danger to public health, public safety, public morals or to public policy including, but not limited to, natural resource extraction activities.

Section 10. Report Card Survey. - All offices and agencies providing frontline services shall be subjected to a Report Card Survey to be initiated by the Civil Service Commission, in coordination with the Development Academy of the Philippines, which shall be used to obtain feedback on how provisions in the Citizen's Charter are being followed and how the agency is performing.

The Report Card Survey shall also be used to obtain information and/or estimates of hidden costs incurred by clients to access frontline services which may include, but is not limited to, bribes and payment to fixers.

A feedback mechanism shall be established in all agencies covered by this Act and the results thereof shall be incorporated in their annual report.

Section 11. Violations. - After compliance with the substantive and procedural due process, the following shall constitute violations of this Act together with their corresponding penalties:

- (a) Light Offense - (1) Refusal to accept application and/or request within the prescribed period or any document being submitted by a client; (2) Failure to act on an application and/or request or failure to refer back to the client a request which cannot be

acted upon due to lack of requirement/s within the prescribed period; (3) Failure to attend to clients who are within the premises of the office or agency concerned prior to the end of official working hours and during lunch (4) Failure to render frontline services within the prescribed period on any application and/or request without due cause; (5) Failure to give the client a written notice on the disapproval of an application or request; and (6) Imposition of additional irrelevant requirements other than those listed in the first notice.

Penalties for light offense shall be as follows: First Offense - Thirty (30) days suspension without pay and mandatory attendance in Values Orientation Program; Second Offense - Three (3) months suspension without pay; and Third Offense - Dismissal and perpetual disqualification from public service.

(b) Grave Offense - Fixing and/or collusion with fixers in consideration of economic and/or other gain or advantage. Penalty - Dismissal and perpetual disqualification from public service.

Section 12. Criminal Liability for Fixers. - In addition to Sec. 11 (b), fixers, as defined in this Act, shall suffer the penalty of imprisonment not exceeding

six years or a fine not less than Twenty Thousand Pesos (P20,000.00) but not more than Two Hundred Thousand Pesos (P200,000.00) or both fine and imprisonment at the discretion of the court.

Section 13. Civil and Criminal Liability, Not Barred.

- The finding of administrative liability under this Act shall not be a bar to the filing of criminal, civil or other related charges under existing laws arising from the same act or omission as herein enumerated.

Section 14. Administrative Jurisdiction. - The administrative jurisdiction on any violation of the provisions of this Act shall be vested in either the Civil Service Commission (CSC), the Presidential Anti-Graft Commission (PAGC) or the Office of the Ombudsman as determined by appropriate laws and issuances.

Section 15. Immunity; Discharge of Co-Respondent/Accused to be a Witness. - Any public official or employee or any person having been charged with another under this Act and who voluntarily gives information pertaining to an investigation or who willingly testifies therefore, shall be exempt from prosecution in the case/s where his/her information

and testimony are given. The discharge may be granted and directed by the investigating body or court upon the application or petition of any of the respondent/accused-informant and before the termination of the investigation: Provided, that:

- (a) There is absolute necessity for the testimony of the respondent/accused informant whose discharge is requested;
- (b) There is no other direct evidence available for the proper prosecution of the offense committed, except the testimony of said respondent/accused-informant;
- (c) The testimony of said respondent/accused-informant can be substantially corroborated in its material points;
- (d) The respondent/accused-informant has not been previously convicted of a crime involving moral turpitude; and
- (e) Said respondent/accused-informant does not appear to be the most guilty. Evidence adduced in support of the discharge shall automatically form part of the records of the investigation. Should the investigating body or court deny the motion or request for discharge as a witness, his/her sworn statement shall be inadmissible as evidence.

Section 16. Implementing Rules and Regulations.

- The Civil Service Commission in coordination with the Development Academy of the Philippines (DAP), the Office of the Ombudsman and the Presidential Anti-Graft Commission (PAGC), shall promulgate the necessary rules and regulations within ninety (90) days from the effectivity of this Act.

Section 17. Separability Clause. - If any provision of this Act shall be declared invalid or unconstitutional, such declaration shall not affect the validity of the remaining provisions of this Act.

Section 18. Repealing Clause. - All provisions of laws, presidential decrees, letters of instruction and other presidential issuances which are incompatible or inconsistent with the provisions of this Act are hereby deemed amended or repealed.

Section 19. Effectivity. - This Act shall take effect within fifteen (15) days following its publication in the Official Gazette or in two (2) national newspapers of general circulation.

Approved: June 2, 2007

REPUBLIC OF THE PHILIPPINES
CONGRESS OF THE PHILIPPINES
METRO MANILA

[REPUBLIC ACT NO. 3019]

ANTI-GRAFT AND CORRUPT PRACTICES ACT

*Be it enacted by the Senate and House of Representatives
of the Philippines in Congress assembled:*

Section 1. Statement of policy. — It is the policy of the Philippine Government, in line with the principle that a public office is a public trust, to repress certain acts of public officers and private persons alike which constitute graft or corrupt practices or which may lead thereto.

Section 2. Definition of terms. — As used in this Act, the term —

- (a) "Government" includes the national government, the local governments, the government-owned and government-controlled corporations, and all other instrumentalities or agencies of the Republic of the Philippines and their branches.
- (b) "Public officer" includes elective and appointive officials and employees, permanent or tempo-

rary, whether in the classified or unclassified or exempt service receiving compensation, even nominal, from the government as defined in the preceding subparagraph.

(c) "Receiving any gift" includes the act of accepting directly or indirectly a gift from a person other than a member of the public officer's immediate family, in behalf of himself or of any member of his family or relative within the fourth civil degree, either by consanguinity or affinity, even on the occasion of a family celebration or national festivity like Christmas, if the value of the gift is under the circumstances manifestly excessive.

(d) "Person" includes natural and juridical persons unless the context indicates otherwise.

Section 3. Corrupt practices of public officers. —

In addition to acts or omissions of public officers already penalized by existing law, the following shall constitute corrupt practices of any public officer and are hereby declared to be unlawful:

(a) Persuading, inducing or influencing another public officer to perform an act constituting a violation of rules and regulations duly promulgated by competent authority or an offense in connection with the official duties of the latter, or allowing

himself to be persuaded, induced, or influenced to commit such violation or offense.

- (b) Directly or indirectly requesting or receiving any gift, present, share, percentage, or benefit, for himself or for any other person, in connection with any contract or transaction between the Government and any other party, wherein the public officer in his official capacity has to intervene under the law.
- (c) Directly or indirectly requesting or receiving any gift, present or other pecuniary or material benefit, for himself or for another, from any person for whom the public officer, in any manner or capacity, has secured or obtained, or will secure or obtain, any Government permit or license, in consideration for the help given or to be given, without prejudice to Section thirteen of this Act.
- (d) Accepting or having any member of his family accept employment in a private enterprise which has pending official business with him during the pendency thereof or within one year after its termination.
- (e) Causing any undue injury to any party, including the Government, or giving any private party any

unwarranted benefits, advantage or preference in the discharge of his official administrative or judicial functions through manifest partiality, evident bad faith or gross inexcusable negligence. This provision shall apply to officers and employees of offices or government corporations charged with the grant of licenses or permits or other concessions.

- (f) Neglecting or refusing, after due demand or request, without sufficient justification, to act within a reasonable time on any matter pending before him for the purpose of obtaining, directly or indirectly, from any person interested in the matter some pecuniary or material benefit or advantage, or for the purpose of favoring his own interest or giving undue advantage in favor of or discriminating against any other interested party.
- (g) Entering, on behalf of the Government, into any contract or transaction manifestly and grossly disadvantageous to the same, whether or not the public officer profited or will profit thereby.
- (h) Directly or indirectly having financial or pecuniary interest in any business, contract or transaction in connection with which he intervenes or takes part in his official capacity, or in which he is

prohibited by the Constitution or by any law from having any interest.

- (i) Directly or indirectly becoming interested, for personal gain, or having a material interest in any transaction or act requiring the approval of a board, panel or group of which he is a member, and which exercises discretion in such approval, even if he votes against the same or does not participate in the action of the board, committee, panel or group.

Interest for personal gain shall be presumed against those public officers responsible for the approval of manifestly unlawful, inequitable, or irregular transaction or acts by the board, panel or group to which they belong.

- (j) Knowingly approving or granting any license, permit, privilege or benefit in favor of any person not qualified for or not legally entitled to such license, permit, privilege or advantage, or of a mere representative or dummy of one who is not so qualified or entitled.
- (k) Divulging valuable information of a confidential character, acquired by his office or by him on account of his official position to unauthorized

persons, or releasing such information in advance of its authorized release date.

The person giving the gift, present, share, percentage or benefit referred to in subparagraphs (b) and (c); or offering or giving to the public officer the employment mentioned in subparagraph (d); or urging the divulging or untimely release of the confidential information referred to in subparagraph (k) of this section shall, together with the offending public officer, be punished under Section nine of this Act and shall be permanently or temporarily disqualified in the discretion of the Court, from transacting business in any form with the Government.

Section 4. Prohibition on private individuals. —

- (a) It shall be unlawful for any person having family or close personal relation with any public official to capitalize or exploit or take advantage of such family or close personal relation by directly or indirectly requesting or receiving any present, gift or material or pecuniary advantage from any other person having some business, transaction, application, request or contract with the government, in which such public official has to intervene. Family relation shall include the

spouse or relatives by consanguinity or affinity in the third civil degree. The word "close personal relation" shall include close personal friendship, social and fraternal connections, and professional employment all giving rise to intimacy which assures free access to such public officer.

- (b) It shall be unlawful for any person knowingly to induce or cause any public official to commit any of the offenses defined in Section 3 hereof.

Section 5. Prohibition on certain relatives. — It shall be unlawful for the spouse or for any relative, by consanguinity or affinity, within the third civil degree, of the President of the Philippines, the Vice-President of the Philippines, the President of the Senate, or the Speaker of the House of Representatives, to intervene, directly or indirectly, in any business, transaction, contract or application with the Government: *Provided*, That this section shall not apply to any person who, prior to the assumption of office of any of the above officials to whom he is related, has been already dealing with the Government along the same line of business, nor to any transaction, contract or application already existing or pending at the time of such assumption of public office, nor to any application filed by him the approval of which is not discretionary on the part of the official or officials

concerned but depends upon compliance with requisites provided by law, or rules or regulations issued pursuant to law, nor to any act lawfully performed in an official capacity or in the exercise of a profession.

Section 6. Prohibition on Members of Congress.

— It shall be unlawful hereafter for any Member of the Congress during the term for which he has been elected, to acquire or receive any personal pecuniary interest in any specific business enterprise which will be directly and particularly favored or benefited by any law or resolution authored by him previously approved or adopted by the Congress during the same term.

The provision of this section shall apply to any other public officer who recommended the initiation in Congress of the enactment or adoption of any law or resolution, and acquires or receives any such interest during his incumbency.

It shall likewise be unlawful for such member of Congress or other public officer, who, having such interest prior to the approval of such law or resolution authored or recommended by him, continues for thirty days after such approval to retain such interest.

Section 7. Statement of assets and liabilities. —

Every public officer, within thirty days after assuming office, thereafter, on or before the fifteenth day of April following the close of every calendar year, as well as upon the expiration of his term of office, or upon his resignation or separation from office, shall prepare and file with the office of the corresponding Department Head, or in the case of a Head of department or Chief of an independent office, with the Office of the President, a true, detailed sworn statement of assets and liabilities, including a statement of the amounts and sources of his income, the amounts of his personal and family expenses and the amount of income taxes paid for the next preceding calendar year: *Provided*, That public officers assuming office less than two months before the end of the calendar year, may file their first statement on or before the fifteenth day of April following the close of the said calendar year. (*As amended by RA3047, PD 677, January 24, 1978*).

Section 8. Prima facie evidence of and dismissal due to unexplained wealth. —

If in accordance with the provisions of Republic Act Numbered One thousand three hundred seventy-nine, a public official has been found to have acquired during his incumbency, whether in his name or in the name of other persons, an amount of property and/or money manifestly out of proportion to his salary and to his other lawful income, that fact

shall be a ground for dismissal or removal. Properties in the name of the spouse and dependents of such public official may be taken into consideration, when their acquisition through legitimate means cannot be satisfactorily shown. Bank deposits in the name of or manifestly excessive expenditures incurred by the public official, his spouse or any of their dependents including but not limited to activities in any club or association or any ostentatious display of wealth including frequent travel abroad of a non-official character by any public official when such activities entail expenses evidently out of proportion to legitimate income, shall likewise be taken into consideration in the enforcement of this section, notwithstanding any provision of law to the contrary. The circumstances hereinabove mentioned shall constitute valid ground for the administrative suspension of the public official concerned for an indefinite period until the investigation wealth is completed. *(As amended by BP Blg., 195, March 16, 1982)*

Section 9. Penalties for violations. —

- (a) Any public officer or private person committing any of the unlawful acts or omissions enumerated in Sections 3, 4, 5 and 6 of this Act shall be punished with imprisonment for not less than six years and one month nor more than fifteen

years, perpetual disqualification from public office, and confiscation or forfeiture in favor of the Government of any prohibited interest and unexplained wealth manifestly out of proportion to his salary and other lawful income.

Any complaining party at whose complaint the criminal prosecution was initiated shall, in case of conviction of the accused, be entitled to recover in the criminal action with priority over the forfeiture in favor of the Government, the amount of money or the thing he may have given to the accused, or the fair value of such thing.

- (b) Any public officer violating any of the provisions of Section 7 of this Act shall be punished by a fine of not less than one thousand pesos nor more than five thousand pesos, or by imprisonment not exceeding one year and six months, or by both such fine and imprisonment, at the discretion of the Court.

The violation of said section proven in a proper administrative proceeding shall be sufficient cause for removal or dismissal of a public officer, even if no criminal prosecution is instituted against him.
(Amended by BP Blg. 195, March 16, 1982).

Section 10. Competent court. – Until otherwise provided by law, all prosecutions under this Act shall be within the original jurisdiction of the Sandiganbayan. (*As amended by BP Blg. 195, March 16, 1982*).

Section 11. Prescription of offenses. — All offenses punishable under this Act shall prescribe in fifteen years.

Section 12. Termination of office. — No public officer shall be allowed to resign or retire pending an investigation, criminal or administrative, or pending a prosecution against him, for any offense under this Act or under the provisions of the Revised Penal Code on bribery.

Section 13. Suspension and loss of benefits. — Any incumbent public officer against whom any criminal prosecution under a valid information under this Act or under Title Seven Book II of the Revised Penal Code or for any offense involving fraud upon government or public funds or property whether as a simple or as complex offense and in whatever stage of execution and mode of participation, is pending in court shall be suspended from office. Should he be convinced by final judgment, he shall lose all retirement or gratuity benefits under any law, but if he is acquitted, he shall be entitled

to reinstatement and to the salaries and benefits which he failed to receive during suspension, unless in the meantime administrative proceedings have been filed against him.

In the event that such convicted officer, who may have been separated from the service has already received such benefits he shall be liable to reconstitute the same to the government. *(As amended by BP Blg. 195, March 16, 1982).*

Section 14. Exception. — Unsolicited gifts or presents of small or insignificant value offered or given as a mere ordinary token of gratitude or friendship according to local customs or usage, shall be excepted from the provisions of this Act.

Nothing in this Act shall be interpreted to prejudice or prohibit the practice of any profession, lawful trade or occupation by any private person or by any public officer who under the law may legitimately practice his profession, trade or occupation, during his incumbency, except where the practice of such profession, trade or occupation involves conspiracy with any other person or public official to commit any of the violations penalized in this Act.

Section 15. Separability clause. — If any provision of this Act or the application of such provision to any person or circumstances is declared invalid, the remainder of the Act or the application of such provision to other persons or circumstances shall not be affected by such declaration.

Section 16. Effectivity. — This Act shall take effect on its approval, but for the purpose of determining unexplained wealth, all property acquired by a public officer since he assumed office shall be taken into consideration.

Approved, August 17, 1960.

REPUBLIC OF THE PHILIPPINES
CONGRESS OF THE PHILIPPINES
METRO MANILA

[REPUBLIC ACT NO. 6713]

AN ACT ESTABLISHING A CODE OF CONDUCT
AND ETHICAL STANDARDS FOR PUBLIC
OFFICIALS AND EMPLOYEES, TO UPHOLD
THE TIME-HONORED PRINCIPLE OF PUBLIC
OFFICE BEING A PUBLIC TRUST, GRANTING
INCENTIVES AND REWARDS FOR EXEMPLARY
SERVICE, ENUMERATING PROHIBITED ACTS AND
TRANSACTIONS AND PROVIDING PENALTIES
FOR VIOLATIONS THEREOF AND FOR
OTHER PURPOSES

Excerpts:

Section 5. Duties of Public Officials and Employees.

- In the performance of their duties, all public officials and employees are under obligation to:

- (a) Act promptly on letters and requests. - All public officials and employees shall, within fifteen (15) working days from receipt thereof, respond to letters, telegrams or other means of communications sent by the public. The reply must contain the action taken on the request.

- (b) Submit annual performance reports. - All heads or other responsible officers of offices and agencies of the government and of government-owned or controlled corporations shall, within forty-five (45) working days from the end of the year, render a performance report of the agency or office or corporation concerned. Such report shall be open and available to the public within regular office hours.
- (c) Process documents and papers expeditiously. - All official papers and documents must be processed and completed within a reasonable time from the preparation thereof and must contain, as far as practicable, not more than three (3) signatories therein. In the absence of duly authorized signatories, the official next-in-rank or officer in charge shall sign for and in their behalf.
- (d) Act immediately on the public's personal transactions. - All public officials and employees must attend to anyone who wants to avail himself of the services of their offices and must, at all times, act promptly and expeditiously.
- (e) Make documents accessible to the public. - All public documents must be made accessible to, and readily available for inspection by, the public within reasonable working hours.

Section 7. Prohibited Acts and Transactions. - In addition to acts and omissions of public officials and employees now prescribed in the Constitution and existing laws, the following shall constitute prohibited acts and transactions of any public official and employee and are hereby declared to be unlawful:

- (a) Financial and material interest. - Public officials and employees shall not, directly or indirectly, have any financial or material interest in any transaction requiring the approval of their office.
- (b) Outside employment and other activities related thereto. - Public officials and employees during their incumbency shall not:
 - (1) Own, control, manage or accept employment as officer, employee, consultant, counsel, broker, agent, trustee or nominee in any private enterprise regulated, supervised or licensed by their office unless expressly allowed by law;
 - (2) Engage in the private practice of their profession unless authorized by the Constitution or law, provided, that such practice will not conflict or tend to conflict with their official functions; or

- (3) Recommend any person to any position in a private enterprise which has a regular or pending official transaction with their office.

These prohibitions shall continue to apply for a period of one (1) year after resignation, retirement, or separation from public office, except in the case of subparagraph (b) (2) above, but the professional concerned cannot practice his profession in connection with any matter before the office he used to be with, in which case the one-year prohibition shall likewise apply.

- (c) Disclosure and/or misuse of confidential information. - Public officials and employees shall not use or divulge, confidential or classified information officially known to them by reason of their office and not made available to the public, either:

- (1) To further their private interests, or give undue advantage to anyone; or
 - (2) To prejudice the public interest.

- (d) Solicitation or acceptance of gifts. - Public officials and employees shall not solicit or accept, directly or indirectly, any gift, gratuity, favor, entertainment, loan or anything of monetary value from any

person in the course of their official duties or in connection with any operation being regulated by, or any transaction which may be affected by the functions of their office.

As to gifts or grants from foreign governments, the Congress consents to:

- (i) The acceptance and retention by a public official or employee of a gift of nominal value tendered and received as a souvenir or mark of courtesy;
- (ii) The acceptance by a public official or employee of a gift in the nature of a scholarship or fellowship grant or medical treatment; or
- (iii) The acceptance by a public official or employee of travel grants or expenses for travel taking place entirely outside the Philippine (such as allowances, transportation, food, and lodging) of more than nominal value if such acceptance is appropriate or consistent with the interests of the Philippines, and permitted by the head of office, branch or agency to which he belongs.

Section 8. Statements and Disclosure. — Public officials and employees have an obligation to accomplish and submit declarations under oath of, and the public has the right to know, their assets, liabilities, net worth and financial and business interests including those of their spouses and of unmarried children under eighteen (18) years of age living in their households.

(A) **Statements of Assets and Liabilities and Financial Disclosure.** — All public officials and employees, except those who serve in an honorary capacity, laborers and casual or temporary workers, shall file under oath their Statement of Assets, Liabilities and Net Worth and a Disclosure of Business Interests and Financial Connections and those of their spouses and unmarried children under eighteen (18) years of age living in their households. The two documents shall contain information on the following:

- (a) real property, its improvements, acquisition costs, assessed value and current fair market value;
- (b) personal property and acquisition cost;
- (c) all other assets such as investments, cash on hand or in banks, stocks, bonds, and the like;

(d) liabilities, and;

(e) all business interests and financial connections.

The documents must be filed:

(a) within thirty (30) days after assumption of office;

(b) on or before April 30, of every year thereafter; and

(c) within thirty (30) days after separation from the service.

All public officials and employees required under this section to file the aforestated documents shall also execute, within thirty (30) days from the date of their assumption of office, the necessary authority in favor of the Ombudsman to obtain from all appropriate government agencies, including the Bureau of Internal Revenue, such documents as may show their assets, liabilities, net worth, and also their business interests and financial connections in previous years, including, if possible, the year when they first assumed any office in the Government.

Husband and wife who are both public officials or employees may file the required statements

jointly or separately. The Statements of Assets, Liabilities and Net Worth and the Disclosure of Business Interests and Financial Connections shall be filed by:

- (1) Constitutional and national elective officials, with the national office of the Ombudsman;
- (2) Senators and Congressmen, with the Secretaries of the Senate and the House of Representatives, respectively; Justices, with the Clerk of Court of the Supreme Court; Judges, with the Court Administrator; and all national executive officials with the Office of the President.
- (3) Regional and local officials and employees, with the Deputy Ombudsman in their respective regions;
- (4) Officers of the armed forces from the rank of colonel or naval captain, with the Office of the President, and those below said ranks, with the Deputy Ombudsman in their respective regions; and
- (5) All other public officials and employees, defined in Republic Act No. 3019, as amended, with the Civil Service Commission.

(B) Identification and disclosure of relatives. — It shall be the duty of every public official or employee to identify and disclose, to the best of his knowledge and information, his relatives in the Government in the form, manner and frequency prescribed by the Civil Service Commission.

(C) Accessibility of documents. —

(1) Any and all statements filed under this Act, shall be made available for inspection at reasonable hours.

(2) Such statements shall be made available for copying or reproduction after ten (10) working days from the time they are filed as required by law.

(3) Any person requesting a copy of a statement shall be required to pay a reasonable fee to cover the cost of reproduction and mailing of such statement, as well as the cost of certification.

(4) Any statement filed under this Act shall be available to the public for a period of ten (10) years after receipt of the statement. After such period, the statement may be destroyed unless needed in an ongoing investigation.

(D) Prohibited acts. — It shall be unlawful for any person to obtain or use any statement filed under this Act for:

(a) any purpose contrary to morals or public policy; or

(b) any commercial purpose other than by news and communications media for dissemination to the general public.

Section 9. Divestment. — A public official or employee shall avoid conflicts of interest at all times. When a conflict of interest arises, he shall resign from his position in any private business enterprise within thirty (30) days from his assumption of office and/or divest himself of his shareholdings or interest within sixty (60) days from such assumption.

The same rule shall apply where the public official or employee is a partner in a partnership. The requirement of divestment shall not apply to those who serve the Government in an honorary capacity nor to laborers and casual or temporary workers.

Section 11. Penalties. –

- (a) Any public official or employee, regardless of whether or not he holds office or employment in a casual, temporary, holdover, permanent or regular capacity, committing any violation of this Act shall be punished with a fine not exceeding the equivalent of six (6) months' salary or suspension not exceeding one (1) year, or removal depending on the gravity of the offense after due notice and hearing by the appropriate body or agency. If the violation is punishable by a heavier penalty under another law, he shall be prosecuted under the latter statute. Violations of Sections 7, 8 or 9 of this Act shall be punishable with imprisonment not exceeding five (5) years, or a fine not exceeding five thousand pesos (P5,000), or both, and, in the discretion of the court of competent jurisdiction, disqualification to hold public office.
- (b) Any violation hereof proven in a proper administrative proceeding shall be sufficient cause for removal or dismissal of a public official or employee, even if no criminal prosecution is instituted against him.
- (c) Private individuals who participate in conspiracy as co-principals, accomplices or accessories, with public officials or employees, in violation of this Act, shall be subject to the same penal liabilities

as the public officials or employees and shall be tried jointly with them.

- (d) The official or employee concerned may bring an action against any person who obtains or uses a report for any purpose prohibited by Section 8 (D) of this Act. The Court in which such action is brought may assess against such person a penalty in any amount not to exceed twenty-five thousand pesos (P25,000). If another sanction hereunder or under any other law is heavier, the latter shall apply.

Section 12. Promulgation of Rules and Regulations, Administration and Enforcement of this Act.

- The Civil Service Commission shall have the primary responsibility for the administration and enforcement of this Act. It shall transmit all cases for prosecution arising from violations of this Act to the proper authorities for appropriate action: Provided, however, That it may institute such administrative actions and disciplinary measures as may be warranted in accordance with law. Nothing in this provision shall be construed as a deprivation of the right of each House of Congress to discipline its Members for disorderly behavior.

The Civil Service Commission is hereby authorized to promulgate rules and regulations necessary to carry out the provisions of this Act, including guidelines for individuals who render free voluntary service to the Government. The Ombudsman shall likewise take steps to protect citizens who denounce acts or omissions of public officials and employees which are in violation of this Act.

Approved: February 20, 1989.

MALACAÑANG

Manila

PROCLAMATION NO. 591

DECLARING THE MONTH OF MAY OF EVERY
YEAR AS “ANTI-GRAFT AND CORRUPTION
AWARENESS MONTH”

WHEREAS, it is the policy of the State to maintain honesty and integrity in the public service and take positive and effective measures against graft and corruption;

WHEREAS, graft and corruption, in any form and at whatever extent, have deleterious effects on the individual citizens of the nation and on the Philippine society, as a whole;

WHEREAS, the negative impact of corruption on the country’s socio-economic and political stability as well as its moral values as a people, has been greatly evident;

WHEREAS, it is necessary to develop an integrated society-wide anti-corruption plan to confront such systemic social evils;

WHEREAS, the collaborative dissemination of accurate information about graft and corruption, as well as measures for its prevention and prosecution are vital and indispensable in the effective fight against graft and corruption;

WHEREAS, there is a need to strengthen current collaborative efforts among the Office of the Ombudsman, the other anti-graft bodies and civil society groups to introduce anti-corruption reforms in various agencies and to increase public awareness and support in promoting transparency and accountability in government;

WHEREAS, such public awareness may be heightened and expanded through a deliberate and concerted effort to hold regular annual anti-corruption campaigns and programs to coincide with the Ombudsman anniversary during the month of May every year;

WHEREAS, these concerns may be efficiently and effectively undertaken through the collective efforts of the various levels of the government and the informed citizenry at large.

NOW, THEREFORE, I, GLORIA MACAPAGAL ARROYO, President of the Republic of the Philippines, by virtue of the powers vested in me by law, do hereby declare the month May of every year as the **"Anti- Graft**

and Corruption Awareness Month” to be collectively observed nationwide by all government offices, agencies and instrumentalities, including government-owned and controlled corporations, through the conduct of relevant activities for the occasion under the auspices and direction of the Office of the Ombudsman.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of the Republic of the Philippines to be affixed.

Done in the City of Manila, this 29th day of March, in the year of Our Lord, Two Thousand and Four.

OTHER RELEVANT LAWS

REPUBLIC OF THE PHILIPPINES
CONGRESS OF THE PHILIPPINES
METRO MANILA

[REPUBLIC ACT NO. 9184]

AN ACT PROVIDING FOR THE MODERNIZA-
TION, STANDARDIZATION AND REGULATION
OF THE PROCUREMENT ACTIVITIES OF THE
GOVERNMENT AND FOR OTHER PURPOSES

Excerpts:

ARTICLE I
General Provisions

Section 4. Scope and Application. — This Act shall apply to the Procurement of Infrastructure Projects, Goods and Consulting Services, regardless of source of funds, whether local or foreign, by all branches and instrumentalities of government, its departments, offices and agencies, including government-owned and/or -controlled corporations and local government units, subject to the provisions of Commonwealth Act No. 138. Any treaty or international or executive agreement affecting the subject matter of this Act to which the Philippine government is a signatory shall be observed.

ARTICLE XV

Disclosure of Relations

Section 47. Disclosure of Relations. — In addition to the proposed contents of the Invitation to Bid as mentioned under Section 21 of this Act, all bidding documents shall be accompanied by a sworn affidavit of the bidder that he or she or any officer of their corporation is not related to the Head of the Procuring Entity by consanguinity or affinity up to the third civil degree. Failure to comply with the aforementioned provision shall be a ground for the automatic disqualification of the bid in consonance with Section 30 of this Act.

ARTICLE XVII

Protest Mechanism

Section 55. Protests on Decisions of the BAC. — Decisions of the BAC in all stages of procurement may be protested to the head of the procuring entity and shall be in writing. Decisions of the BAC may be protested by filing a verified position paper and paying a non-refundable protest fee. The amount of the protest fee and the periods during which the protests may be filed and resolved shall be specified in the IRR.

Section 56. Resolution of Protests. — The protests shall be resolved strictly on the basis of records of the BAC. Up to a certain amount to be specified in the IRR, the decisions of the Head of the Procuring Entity shall be final.

Section 57. Non-interruption of the Bidding Process. — In no case shall any protest taken from any decision treated in this Article stay or delay the bidding process. Protests must first be resolved before any award is made.

Section 58. Report to Regular Courts; Certiorari. — Court action may be resorted to only after the protests contemplated in this Article shall have been completed. Cases that are filed in violation of the process specified in this Article shall be dismissed for lack of jurisdiction. The regional trial court shall have jurisdiction over final decisions of the head of the procuring entity. Court actions shall be governed by Rule 65 of the 1997 Rules of Civil Procedure.

This provision is without prejudice to any law conferring on the Supreme Court the sole jurisdiction to issue temporary restraining orders and injunctions relating to Infrastructure Projects of Government.

ARTICLE XVIII

Settlement of Disputes

Section 59. Arbitration. — Any and all disputes arising from the implementation of a contract covered by this Act shall be submitted to arbitration in the Philippines according to the provisions of Republic Act No. 876, otherwise known as the “Arbitration Law”: *Provided, however,* That, disputes that are within the competence of the Construction Industry Arbitration Commission to resolve shall be referred thereto. The process of arbitration shall be incorporated as a provision in the contract that will be executed pursuant to the provisions of this Act: *Provided, That* by mutual agreement, the parties may agree in writing to resort to alternative modes of dispute resolution.

Section 60. Appeals. — The arbitral award and any decision rendered in accordance with the foregoing Section shall be appealable by way of a petition for review to the Court of Appeals. The petition shall raise pure questions of law and shall be governed by the Rules of Court.

ARTICLE XXI

Penal Clause

Section 65. Offenses and Penalties. — (a) Without prejudice to the provisions of Republic Act No. 3019, otherwise known as the “Anti-Graft and Corrupt Practices Act” and other penal laws, public officers who commit any of the following acts shall suffer the penalty of imprisonment of not less than six (6) years and one (1) day, but not more than fifteen (15) years:

- (1) Open any sealed Bid including but not limited to Bids that may have been submitted through the electronic system and any and all documents required to be sealed or divulging their contents, prior to the appointed time for the public opening of Bids or other documents.
- (2) Delaying, without justifiable cause, the screening for eligibility, opening of bids, evaluation and post evaluation of bids, and awarding of contracts beyond the prescribed periods of action provided for in the IRR.
- (3) Unduly influencing or exerting undue pressure on any member of the BAC or any officer or employee of the procuring entity to take a particular action which favors, or tends to favor a particular bidder.

(4) Splitting of contracts which exceed procedural purchase limits and competitive bidding.

(5) When the head of the agency abuses the exercise of his power to reject any and all bids as mentioned under Section 41 of this Act with manifest preference to any bidder who is closely related to him in accordance with Section 47 of this Act.

When any of the foregoing acts is done in collusion with private individuals, the private individuals shall likewise be liable for the offense.

In addition, the public officer involved shall also suffer the penalty of temporary disqualification from public office, while the private individual shall be permanently disqualified from transacting business with the government.

(b) Private individuals who commit any of the following acts, including any public officer, who conspires with them, shall suffer the penalty of imprisonment of not less than six (6) years and one (1) day but not more than fifteen (15) years:

(1) When two or more bidders agree and submit different Bids as if they were *bona fide*, when they knew that one or more of them was so much higher than the other that it could not be hon-

estly accepted and that the contract will surely be awarded to the pre-arranged lowest Bid.

- (2) When a bidder maliciously submits different Bids through two or more persons, corporations, partnerships or any other business entity in which he has interest to create the appearance of competition that does not in fact exist so as to be adjudged as the winning bidder.
- (3) When two or more bidders enter into an agreement which call upon one to refrain from bidding for Procurement contracts, or which call for withdrawal of Bids already submitted, or which are otherwise intended to secure an undue advantage to any one of them.
- (4) When a bidder, by himself or in connivance with others, employ schemes which tend to restrain the natural rivalry of the parties or operates to stifle or suppress competition and thus produce a result disadvantageous to the public.

In addition, the persons involved shall also suffer the penalty of temporary or perpetual disqualification from public office and be permanently disqualified from transacting business with the government.

(c) Private individuals who commit any of the following acts, and any public officer conspiring with them, shall

suffer the penalty of imprisonment of not less than six (6) years and one (1) day but not more than fifteen (15) years:

- (1) Submit eligibility requirements of whatever kind and nature that contain false information or falsified documents calculated to influence the outcome of the eligibility screening process or conceal such information in the eligibility requirements when the information will lead to a declaration of ineligibility from participating in public bidding.
- (2) Submit Bidding Documents of whatever kind and nature that contain false information or falsified documents or conceal such information in the Bidding Documents, in order to influence the outcome of the public bidding.
- (3) Participate in a public bidding using the name of another or allow another to use one's name for the purpose of participating in a public bidding.
- (4) Withdraw a Bid, after it shall have qualified as the Lowest Calculated Bid/Highest Rated Bid, or refuse to accept an award, without just cause or for the purpose of forcing the Procuring Entity to award the contract to another bidder. This shall include the non-submission within the prescribed time, or delaying the submission of requirements such as, but not limited to, performance security, preparatory to the final award of the contract.

- (d) When the bidder is a juridical entity, criminal liability and the accessory penalties shall be imposed on its directors, officers or employees who actually commit any of the foregoing acts.

ARTICLE XXIII

Administrative Sanctions

Section 69. Imposition of Administrative Penalties. — (a) In addition to the provisions of Articles XXI and XXII of this Act, the Head of the Procuring Entity, subject to the authority delegated to the BAC, if any, shall impose on bidders or prospective bidders, the administrative penalty of suspension for one (1) year for the first offense, and suspension of two (2) years for the second offense from participating in the public bidding process, for the following violations:

- (1) Submission of eligibility requirements containing false information or falsified documents.
- (2) Submission of Bids that contain false information or falsified documents, or the concealment of such information in the Bids in order to influence the outcome of eligibility screening or any other stage of the public bidding.

- (3) Allowing the use of one's name, or using the name of another for purposes of public bidding.
- (4) Withdrawal of a Bid, or refusal to accept an award, or enter into contract with the government without justifiable cause, after he had been adjudged as having submitted the Lowest Calculated Responsive Bid or Highest Rated Responsive Bid.
- (5) Refusal or failure to post the required performance security within the prescribed time.
- (6) Termination of the contract due to the default of the bidder.

Refusal to clarify or validate in writing its Bid during post-qualification within a period of seven (7) calendar days from receipt of the request for clarification.

Any documented unsolicited attempt by a bidder to unduly influence the outcome of the bidding in his favor.

All other acts that tend to defeat the purpose of the Competitive Bidding.

(b) In addition to the penalty of suspension, the Bid security or the performance security posted by the concerned bidder or prospective bidder shall also be forfeited.

(c) The Head of the Procuring Entity may delegate to the BAC the authority to impose the aforementioned administrative penalties.

Section 70. Preventive Suspension. — The head of the procuring entity may preventively suspend any member of the Technical Working Group or the Secretariat, or the BAC if there are strong reasons or *prima facie* evidence showing that the officials or employees concerned are guilty of the charges filed against them under Articles XXI and XXII of this Act or for dishonesty as defined by the Civil Service Laws. In all cases, procedural and substantive due process as mandated by the Constitution and Civil Service Laws, rules and regulations, shall be strictly observed.

Section 71. Lifting of Suspension and Removal of Administrative Disabilities. — Lifting of preventive suspension pending administrative investigation, as well as removal of administrative penalties and disabilities shall be in accordance with the provisions of Sections 52 and 53, Chapter 6 (Civil Service Commission), Book V of Executive Order No. 292, the Administrative Code of 1987.

Approved: January 10, 2003

REPUBLIC OF THE PHILIPPINES
CONGRESS OF THE PHILIPPINES
METRO MANILA

[REPUBLIC ACT NO. 9178]

AN ACT TO PROMOTE THE ESTABLISHMENT
OF BARANGAY MICRO BUSINESS ENTERPRISES
(BMBES), PROVIDING INCENTIVES AND
BENEFITS THEREFOR, AND FOR
OTHER PURPOSES.

*Be it enacted by the Senate and House of Representatives of
the Philippines in Congress assembled.*

PRELIMINARY PROVISIONS

Section 1. Short Title. – This Act shall be known as
the “Barangay Micro Business Enterprises (BMBE’s) Act
of 2002.”

Section 2. Declaration of Policy. – It is hereby
declared to be the policy of the State to hasten the
country’s economic development by encouraging the
formation and growth of barangay micro business
enterprises which effectively serve as seedbeds of
Filipino entrepreneurial talents, and integrating those

in the informal sector with the mainstream economy, through the rationalization of bureaucratic restrictions, the active granting of incentives and benefits to generate much-needed employment and alleviate poverty.

Section 3. Definition of Terms. – As used in this Act, the following terms shall mean:

- (a) “Barangay Micro Business Enterprise,” hereinafter referred to as BMBE, refers to any business entity or enterprise engaged in the production, processing or manufacturing of products or commodities, including agro-processing, trading and services, whose total assets including those arising from loans but exclusive of the land on which the particular business entity’s office, plant and equipment are situated, shall not be more than Three Million Pesos (P3,000,000.00) The Above definition shall be subjected to review and upward adjustment by the SMED Council, as mandated under Republic Act No. 6977, as amended by Republic Act No. 8289.

For the purpose of this Act, “service” shall exclude those rendered by any one, who is duly licensed government after having passed a government licensure examination, in connection with the exercise of one’s profession.

- (b) "Certificate of Authority" is the certificate issued granting the authority to the registered BMBE to operate and be entitled to the benefits and privileges accorded thereto.
- (c) "Assets" refers to all kinds of properties, real or personal, owned by the BMBE and used for the conduct of its business as defined by the SMED Council: Provided, That for the purpose of exemption from taxes and fees under this Act, this term shall mean all kinds of properties, real or personal, owned and/or used by the BMBE for the conduct of its business as defined by the SMED Council.
- (d) "Registration" refers to the inclusion of BMBE in the BMBE Registry of a city or municipality.
- (e) "Financing" refers to all borrowings of the BMBE from all sources after registration.

REGISTRATION AND OPERATION OF BMBE

Section 4. Registration and Fees. - The Office of the Treasurer of each city or municipality shall register the BMBE's and issue a Certificate of Authority to enable the BMBE to avail of the benefits under this Act. Any

such applications shall be processed within fifteen (15) working days upon submission of complete documents. Otherwise, the BMBEs shall be deemed registered. The Municipal or City Mayor may appoint a BMBE Registration Officer who shall be under the Office of the Treasurer. Local government units (LGU's) are encouraged to establish a One-Stop-business Registration Center to handle the efficient registration and processing of permits/licenses of BMBEs. Likewise, LGUs shall make a periodic evaluation of the BMBE's financial status for monitoring and reporting purposes.

The LGUs shall issue the Certificate of Authority promptly and free of charge. However, to defray the administrative costs of registering and monitoring the BMBEs, the LGUs may charge a fee renewal.

The Certificate of Authority shall be effective for a period of two (2) years, renewable for a period of two (2) years for every renewal.

As much as possible, BMBEs shall be subject to minimal bureaucratic requirements and reasonable fees and charges.

Section 5. Who are Eligible to Register. – Any person, natural or juridical, or cooperative, or association, having the qualifications as defined in Section 3(a) hereof may apply for registration as BMBE.

Section 6. Transfer of Ownership. - The BMBE shall report to the city or municipality of any changer in the status of its ownership structure, and shall surrender the original copy of the BMBE Certificate of Authority for notation of the transfer.

INCENTIVES AND BENEFITS

Section 7. Exemption from Taxes and Fees. – All BMBEs shall be exempt from tax for income arising from the operations of the enterprise.

The LGUs are encouraged either to reduce the amount of local taxes, fees and charges imposed or to exempt BMBEs from local taxes, fees and charges.

Section 8. Exemption from the Coverage of the Minimum Wage Law. – The BMBEs shall be exempt from the coverage of the Minimum Wage Law: Provided, That all employees covered under this Act shall be entitled

to the same benefits given to any regular employee such as social security and healthcare benefits.

Section 9. Credit Delivery. – upon the approval of this Act, the land Bank of the Philippines (LBP), the Development Bank of the Philippines (DBP), the Small Business Guarantee and Finance Corporation (SBGFC), and the People’s Credit and Finance Corporation (PCFC) shall set up a special credit window that will service the financing needs of BMBEs registered under this Act consistent with the Banko Sentral ng Pilipinas (BSP) policies; rules and regulations. The Government Service Insurance System (GSIS) and Social Security System (SSS) shall likewise set up a special credit window that will serve the financing needs of their respective members who wish to establish a BMBE. The concerned financial institutions (FIs) encouraged to wholesale the funds to accredited private financial institutions including community-based organizations such as credit, cooperatives, non-government organizations (NGOs) and people’s organizations, which will in turn, directly provide credit support to BMBEs.

All loans from whatever sources granted to BMBEs under this Act shall be considered as part of alternative compliance to Presidential Decree no, 717,, otherwise known as the Agri-Agra Law, or to Republic Act. No.

6977, known as the Magna Carta for Small and Medium Enterprises, as amended. For purposes of compliance with presidential Decree no. 717 and Republic Act No. 6977, as amended, loans granted to BMBEs under this Act shall be computed at twice the amount of the face value of the loans.

To minimize the risks in lending to the BMBEs, the SBGFC and the Quedan and Rural Credit Guarantee Corporation (QUEDANCOR) under the Department of Agriculture, in case of agribusiness activities, shall set up a special guarantee window to provide the necessary credit guarantee to BMBEs under their respective guarantee programs.

The LBP, DBP, PCFC, SBGFC, SSS, GSIS, and QUEDANCOR shall annually report to the appropriate Committee of Both Houses of Congress on the status of the implementation of this provision.

The BSP shall formulate the rules for the implementation of this provision and shall likewise establish incentive programs to encourage and improve credit delivery to the BMBEs.

Section 10. Technology Transfer, Production and Management Training, and marketing Assistance. – A BMBE Development Fund shall be set up with an endowment of Three Hundred Million pesos (P300,000,000.00) from the Philippine Amusement and Gaming Corporation (PAGCOR) and shall be administered by the SMED Council.

The Department of Trade and Industry (DTI), the Department of Science and Technology (DOST), the university of the Philippines Institute for Small Scale Industries (UP ISSI), Cooperative Development Authority (CDA), Technical Education and Skills Development Authority (TESDA), and Technology and Livelihood Resource Center (TLRC) may avail of the said Fund for technology transfer, production and management training and marketing assistance to BMBEs.

The DTI, in coordination with the private sector and non-government organization (NGOs), shall explore the possibilities of linking or matching-up BMBEs with small, medium and large enterprises and likewise establish incentives therefor.

The DTI, in behalf of the DOST, UP ISSI, CDA. TESDA and TLRC shall be required to furnish the appropriate Committees of both Houses of Congress a yearly report on the development and accomplishments of their

projects and programs in relation to technology transfer, production and management training and marketing assistance extended to BMBEs.

Section 11. Trade and Investment Promotions.

– The data gathered from business registration shall be made accessible to and shall be utilized by private sector organizations and non-government organizations for purposes of business matching, trade and investment promotion.

INFORMATION DISSEMINATION

Section 12. Information Dissemination. - The Philippine Information Agency (PIA), in accordance with the Department of Labor and Employment (DOLE), the DILG and the DTI, shall ensure the proper and adequate information dissemination of the contents and benefits of this Act to the general public especially to its intended beneficiaries specifically in the barangay level.

PENALTY

Section 13. Penalty. - Any person who shall willfully violates any provision of this Act or who shall in any manner commit any act to defeat any provisions of this Act shall, upon conviction, be punished by a fine of not less than twenty-five Thousand Pesos (P25,000.00) but not more than Fifty Thousand Pesos (P50,000.00) and suffer imprisonment of not less than six (6) months but not more than two (2) years.

In case of non-compliance with the provisions of Section 9 of this Act, the BSP shall impose administrative sanctions and other penalties on the concerned government financial institutions, including a fine of not less than Five Hundred Thousand Pesos (P500,000.00)

MISCELLANEOUS PROVISIONS

Section 14. Annual Report. – The DILG, DTI, and BSP shall submit an annual report to the Congress on the status of the implementation of this Act.

Section 15. Implementing Rules and Regulations.
– The Secretary of the Department of Trade and Industry, in consultation with the Secretaries of the DILG, DOF,

and the BSP Governor shall formulate the necessary ruled and regulations to implement the provisions of this Act within ninety (90) days after its approval. The rules and regulations issued pursuant to this section shall take effect fifteen (15) days after its publication in a newspaper of general circulation.

Section 16. Separability Clause. - If any provision or part hereof, is held invalid or unconstitutional, the remainder of the law or the provision not otherwise affected shall remain valid and subsisting.

Section 17. Repealing Clause. – Existing laws, presidential decrees, executive orders, proclamations or administrative regulations that are inconsistent with the provisions of this Act are hereby amended, modified, superseded or repealed accordingly.

Section 18. Effectivity. – This Act shall take effect fifteen (15) days after its publication in the Office Gazette or in at least two (2) newspaper of general circulation.

Approved: November 13, 2002

REPUBLIC OF THE PHILIPPINES
CONGRESS OF THE PHILIPPINES
METRO MANILA

[REPUBLIC ACT NO. 9501]

AN ACT TO PROMOTE ENTREPRENEURSHIP
BY STRENGTHENING DEVELOPMENT AND
ASSISTANCE PROGRAMS TO MICRO, SMALL
AND MEDIUM SCALE ENTERPRISES, AMENDING
FOR THE PURPOSE REPUBLIC ACT NO. 6977,
AS AMENDED, OTHERWISE KNOWN AS THE
“MAGNA CARTA FOR SMALL ENTERPRISES” AND
FOR OTHER PURPOSES

Excerpts:

Section 7. Micro, Small and Medium Enterprise Development (MSMED) Council. - The existing Small and Medium Enterprise Development Council, which was created by Republic Act No. 6977, as amended by Republic Act No. 6977, as amended by Republic Act No. 8289, shall be strengthened to effectively spur the growth and development of MSMEs throughout the country, and to carry out the policy declared in this Act and shall now be known as the Micro, Small and Medium Enterprise development (MSMED) Council. The Council shall be attached to the Department of Trade

and Industry and shall be constituted within sixty (60) days after the approval of this Act.”

Section 7-B. Power and Functions. - The MSMED Council shall have the following powers, duties and functions:

- a) To help establish the needed environment and opportunities conducive to the growth and development of the MSME sector;
- b) To recommend to the President and the Congress all policy matters affecting MSMEs;
- c) To coordinate and integrate various government and private sector activities relating to MSME development;
- d) To review existing policies of government agencies that would affect the growth and development of MSMEs and recommend changes to the President and Congress through the Committee on Economic Affairs of the Senate and the Committee on Small Business and Entrepreneurship Development of the House of Representatives whenever deemed necessary. This shall include efforts to simplify rules and regulations, as well as review of the applicability in the registration, financing, and other activities relevant to MSMEs the result shall be included in the annual report to be submitted to Congress;

- e) To monitor and determine the progress of various agencies geared towards the development of the sector. This shall include overseeing, in coordination with local government units and the Department of Interior and Local Government as well as private sector groups/association, the development among MSMEs;
- f) To provide the appropriate policy and coordinative framework in assisting relevant government agencies, in coordination with the NEDA and the Coordinating Council for the Philippine Assistance Program, as may be necessary, in the tapping of local and foreign funds for MSME development;
- g) To promote the productivity and viability of MSMEs by way of directing and/or assisting relevant government agencies and institutional at the national, regional and provincial level towards the:
 - 1) Provision of business training courses, technical training for technicians and skilled laborers and continuing skills upgrading programs;
 - 2) Provision of labor-management guidance, assistance and improvement of the working conditions of employees in MSMEs;

- 3) Provision of guidance and assistance regarding product quality/product development and product diversification;
- 4) Provision of guidance and assistance for the adoption of improved production technique and commercialization of appropriate technologies for the product development and for increased utilization of indigenous raw materials;
- 5) Provision of assistance in marketing and distribution of products of MSMEs through local supply-demand information, industry and provincial profiles, overseas marketing promotion, domestic market linkaging and the establishment of common service facilities such as common and/or cooperative bonded warehouse, grains storage, agro-processing and drying facilities, ice plants, refrigerated storage, cooperative trucking facilities, etc;
- 6) Intensification of assistance and guidance to enable greater access to credit through a simplified multi-agency financing program; to encourage development of other modes of financing such as leasing and venture capital activities; to provide effective credit guarantee systems, and encourage the formation of credit guarantee associations, including setting up credit records and

information systems and to decentralize loan approval mechanism;

- 7) Provision of concessional interest rates, lower financing fees, which may include incentives for prompt credit payments, arrangements tying amortizations to business cash flows, effective substitution of government guarantee cover on loans for the borrower's lack of collateral;
- 8) Provision of bankruptcy preventive measures through the setting up of a mutual relief system for distressed enterprises, and the establishment of measures such as insurance against extraordinary disasters;
- 9) Intensification of information dissemination campaigns and entrepreneurship education activities;
- 10) Availment of and easier access to tax credits and other tax and duty incentives as provided by the Omnibus Investment Code and other laws;
- 11) Provision of support for product experimentation and research and development activities as well as access to information on commercialized technologies; and

12) Through appropriate government agencies:

- a) Provide more infrastructure facilities and public utilities to support operations of MSMEs;
- b) Establish, operate, and administer a small business incubation program in coordination with academic institutions, Department of Science and Technology and other appropriate government entities that will provide space for start-up and expanding firms, shared use of equipment and work areas, daily management support services essential to high-quality commercial operations, technical assistance and other services to develop innovative and deserving MSMEs;
- c) Provide local and international network and linkages for MSME development;
- d) Compile and integrate statistical databank on Philippine MSMEs;
- e) Set-up new MSME centers and revitalize already established MSME centers to provide MSMEs in the regions easier access to services such as, but not limited to, the following:
 - i. Accept and act on all registration application of MSMEs;

- ii. Streamline registration process and facilitate speedy registration for the establishment of business enterprises in the country;
- iii. Provide all information and referral services it shall deem necessary or essential to the development and promotion of MSMEs;
- iv. Conduct other programs and development programs, training, advice, consultation on business conceptualization and feasibility, financing, management, capacity building, human resources, marketing, and such other services to support the needs of MSMEs;
- v. Provide courses and development programs, training, advice, consultation on business conceptualization and feasibility, financing, management, and such other services to support the needs of MSMEs;

Section 11. Creation of Small Business Guarantee and Finance Corporation. - There is hereby created a body corporate to be known as the Small Business Guarantee and Finance Corporation, hereinafter referred

to as the Small Business Corporation (SB Corporation), which shall be charged with the primary responsibility of implementing comprehensive policies and programs to assist MSMEs in all areas, including but not limited to finance and information services, training and marketing.”

“For this purpose, the SB Corporation subject to compliance with the rules and regulations to be issued by the Bangko Sentral ng Pilipinas (BSP) and the Securities and Exchange Commission, shall have the following functions and duties:

- a) Source and adopt development initiatives for globally competitive MSMEs in finance and business technologies;
- b) To extend all forms of financial assistance to eligible MSMEs. SB Corporation may also engage in wholesale lending. The SB Corporation shall be given two (2) years from the effectivity of this Act to comply with this requirement;
- c) Guarantee loans obtained by qualified MSMEs under such terms and conditions adopted by the SB Corporation Board of Directors;
- d) Hold, purchase, lease or otherwise acquire and own real and personal property, introduce necessary improvements thereon and to sell, mortgage, encumber or otherwise dispose of the

same as may be necessary in the normal course of business;

- e) Formulate means and methods of accepting alternative collaterals and implementing alternative loan evaluation models;
- f) Apply for, receive and accept grants and donations from sources within and outside the country; and
- g) Hold, own, purchase, acquire, sell, mortgage, dispose or otherwise invest or re-invest in stocks, bonds, treasury bills, debentures, securities and similar forms of indebtedness of the government, its agencies and instrumentalities or any government financial institution.”

Section 15. Mandatory Allocation of Credit Resources to Micro Small and Medium Enterprises.

- For the period of ten (10) years from the date of the effectivity of this amendatory Act, all lending institutions as defined under Bangko Sentral ng Pilipinas rules, whether public or private, shall set aside at least eight percent (8%) for micro and small enterprises of their total loan portfolio based on their balance sheet as of the end of the previous quarter, and make it available for MSME credit as herein contemplated.

Compliance of this provision shall be:

- a) actual extension of loans to eligible MSMEs; or
- b) actual subscription of preferred shares of shares of stock of the SB Corporation; or
- c) wholesale lending to Participating Financial Institutions (PFIS) for on-lending to MSMEs; or
- d) purchase/discount of MSMEs receivables; or
- e) loans granted to export, import, and domestic traders subject to compliance with Section 3 of this Act; or
- f) subscribed/purchase of liability instruments as may be offered by the SB Corporation.

Approved: May 23, 2008

MALACAÑANG

Manila

PRESIDENTIAL DECREE NO. 1096
THEREBY REVISING REPUBLIC ACT 6541

NATIONAL BUILDING CODE OF THE
PHILIPPINES 6541

Excerpts:

CHAPTER I
GENERAL PROVISIONS

Section 103. Scope and Application.

- (a) The provisions of this Code shall apply to the design, location, sitting, construction, alteration, repair, conversion, use, occupancy, maintenance, moving, demolition of, and addition to public and private buildings and structures, except traditional indigenous family dwellings as defined herein.
- (b) Building and/or structures constructed before the approval of this Code shall not be affected thereby except when alterations, additions, conversions or repairs are to be made therein in which case, this Code shall apply only to portions to be altered, added, converted or repaired.

Section 104. General Building Requirements.

- (a) All buildings or structures as well as accessory facilities thereto shall conform in all respects to the principles of the safe construction and must be suited to the purpose for which they are designed.
- (b) Buildings or structures intended to be used for the manufacture and/or production of any kind of article or product shall observe adequate environmental safeguards.
- (c) Buildings or structures and all parts thereof as well as all facilities found therein shall be maintained in safe, sanitary and good working condition.

Section 105. Site Requirements.

The land or site upon which will be constructed any building or structure, or any ancillary or auxiliary facility thereto, shall be sanitary, hygienic or safe. In the case of sites or buildings intended for use as human habitation or abode, the same shall be at a safe distance, as determined by competent authorities, from streams or bodies of water and/or sources considered to be polluted; from a volcano or volcanic site and/or any other building considered to be a potential source of fire or explosion.

CHAPTER III

PERMITS AND INSPECTION

Section 301. Building Permits.

No person, firm or corporation, including any agency or instrumentality of the government shall erect, construct, alter, repair, move, convert or demolish any building or structure or cause the same to be done without first obtaining a building permit therefor from the Building Official assigned in the place where the subject building is located or the building work is to be done.

Section 302. Application for permits.

In order to obtain a building permit, the applicant shall file an application therefor in writing and on the prescribed form from the office of the Building Official. Every application shall provide at least the following information:

- (1) A description of the work to be covered by the permit applied for;
- (2) Certified true copy of the TCT covering the lot on which the proposed work is to be done. If the applicant is not the registered owner, in addition to the TCT, a copy of the contract of lease shall be submitted;

- (3) The use or occupancy for which the proposal work is intended;
- (4) Estimated cost of the proposed work.

To be submitted together with such application are at least five sets of corresponding plans and specifications prepared, signed and sealed by a duly mechanical engineer in case of mechanical plans, and by a registered electrical engineer in case of electrical plans, except in those cases exempted or not required by the Building Official under this Code.

Section 303. Processing of Building Permits.

The processing of building permits shall be under the overall administrative control and supervision of the Building Official and his technical staff of qualified professionals.

In processing an application for a building permit, the Building Official shall see to it that the applicant satisfies and conforms with approved standard requirements on zonings and land use, lines and grades, structural design, sanitary and sewerage, environmental health, electrical and mechanical safety as well as with other rules and regulations promulgated in accordance with the provisions of this Code.

Section 304. Issuance of Building Permits.

When satisfied that the work described in an application for building permit and the plans and specifications submitted therewith, conform to the requirements of this Code and other pertinent rules and regulations, the Building Official shall, within fifteen days from payment of the required fees by the applicant, issue the building permit applied for.

The Building Official may issue a permit for the construction of only a part or portion of a building or structure whenever the plans and specifications submitted together with the application do not cover the entire building or structure. Approved plans and specifications shall not be changed, modified or altered without the approval of the Building Official and the work shall be done strictly in accordance thereto.

Section 305. Validity of Building Permits.

The issuance of a building permit shall not be construed as an approval or authorization to the permittee to disregard or violate any of the provisions of this Code.

Whenever the issuance of a permit is based on approved plans and specifications which are subsequently found defective, the Building Official is not precluded from

requiring permittee to effect the necessary corrections in said plans and specifications or from preventing or ordering the stoppage of any or all building operations being carried on thereunder which are in violation of this Code.

A building permit issued under the provisions of this Code shall expire and become null and void if the building or work authorized therein is not commenced within a period of one year from the date of such permit, or if the building or work so authorized is suspended or abandoned at any time after it has been commenced, for a period of 120 days.

Section 306. Non-Issuance, Suspension or Revocation of Building Permits.

The Building Official may order or cause the non-issuance, suspension or revocation of building permits on any or all of the following reasons or grounds:

- (a) Errors found in the plans and specifications;
- (b) Incorrect or inaccurate data or information supplied;
- (c) Non-compliance with the provisions of this Code or of any rule or regulation.

Notice of non-issuance, suspension or revocation of building permits shall always be made in writing, stating the reason or grounds therefore.

Section 307. Appeal.

Within fifteen (15) days from the date of receipt of advice of the non-issuance, suspension or revocation of permits, the applicant/permittee may file an appeal with the Secretary who shall render his decision within fifteen days from date of receipt of notice of appeal. The decision of the Secretary shall be final subject only to review by the Office of the President.

Section 308. Inspection and Supervision of Work.

The owner of the Building who is issued or granted a building permit under this Code shall engage the services of a duly licensed architect or civil engineer to undertake the full time inspection and supervision of the construction work. Such architect or civil engineer may or may not be the same architect or civil engineer who is responsible for the design of the building. It is understood however that in either case, the designing architect or civil engineer is not precluded from conducting inspection of the construction work to

check and determine compliance with the plans and specifications of the building as submitted.

There shall be kept at the jobsite at all times a logbook wherein the actual progress of construction including tests conducted, weather conditions and other pertinent data are to be recorded. Upon completion of the construction, the said licensed architect or civil engineer shall submit the logbook, duly signed and sealed, to the Building Official. He shall also prepare and submit a Certificate of Completion of the project stating that the construction of building conforms to the provisions of this Code as well as with the approved plans and specifications.

Section 309. Certificate of Occupancy.

No building or structure shall be used or occupied and no change in the existing use or occupancy classification of a building or structure or portion thereof shall be made until the Building Official has issued a Certificate of Occupancy therefor as provided in this Code.

A certificate of Occupancy shall be issued by the Building Official within thirty (30) days if after final inspection and submittal of a Certificate of Completion referred to in the preceding section, it is found that the building or structure complies with the provisions of this Code.

The Certificate of Occupancy shall be posted or displayed in a conspicuous place on the premises and shall not be removed except upon order of the Building Official.

The non-issuance, suspension and revocation of Certificates of Occupancy and the procedure for appeal therefrom shall be governed in so far as applicable, by the provisions of Section 306 and 307 of this Code.

Done in the City of Manila, this 19th of February, in the year of Our Lord, nineteen hundred and seventy-seven.

REPUBLIC OF THE PHILIPPINES
CONGRESS OF THE PHILIPPINES
METRO MANILA

[REPUBLIC ACT NO. 9514]

AN ACT ESTABLISHING A COMPREHENSIVE
FIRE CODE OF THE PHILIPPINES, REPEALING
PRESIDENTIAL DECREE NO. 1185 AND FOR
OTHER PURPOSES

Excerpt:

Section 7. Inspections, Safety Measures, Fire Safety, Constructions, and Protective and/or Warning Systems. - As may be defined and provided in the Rules and Regulations, owners, administrators or occupants of buildings, structures and their premises or facilities and other responsible persons shall be required to comply with the following, as may be appropriate.

a. Inspection Requirement - A fire safety inspection shall be conducted by the Chief, BFP or his duly authorized representative as prerequisite to the grants of permits and/or licenses by local governments and other government agencies concerned, for the:

- (1) Use or occupancy of buildings, structures, facilities or their premises including the installation or fire

protection and fire safety equipment, and electrical system in any building structure or facility;

- (2) Storage, handling and/or use of explosives or of combustible, flammable, toxic and other hazardous materials;

b. Safety Measures for Hazardous Materials - Fire safety measures shall be required for the manufacture, storage, handling and/or use of hazardous materials involving:

- (1) cellulose nitrate plastic of any kind;
- (2) combustible fibers;
- (3) cellular materials such as foam, rubber, sponge rubber and plastic foam;
- (4) flammable and combustible liquids or gases of any classification;
- (5) flammable paints, varnishes, stains and organic coatings;
- (6) high-piled or widely spread combustible stock;
- (7) metallic magnesium in any form;
- (8) corrosive liquids, oxidizing materials, organic peroxide, nitromethane, ammonium nitrate, or any amount of highly toxic, pyrophoric, hypergolic, or cryogenic materials or poisonous gases as well as

material compounds which when exposed to heat or flame become a fire conductor, or generate excessive smoke or toxic gases;

- (9) blasting agents, explosives and special industrial explosive materials, blasting caps, black powder, liquid nitro-glycerine, dynamite, nitro cellulose, fulminates of any kind, and plastic explosives containing ammonium salt or chlorate;
- (10) fireworks materials of any kind or form;
- (11) matches in commercial quantities;
- (12) hot ashes, live coals and embers;
- (13) mineral, vegetable or animal oils and other derivatives/by products;
- (14) combustible waste materials for recycling or resale;
- (15) explosive dusts and vapors; and
- (16) agriculture, forest, marine or mineral products which may undergo spontaneous combustion.
- (17) Any other substance with potential to cause harm to persons, property or the environment because of one or more of the following: a) The chemical properties of the substance; b) The physical properties of the substance; c) The biological

properties of the substance. Without limiting the definition of hazardous material, all dangerous goods, combustible liquids and chemicals are hazardous materials.

c. Safety Measures for Hazardous Operation/Processes

- Fire Safety measures shall be required for the following hazardous operation/processes:

- (1) welding or soldering;
- (2) industrial baking and drying;
- (3) waste disposal;
- (4) pressurized/forced-draft burning equipment;
- (5) smelting and forging;
- (6) motion picture projection using electrical arc lamps;
- (7) refining, distillation and solvent extraction; and
- (8) such other operations or processes as may hereafter be prescribed in the Rules and Regulations.

d. Provision on Fire Safety Construction, Protective and Warning System - Owners, occupants or administrator or buildings, structures and their premises or facilities, except such other buildings or structures as may be exempted in the rules and regulations to be promulgated under Sec.

5 hereof, shall incorporate and provide therein fire safety construction, protective and warning system, and shall develop and implement fire safety programs, to wit:

- (1) Fire protection features such as sprinkler systems, hose boxes, hose reels or standpipe systems and other fire fighting equipment;
- (2) Fire Alarm systems;
- (3) Fire walls to separate adjoining buildings, or warehouses and storage areas from other occupancies in the same building;
- (4) Provisions for confining the fire at its source such as fire resistive floors and walls extending up to the next floor slab or roof, curtain boards and other fire containing or stopping components;
- (5) Termination of all exits in an area affording safe passage to a public way or safe dispersal area;
- (6) Stairway, vertical shafts, horizontal exits and other means of egress sealed from smoke and heat;
- (7) A fire exit plan for each floor of the building showing the routes from each other room to appropriate exits, displayed prominently on the door of such room;

- (8) Self-closing fire resistive doors leading to corridors;
- (9) Fire dampers in centralized airconditioning ducts;
- (10) Roof vents for use by fire fighters; and
- (11) Properly marked and lighted exits with provision for emergency lights to adequately illuminate exit ways in case of power failure.

MALACAÑANG

Manila

PRESIDENTIAL DECREE NO. 856

CODE ON SANITATION

Excerpts:

CHAPTER III FOOD ESTABLISHMENT

Section 14. Sanitary Permit.

- (a) No person or entity shall operate a food establishment for public patronage without securing a permit from the local health office. The term "food establishment" as used in this chapter means an establishment where food or drinks are manufactured, processed, stored, sold or served.
- (b) Every Sanitary Permit shall be posted in a conspicuous place of the establishment.
- (c) Fees. The fees payable on application for permits and upon the issuances, renewal and noting of such certificates shall be in such amounts as the City of Municipal Authority may by resolution impose.

(d) Noting of Permit Within 14 days after any change in the ownership or occupancy of any establishment, the new occupant shall apply to the City or Municipal Health Officer to have such change noted in the records and on the permit certificate which he shall produce for the purpose and shall pay the corresponding fee in respect of such noting.

(e) Record of Permit Certificates

1. Every City or Municipality shall keep a record of all establishments in respect of which permits have been issued and of all permit certificates and renewals thereof.

(f) The record shall in every case show the following:

- i. The name and address of the holder of the permit who in every case shall be the actual occupier of the establishment;
- ii. The location of the establishment;
- iii. The purpose or purposes for which the permit has been issued;
- iv. The date the first permit was issued and the dates of any renewal thereof;

- v. Every change of occupation and management of the establishment since the first permit was issued; and
- vi. Conditions under which the permit was issued or any renewal thereof granted.

The record shall be available at all reasonable times for inspection by any officer of the Department of Health.

Section 15. Health Certificates.

No person shall be employed in any food establishment without a Health Certificate issued by the local health authority. This certificate shall be issued only after the required physical and medical examinations are performed and immunizations are administered at prescribed intervals.

Section 31. Evaluation of Food Establishment.

It shall be the duty of the Provincial, Municipal or City Health Officer to cause an inspection and evaluation of every food establishment requiring a permit for its operations, at least every six months and shall cause as many additional inspections and re-inspections and evaluation to be made as are necessary for the enforcement of the provision of this Chapter.

During the inspection or evaluation carried out at least every six months, the inspector shall record his findings on an inspection form provided for the purpose and shall furnish the original of such report to the holder of sanitary permit, the manager or occupier of the premises. Demerits entered in the appropriate column inspection forms shall indicate that the item does not, in the opinion of the inspector, comply with the requirements of this regulation. Within 48 hours of the inspection or evaluation, the original of the inspection report shall be furnished the holder of the permit certificate, the manager or occupier of the food establishment. Whenever an inspection form issued indicates non-compliance items relating to any particular type of premises, the inspector shall notify the holder of the sanitary permit, the manager or occupier of the correction to be made and indicate a reasonable period for its compliance. If upon re-inspection after the deadline the inspector finds the correction has not been effected he shall forthwith report to the Health Officer and the Health Officer shall revoke the sanitary permit. A copy of the inspection form and any notices served shall, in all cases, be filed and kept by the local health authority and be available at all reasonable time for inspection by an officer of the Department of Health.

- (a) **SERVICE OF NOTICE.** Whenever an inspection or evaluation report form indicates non-complying items, the Health Officer of the Province, Municipality

or City may cause to be served on the holder of the permit, the manager or occupier a notice requiring him, within the time stated in the notice, to take such remedial action as may be specified therein. In the event within the time stated in the notice, hereinafter called the first notice, the terms of the first notice are not complied with, the Health Officer may cause to be served on the holder of the permit, the manager or occupier a second notice calling on him to show cause, at a time and place stated in the notice, why the permit issued in respect of the food establishment should not be revoked.

- (b) **REVOCATION OF PERMITS.** After prior notice and hearing as provided above, the Health Officer, if satisfied that the terms of the two notices have not been complied with or that the failure to comply therewith is not excusable, shall revoke the said permit.
- (c) **SUMMARY SUSPENSION OF PERMITS.** Whenever the Provincial, Municipal or City Health Officer finds unsanitary or unhealthy conditions in the operation of a food establishment which in his judgment constitute a substantial hazard to the public health, the Health Officer may order the immediate suspension of the permit. Any person to whom such an order is issued written petition shall be afforded a hearing as soon as possible.

- (d) APPEALS. The person or panel conducting the hearing may confirm, modify or reverse the decision appealed from, which decision shall be final.
- (e) PROTECTION OF FOOD. Notwithstanding the other provisions of this regulation relating to the issuance of permits, every person who is engaged in the sale of food or in the manufacture, preparation, storage, packing or delivery of food for sale protect such food from contamination.
- (f) POWER OF ENTRY. Any Sanitary Inspector or duly authorized officer of the Department of Health or of the Provincial, Municipal or City Health Officer, upon presentation of proper credentials may at all reasonable times enter any premises engaged in the manufacture, preparation or packing of any article of food for sale or any premises used for any of the purposes referred to in this Code for the purpose of inspection or any other action necessary for administration of this Code.

CHAPTER V

PUBLIC LAUNDRY

Section 37. Sanitary Permit.

No public laundry shall operate without a sanitary permit from the Secretary or his duly authorized

representative. As used in this Chapter, a public laundry is a laundry established and operated for commercial purposes, open to the public, and not to an exclusive clientele.

CHAPTER XI

DANCING SCHOOLS, DANCE HALLS AND NIGHT CLUBS

Section 56. General Provisions.

The following provisions are applicable to dancing schools, dance halls and night clubs:

- (a) These establishments shall be operated and opened for public patronage only when a sanitary permit is issued by the local health authority.
- (b) These establishments and their premises shall be kept clean and sanitary at all times.
- (c) Patrons shall be provided with adequate potable water and toilet facilities in accordance with standards prescribed by this Code.
- (d) There shall be no private rooms or separate compartments for public use except those used for lavatories, dressing rooms, bars and kitchens.

CHAPTER XII

TONSORIAL AND BEAUTY ESTABLISHMENTS

Section 58. Definition of Terms.

As used in this Chapter, the term "Tonsorial and Beauty Establishments" include barber shops, beauty parlors, hairdressing and manicuring establishments and figure slendering salons.

(a) Requirements. These establishments are subject to the following requirements:

- (1) A sanitary permit shall be procured from the local health authority before their operation.
- (2) They shall be maintained clean and sanitary at all times.
- (3) No person shall be employed to service customers without a health certificate issued by the local health authority.

(b) Correct Sanitary Practices. The following sanitary practices shall be observed.

- (1) Working personnel shall wash their hands with soap and water before servicing customers.

- (2) They shall wear clean working garments.
- (3) They shall not smoke nor eat while working.
- (4) Implements of their trade shall be cleaned and disinfected before and after their use.
- (5) Customers shall be supplied with clean and fresh towels, drapes and other linen necessary.
- (6) Precautionary measures to prevent disease transmission shall be observed when serving customers showing any form of dermatoses.

CHAPTER XIV
HOTELS, MOTELS AND APARTMENTS, LODGING,
BOARDING, OR TENEMENT HOUSES,
AND CONDOMINIUMS

Section 64. General Provisions.

The following are required for the establishments defined in the preceding Section:

- (a) No establishment shall be operated and opened for public patronage without a sanitary permit issued by the Secretary or his duly authorized representative.

- (b) Any extension or additional construction in an establishment shall require a sanitary permit before it could be operated.
- (c) All establishments shall provide their patrons with adequate water supply, toilet and bath facilities in accordance with standards prescribed in this Code.
- (d) Establishments and their premises shall be kept clean and sanitary at all times.
- (e) Periodic insect and vermin control measures shall be undertaken to eradicate vectors of diseases.
- (f) Animals, fowls and pets shall be housed in appropriate kennels or cages separate from living quarters.
- (g) No person shall be employed in establishments without first procuring a health certificate from the local health authority.



HILLS

PROGRAM ON GOVERNANCE

**RAMON V. DEL ROSARIO, SR. - C.V. STARR
CENTER FOR CORPORATE GOVERNANCE**