



**Asia-Pacific  
Economic Cooperation**

# Corporate Social Responsibility in the APEC Region

## Current Status and Implications

**Economy Paper:  
Republic of the Philippines**



## **Corporate Social Responsibility in the Philippines**



Prepared by the  
Asian Institute of Management RVR Center for Corporate Responsibility

## Table of Contents

I. Introduction.....	PH-1
Early roots of CSR	
Drivers of CSR: Conscience or accountability	
II. CSR Activities in the Philippines.....	PH-4
The Filipinos' perception of CSR	
Types and forms of assistance	
Volunteerism	
CSR benefactors in the Philippines	
Expansion of corporate giving programs	
III. Assessing the CSR Activities.....	PH-11
Corporate giving	
CSR, despite the economic downturn	
Measuring the gains from CSR	
IV. Approaches and Strategies in the Promotion of CSR.....	PH-13
Types of CSR collaboration	
Roles of multi-sectoral groups	
A. Government	
Government Tax Incentives	
CSR in Local Government Units	
B. CSOs and NGOs	
C. Private Organizations	
V. Conclusions and Challenges.....	PH-19
Appendices .....	PH-21
<i>List of References</i> .....	PH-30

## I. INTRODUCTION

### Early roots of CSR

Philanthropy has been a tradition in the Philippines, where individual giving and volunteerism are acknowledged to be “hidden forces” in the social and economic life of Filipinos. Its practice is particularly prevalent within and across families and kinship groups, and in church-related organizations or social welfare agencies which undertake such activities as Sunday collections, social events, fund drives “for-a-cause” like “Piso para sa pasig”,<sup>1</sup> the solicitation of donations, special fund campaigns (Christmas fund drives) and disaster relief operations.

According to M.A. Velasco of the Center for the Study of Philanthropy, the notion of philanthropy and concern for humanity form part of the Asian psyche. In the Philippines, mutual aid is manifested in rural traditional communities. For example, the spirit of “bayanihan” (a Philippine tradition which entails ‘brotherhood’) is exemplified in the lending of mutual assistance. It is rooted in a deep sense of mutual respect.

The bayanihan tradition was cited by Philacor, the Philippines’ leading manufacturer of refrigerators, washing machines and the like, for its decision to practice corporate citizenship. The company reported a threefold growth in actual returns to shareholders within a year after implementing CSR activities. The Philacor example supports the hypothesis that economic and ethical motives and benefits are not fundamentally opposed to each other but may actually be reconciled.<sup>2</sup>

### Drivers of CSR: Conscience or accountability

Market forces generally became the major driver of CSR behavior. (See Table 1.) Given the slow growth of the Philippine economy due to economic mismanagement and political instability, corporations saw it fit to be involved in social development, aware that businesses

could not possibly thrive amidst an environment where the majority were poor. (See Appendix 1.)

As then Department of Social Welfare and Development (DSWD) Secretary Dinky Soliman expressed that in today’s society, doing business is no longer just the survival of the fittest. Corporations need to give back something to the communities that support their services and programs. “CSR is the soul of capitalism. It makes corporations aware of the fact that doing business is not just the bottomline.”<sup>3</sup> As early as the 1950s, Eugenio Lopez Sr., founder of the Lopez Group of Companies,<sup>4</sup> alluded to the CSR concept, “We sincerely believe that a greater proportion of the earnings accrued from business should be returned to the people, whether this be in the form of foundations, grants, scholarships, hospitals or any other form of social welfare benefits. We consider this a sound policy and a good investment which, in the long run, will pay off because it will mean more business and goodwill for the company and would minimize, if not prevent, the social unrest and disorder which are prevalent nowadays.”<sup>5</sup>

His statement explains why businesses need to do good to do good in business.

In the past years, CSR was perceived as a peripheral, an add-on or an almost apologetic activity or tactical response to potential crises. At present, it was adopted as a “best practice”, absorbed into the core functions and value systems of businesses. (See Table 2.)

An increasing emphasis on building partnerships rather than merely transferring resources, which was generally perceived as a form of charity, was noted. In recent years, on the other hand, global market demand and stakeholder expectations for business to take on a larger role in economic and social development grew, thereby forcing companies to assume as much.

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<sup>1</sup> Piso para sa Pasig is a fund drive for the rehabilitation of the polluted Pasig River, a major river system in Metro Manila.

<sup>2</sup> Enterprise Round Table, downloaded from <http://www.ilo.org/public> (may 2005)

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<sup>3</sup> Training and Development highlights. Volume 1 Issue 2

<sup>4</sup> The Lopez Group of Companies is a family-owned conglomerate with interests in broadcasting, the provision of power, real estate, etc.

<sup>5</sup> Asian Forum on Corporate Social Responsibilities 2003. Conference Proceedings. 2004

**Table 1: Evolution of CSR in the Philippines**

The Decade of Donations (1960s)	During this period, social inequity was high. Social unrest was exhibited through massive protest demonstrations. Social involvement then was uncomplicated. Companies helped ease the social problem by giving charitable institutions donations in cash and in kind. Such activities were sporadic, fragmented and uncoordinated.
The Decade of Organizations (1970s)	A number of business associations/ organizations were established to address the common concerns of the poor. These organizations were the Bishops Businessmen Conference of the Philippines (BBCP), the Associations Foundations (AF) and the Philippine Business for Social Progress (PBSP). These organizations' main challenge was the improvement of economic development in the economy .
The Decade of Involvement (1980s)	The Philippine economy continued to shrink in size with the worsening debt crisis. Many companies responded and offered services to communities. This form of assistance was also known as community relations or COMREL.COMREL improved economic conditions to by promoting peaceful business operations.
Decade of Institutionalization (1990s)	The notion of corporate citizenship emerged. It suggested that corporations must contribute to society's well-being beyond COMREL. Corporate citizenship involved policy formulation and networking.
Decade of Continuous Improvement (2000s)	Social organizations persisted in their quest to help the poor using management frameworks. For example, PBSP pushed for the participation of corporate citizens in improving access to basic services, education, credit and the development of new skills for the workforce to help them improve their lives.

Source:Gisela Velasco. Study of Corporate Philanthropy in the Philippines.1996.

**-Table 2: Corporate Responses**

<p><b>A. Resource transfer (corporate giving and philanthropy).</b> The danger of corporate giving is the creation of a dole-out situation that leaves the grantees no better-off than previously because they become dependent on resource transfer. In effect, the means undermines the ends. Major corporations have thus begun to look at corporate giving as a community or social investment. The companies have started to frame the giving in terms of its returns to the community or society, in the hope that it will have a multiplier effect.</p>
<p><b>B. Community relations (direct involvement in community-based projects).</b> This response entails the direct involvement of the company in community-based programs either by itself, in partnership with an NGO, a community association or a local government, or in coalition with other businesses.</p>
<p><b>C. Business/industry practices.</b> These practices are implemented in line with CSR as expressed in the businesses' codes of conduct. Value chain management is the manner by which best practices are viewed as standards for operating businesses. These codes of conducts are self-regulating mechanisms and vehicles for corporations to buy into industry-wide practices.</p>
<p><b>D. Business opportunity.</b> This option takes on the form of a market solution to public needs/problems; it promotes CSR as a business strategy. Its two modalities are as an alternative delivery mechanism for the public good and the privatization of public service.</p>

Source: Juan Miguel Luz. Corporate social responsibility in the global community. 2000.

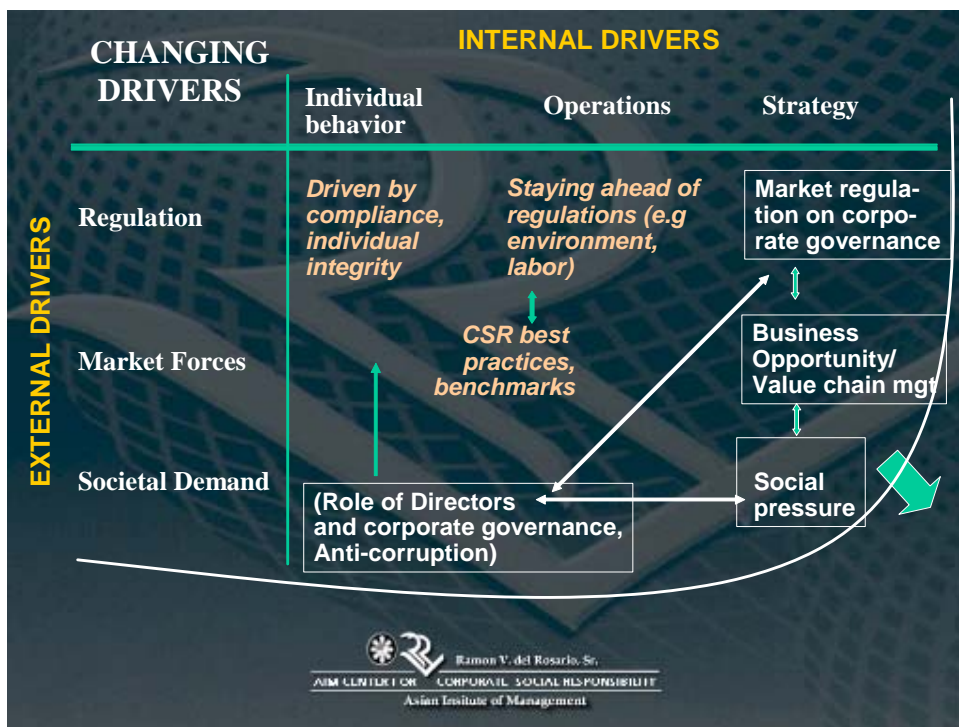
As Mr. Nobuo Tateisi, Chairman and Executive Director of Japan's Omron Corporation noted, "Corporate management around the world is facing the need for reform[...]The new round of reforms will have to be outward looking and must proceed from the public side of the corporate nature[...]Second, the reform must be global in outlook. In production, international divisions of labor are on the rise, and transnational ties of mutual interdependence are becoming increasingly close. The movement of capital, of course, now knows no national borders."

Luz (2000)<sup>6</sup> affirms such changes and notes that business realities have expanded the drivers to encompass doing things responsibly. Thus far three main external drivers have been identified:

(a) regulation and law, (b) market forces and (c) the increasing demands of society to alter behavior in certain ways. Furthermore, there are also internal drivers such as individual managerial behavior or "enlightened self interest" (Luz 2000), operational efficiency and CSR as a business strategy.

Figure 1 shows a matrix of the external and internal drivers and the resulting CSR behaviors. The matrix explains that if regulation is the principal driver, then the CSR effort is significant only up to the level of compliance: paying the mandated minimum wages, paying the right taxes, and complying with the letter of the law. However, with the entry of societal demand, CSR behavior has expanded to include the employment of CSR as a strategy.

**FIGURE 1: CHANGING DRIVERS (INTERNAL VS. EXTERNAL)**



Source: J.M. Luz. Paper presented at the APEC Young Leaders Forum. Shanghai ,China, 2001

<sup>6</sup> J.M. Luz, "Corporate Social Responsibility in the Global Community." Paper presented at the APEC Young Leaders Forum. Shanghai ,China, 2001

Luz (2000) also notes that in the past, CSR was always initially driven by external demands. Over time, however, prescient business leaders have looked to internal drivers as a way of taking control over such external factors and to be proactive in their approach to CSR.

Ms. Grace Pedragosa, Senior Officer of the Corporate Citizenship Program of the PBSP, acknowledges that the main business of business is really business. There is always the issue of returns, even in social investments. However, the best argument for such logic is that working for sustainable development allows a business to preserve the resources that it exploits, translating resources to sustainable business. According to the PBSP guidebook,<sup>7</sup> there are several premiums in implementing CSR: (1) an enhanced corporate reputation and social acceptability or boosting the corporate name and product recognition, (2) an increase in employee motivation and loyalty, and an improvement in employee commitment and loyalty, (3) improved stakeholder perception of effective leadership as relationships are built with the community officials and leaders, and (4) ensured sustainability for the company as CSR enhances customer loyalty.

Implementing CSR and tackling social problems simultaneously are easier said than done. For example, Mr. Oscar Lopez, chairman of the Lopez group of companies, pointed out that the Philippines' population doubled from 36.5 million in 1970 to 75.6 million in 2000. If this rate of population growth persists, the Philippine population may reach 150 million in 20 years. This growth translates to increased demand for life necessities such as food, clothing, shelter and education. In the 2003 Asian Forum on Corporate Social Responsibility noted that this population issue must be adequately addressed as it affects the sustainability of CSR. Mr. Lopez recommends that the issue be addressed by an inter-economy, sectoral collaboration of the government, civil society, the business sector and the church.

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<sup>7</sup> "A Guide to Strategic Corporate Giving in the Philippines." (PBSP and UNDP, 2002).

## **II. CSR ACTIVITIES IN THE PHILIPPINES**

Ms. Victoria Gachitorea, president of the League for Corporate Foundation and Ayala Foundation, Inc. defines CSR as doing business in a way that responds to the needs and concerns of the different stakeholders: shareholders, owners, employees, the customers, the community, the government and the public in general. Philippine CSR practices are generally manifested through donations or activities by a company unit or through corporate foundations' activities.

On the other hand, the PBSP, a foundation composed of hundreds of corporations, defines CSR as a business principle which proposes that the long-term sustainability of business is best served when profitability and growth are attained alongside the development of communities, the protection and sustainability of the environment, and the improvement of the people's quality of life.<sup>8</sup> This definition simply means companies' adopting ethical, social and environmentally responsible business practices.

CSR activities can be classified as external (the most known form of CSR practice) or internal expressions of CSR. The external expressions of CSR range from community-based projects like livelihood programs, to communities' supplying raw materials. In such situations, the community becomes involved in the company's supply chain. More often than not, this set-up is the sole expression of CSR in SMEs.<sup>9</sup>

According to Ms. Pedragosa, good management is an internal form of CSR: corporations serve the public by complying with the regulations of the business community. Adhering to certain codes of conduct, providing an enabling working environment and environmental housekeeping are examples of standards in business operations. Companies could then provide job opportunities for the unemployed, in effect helping implement the poverty alleviation program of the Philippines.

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<sup>8</sup> Cherry Bobadilla, "Corporate Citizenship: How Companies Can Do While Doing Well," *Business World*, 14 February 2005.

<sup>9</sup> *Ibid*



### The Filipinos' perception of CSR

In 2003, PBSP commissioned the Social Weather Station (SWS) to determine the Filipinos' attitude, insights and opinions on CSR and corporate citizenship. According to the survey, one out of every ten Filipinos is aware of the term CSR, with knowledge of the concept higher in the National Capital Region (NCR) and among the upper classes, than elsewhere. But awareness across genders and age groups is similar throughout the economy. The public views CSR as an obligation to help people, the community and the nation as a whole. Private corporations are perceived across all areas, classes, genders and age groups to have "obligations" to fulfill where their employees, the environment and communities in need are concerned. The survey further revealed that the public has generally prelisted four initiatives that private corporations could do voluntarily:

1. increase the wages of employees alongside increases in the price of basic commodities
2. spend for the cleaning or restoration of the environment
3. send volunteers from the corporation to the community to help in tree planting, the construction of houses and the education of the out-of-school youth
4. give substantial donations to the poor or communities in need

Against such perceptions, the survey compared the answers pertaining to what the public's main consideration is in buying a product or service. Quality tops the criteria at 57%, followed by price at 32%. The reputation of the company garnered 7%, while the rest of the purchases were influenced by the recommendations of a trusted person. The last finding suggests the need for a strategic communications program.

### Types and forms of assistance

The 1999 survey of the PBSP showed that 93% of the respondents had existing programs on Corporate Giving. The dominant practice was to give in cash (90%), followed by in-kind giving and sponsorship of a cause. Some companies combined these various practices. (See Table 3.)

The PBSP observed that companies with employees numbering at least a thousand involved their employees in their giving practices. Moreover, employee involvement in social development efforts is becoming more common, as evidenced in the formation of clubs and groups among employee volunteers.

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**Table 3: Corporate Giving Practices**

	% companies with practice in place and effective	% companies with practice in place but in need of improvement	% companies with expressed interest in the practice
Cash donations	77	13	1
In-kind giving	65	11	3
Sponsorship of causes	47	11	4
Employee Giving	43	15	5
Company matching of employee giving	27	13	5
Employee Volunteering	29	11	16
Fundraising from other sources outside of the company	11	11	20

*Source: The Heart of Business. Profiles in Cooperate Social Responsibilities Volume 2. PBSP, 2000*

## Volunteerism

Volunteerism is CSR at its simplest. Implementing CSR need not necessarily involve large donations or contributions as the success of CSR activities is measured in terms of the gains achieved by the participants. Volunteerism, defined as extending personal services without either compulsion or monetary compensation, is perceived as a tool for development such that in recognition its importance, the Philippine government created the Philippine National

Service Committee in 1964 through Executive Order No. 134. Then in 1980, the said committee evolved into the Philippine National Volunteer Service and Coordinating Agency.<sup>10</sup> The Philippines also celebrates every fifth of December as the International Volunteer Day for Economic and Social Development.<sup>11</sup> One example is Meralco's training program, described in Case Study 1.

### Case Study 1: Volunteerism in Meralco

Meralco is the Philippines' largest distributor of electricity, serving over four million customers in 23 cities and 88 municipalities, including the economy's prime business districts and top corporations. It established its corporate foundation called the Meralco Foundation, Inc. through which it aims to uplift the social and economic status of the Filipino through education and training, with emphasis on values internalization, the development and application of appropriate technologies, and the formation of sustainable enterprises. With this mission, MFI gives technical skills training in Meralco Foundation Institute at Ortigas to an estimated 650 scholars, while in family farm schools in Jalajala (Rizal), Balete (Batangas), and Bais City (Negros Oriental) the scholars number 275.

Meralco is also committed to uplift the community. It is involved in many different CSR programs such as the upgrading of secondary schools, the provision of assistance to technicians' education, and different scholarships. One simple example of a low-input, high-output CSR activity is its computer literacy program.

In 2001, Meralco launched a project that donates free computers to public schools and provides free training for public school teachers on basic computer literacy within Meralco's franchise areas. The "Teacher Volunteers" are from among the regular staff pool of Meralco. They are generally young to middle-aged professionals who sacrifice their day off from work to train the public school teachers on basic computer programs such as, Windows, Excel, and the use of the Internet. These courses enable the teachers to use the donated computers. Trainings are held on Saturdays (the non-working day of the volunteers) at the Meralco compound, where the teachers are allowed to use all facilities of the building and are provided with transportation, allowance, food and handouts.

Since its launch in 2001, the project has helped 392 public school teachers from eight public schools. The program has also benefited the Meralco staff volunteers who felt a sense of fulfillment and learned the value of CSR upon joining the program.

*Source: A Not So Ordinary Day Off. Training and Development Highlights. Vol1 Issue2. 2004*

<sup>10</sup> PNSCA is the government agency in charge of promoting and coordinating all volunteer service matters in the Philippines. It was created as a committee in 1964 to concretize the adoption of volunteerism as a tool for socio-economic development.

<sup>11</sup> "A Guide to Strategic Corporate Giving in the Philippines." (PBSP and UNDP, 2002).

PBSP<sup>12</sup> noted a perpetual challenge in promoting volunteerism in companies: the lack of a policy regarding volunteerism itself because of the pervading assumption that it is for free or “gratis.” The mindset in Philippine civil society, for example, is that volunteerism is a cost-free commitment to a cause. One reassuring factor for society is that majority of the corporations are willing to directly implement corporate citizenship initiatives.

In 2000, the AmCham Foundation and PBSP conducted an exploratory survey in the Philippines on the prevalence of employee involvement in CSR practices of their respective firms. The study yielded a 22% response rate and showed that corporate volunteerism in the Philippines is strong and present from the SMEs on to the large corporations. Filipino employees share their time, skills and resources (cash and in kind) in volunteer work.

However, the volunteerism efforts are described as sporadic and seasonal. One out of every two companies conduct at least one outreach program in three years and then explain that they could have done more if there were more time.

The study also showed that a formal written policy is not a consideration for such volunteer activities. Employees expressed their willingness to engage in such activities even in the absence of policy.

Corporate foundations have notably been developing and promoting employee volunteering within their own member corporations. The movement for individual volunteering via the growth of the civil society sectors and the entry of United Way<sup>13</sup> and Hands on Manila<sup>14</sup> has been growing.

### CSR beneficiaries in the Philippines

In 1995, the PBSP reported that the education sector was the largest recipient of corporate giving from 1992 to 1994. Other top recipients include disaster relief and rehabilitation, health, livelihood and economic development. (See Table 4.)

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**Table 4: Beneficiaries of Corporate Citizenship**

Year	1992	1993	1994
Sector receiving most assistance (% of Total)	Education (18%)	Education (18%)	Education (18%)
	Disaster and Rehabilitation (18%)	Health (19%)	Livelihood and Economic Development (16%)
	Civic and Community Affairs (11%)	Disaster Relief and Rehabilitation (10%)	Health (11%)

Source: PBSP, <http://www.asianphilanthropy.org/countries/Philippines/overview.html>. Downloaded May 2005

<sup>12</sup> EBCR Philippine Country Report. The Role of Volunteer in Promoting Global Corporate Citizenship. PBSP. 2003

<sup>13</sup> Hands Way is a type of volunteer group established in the Philippines

<sup>14</sup> Hands on Manila was established in August 2001. It brings to the Philippines and Asia Pacific region an innovative and flexible model of volunteer service that allows for volunteering to be integrated into daily schedules of busy individuals in Manila.

After several years, the AIM-RVR 2001 reported that education still tops the list of beneficiaries with almost one-fourth (or 23%) of the total giving from Philippine-based firms.

(See Table 5.) Other notable benefactors are social services and original support.

**Table 5: Corporate Giving (Cash and In-Kind Donations)**

	Total Giving		Cash Donations		In-Kind Donations	
	PhP	%	PhP	%	PhP	%
Education	<b>61,764,603</b>	<b>23</b>	<b>45,909,697</b>	<b>24</b>	14,716,187	26
Social Services	35,815,196	13	9,223,250	5	<b>25,149,946</b>	<b>45</b>
Organizational Support	30,117,736	11	28,082,527	14	344,404	1
Health	27,173,050	10	17,120,517	9	8,210,685	15
Support for Government Program	22,192,984	8	16,667,894	9	1,325,000	2
Livelihood/Community Credit	15,564,497	6	13,027,077	7	1,425,000	3
Environment	13,610,116	5	10,133,200	5	1,903,916	3
Others	61,789,869	23	54,562,355	28	3,299,610	6
<b>Total</b>	<b>268,028,051</b>		<b>194,726,517</b>		<b>56,374,748</b>	

Source: RVR AIM, 2001

Given such trends, it is not surprising to know that the main channels of companies are the

schools and educational institutions. (See Table 6.)

**Table 6: Major Channels of Companies' Corporate Giving**

	Number of Companies	% Total
Schools and Education	42	18
Foundations	38	16
Trade, Civic, Professional Original	33	14
Others	121	52
<b>Total</b>	<b>234</b>	<b>100</b>

Source: RVR AIM, 2001

### Expansion of corporate giving programs

One well-known CSR program on education is the "Adopt-a-School Program" of the Department of Education (DepED). (See Case Study 2.) This case study shows how a common CSR objective binds organizations.

The AIM-RVR survey also indicated that 56% of the respondents had no plans of expanding their corporate giving, while 44% planned to expand their areas of assistance to encompass the environment, education and health services. (See Table 7.) The area of environment is projected to have a number of CSR activities in the future.

**Table 7: Expansion of Corporate Giving**

	<b>Number of Response</b>	<b>% Total Responses</b>
Environment	19	16
Education	16	13
Health	15	13
Social Services	11	9
Civic & Community Affairs	10	8
Others	48	41
Total	119	100

*Source: AIM-RVR, 2001*

### **Case Study 2: Adopt-a-School Program of the Department of Education (DepED)**

In the 1970s, the Philippines was ranked one of the most schooled nations in Asia. However, the school system socially appeared regressive. At the start of 2000, critiques pronounced the existence of a crisis in Philippine education. From 2001-2003, the teacher-to-pupil ratio remained at 1:36, with enrollment increasing by 0.1 million per year. Despite education's receiving the biggest budget, the economy fell short in delivering quality education due to the lack of school equipment and supplies. Moreover, the budget could not compete with the growing population of students.

In 1998, through Republic Act 8525, the Adopt-a-School Program was launched as an anti-poverty program that would provide opportunities for the private sector groups to partner with the government through the DepED in providing assistance to the upgrade and modernization of public elementary and high school education. The private partners could adopt a school anywhere in the Philippines and help provide for the basic needs of students in that school. The schools available for adoption are prioritized in terms of severity of need and the number of high-performing students. An incentive for the private organization was tax deduction from its gross income for all the expenses incurred for the Program. In addition, a tax exemption provision was being worked out by the DepED in coordination with the Department of Finance. The donors are also included in all the publicity campaigns of the program. Since its implementation, over 20 companies have joined the program.

Source: Philippine Free Press. 22 December 2001 supplement

For example, the Boyongan exploration of Silangan Mindanao Exploration Company (SMEC) in Surigao del Norte proved how necessary CSR activities are in doing business even in a harsh environment. The case study on the exploration shows why CSR involvement via the protection of the environment is expanding. (See Case Study 3.)

Upon the implementation of CSR, SMEC enhanced its reputation by being awarded the Presidential Mineral Industry Achievement Award for outstanding levels of dedication,

initiative and innovation in the pursuit of excellence in environmental management in 2002. From the experience of SMEC, it can be deduced that taking on social responsibility requires a specified objective, an operational definition to guide planning and determine success. SMEC understood that the growing expectations of stakeholders with regard to how companies should manage their social, environmental and economic impacts.<sup>15</sup>

Case Study 3: Silangan Mindanao Exploration Company (SMEC), Boyongan exploration

The Department of Environment and Natural Resources (DENR) through its Mines and Geoscience Bureau identified mining corporations that conducted business activities in a socially responsible manner. One of the CSR companies named was Silangan Mindanao Exploration Company (SMEC), Boyongan exploration (Surigao del Norte).

A number of mining accidents had happened in the province of Surigao. For example, September 1995, twelve people were buried in a waste pond in Placer, while in November 1995 a coal mine explosion took the lives of 13 workers in Bislig (another town in Surigao). Ever since these accidents, mining companies began to face opposition from the local community and government units, and from other NGOs in the area.

In 1999, the Silangan Mindanao Exploration Company was issued a permit for the exploration of copper and gold in Tubod, Surigao del Norte. The exploration activity consisted of geological mapping, geo-chemical surveys, geophysical surveys and drilling. Due to the past mining experience of the local community, the said community, headed by the parish priest, worked on the cancellation of the permit. Tubod community is largely an agricultural community with 2000 households.

However, SMEC's permit was never cancelled. Since 1999 when the exploration started, the SMEC demonstrated sound environmental management practices and social development initiatives that obtained the trust and confidence of the community. SMEC formulated its own corporate, social and environmental objectives in four key areas: the environment, economics, governance and social concerns. See Appendix 2.

Changing the public mindset was difficult. It required identifying the key issues and creating a Community Technical Working Group (CTWG). The CTWG, a multi-partite monitoring team composed of the civil society groups, local government units, and the company, explored on effective critical involvement and collaboration strategies in the achievement of a self-reliant community by applying management and community-based resources in harmony with environmental protection and rehabilitation. See Appendix 2

Through the CTWG, the company administered an integrated assistance program to empower the local community. The company was able to support the residents' anti-mining sentiments and develop a fair compensation system for land disturbance and rehabilitation facilities.

Source: Colin Legarde Hubo. Profiles of the Corporate Social Responsibility (CSR) Practices of Philippine Mining Firms. Mines and Geosciences Bureau.2003

### III. ASSESSING THE CSR ACTIVITIES

#### Corporate giving

In 1999, corporate giving reached Php268 million, despite the involvement of only 63 companies. From 2002 to 2004, the consolidated social investment of 20 companies<sup>16</sup> amounted to Php2.6 billion.<sup>17</sup> Over half of this amount came from the combined commitment of PBSP's members (31%) and the Mirant Foundation (34%). The remaining balance corresponded to the commitment of the members of the League of Corporate Foundations. The increase in giving from 2002 to 2004 is seen as significant given that from 1992 to 1994, corporate giving amounted to around Php200 to 300 million per a PBSP survey. (See Table 8.).

Even though the amount is significant, it also suggests that the practice of CSR is part of the corporate culture of only a fraction of the business community. The need to propagate CSR in the economy is apparent.

#### CSR, despite the economic downturn

In the fourth quarter of 1998, as a result of the Asian financial crisis, the Philippine Gross Domestic Product dropped by 1.2%. Some 4.5 million were jobless. Philippine business began reducing perks, retrenching people and

stopped hiring in order to stay afloat.

Economist Milton Friedman said that the business of business is to generate profit and not to solve social economic problems. However, business is a fundamental part of society and does not operate in a vacuum. Profits and the stability of a company are affected by the social, economic and environmental factors defining the market and the context within which it operates.<sup>18</sup>

The PBSP noted that some companies do continue their commitment to CSR activities despite economic downturns because they recognize the importance of CSR especially during times of financial difficulty. The Mindanao Development Bank and Pilipinas Kao, Incorporated are examples of such companies, as shown by Case Study 4 and Case Study 5, respectively.

These two cases show that corporate citizenship could be further developed in the economy if only corporations instilled the ultimate value of investing in concerns that are not after the traditional "bottom lines." Furthermore, the AIM-RVR survey indicated that the desire to respond to national issues was considered the most influential motivating factor in corporate giving. (See Table 9.) This result reveals that the CSR behavior in the economy is generally drove by external rather than internal forces (i.e CEOs vision).

**Table 8: Trends in Corporate Giving**

Year	1992	1993	1994
Company respondents	111	106	92
Total Amounts Reported*	PhP 295,001,759	309,219,003	315,431,125
	US\$ 12.35 M	12.81 M	13.14 M
Calculated Amount per Company	PhP 2,657,674	PhP 2,917,160	PhP 3,428,599
	US\$ 110,736	US\$ 121,548	US\$ 142,858
Percent Changes		9.76	17.53

Source: PBSP, <http://www.asianphilanthropy.org/countries/Philippines/overview.html>

Note: \*1USD:PhP 24 in 1992 to 1994

<sup>16</sup> Social investments consist of strategic contributions, direct corporate-community partnerships and other similar initiatives.

<sup>17</sup> Downloaded from [http://www.pbsp.org.ph/mdg\\_local\\_context.htm](http://www.pbsp.org.ph/mdg_local_context.htm) (July 2005)

<sup>18</sup> downloaded from <http://www.synergos.org/globalphilanthropy> (July 2005)

**Case Study 4: Pilipinas Kao, Inc. (PKI)**

PKI manufactures a wide range of oleochemicals, the base material used for manufacturing cosmetics, shampoos, toothpaste and food additives. Since 1997, the company has incurred substantial losses due to the steadily increase of the price of coconut oil. The company launched various ways of optimizing operations to decrease operating cost. Employees were asked for suggestions on how to effectively bring down cost. The company became more transparent to the employees with regard to the bottom line (production volume, sales and even net profit). Thereafter, everybody contributed his share. Further, despite the company's cost reduction efforts, Mr. Philip Dael, the group manager for Administration, Human Resources and Finance of Pilipinas Kao, said that PKI did not reduce the budget for community and school projects as company losses were not deemed a reason for the commitment to stop. PKI's CSR project is focused on education, particularly the Adopt-a-School Program involving a national high school. It also has contributed to a scholarship program and for the maintenance of professorial chairs.

Source: "Community partnerships and actors in development," PBSP Compact, Vol 3, No. 2 (1998 September)

**Case Study 5: The Mindanao Development Bank (MDB)**

The MDB continued to fund social and economic development projects amidst the economy's economic crisis. The MDB branch of Valencia Bukidnon had been funding farmers' agricultural programs since 1980. Over time, the farmers became successful and the Bank grew with the farmers' success.

Now, although the farmers are hard hit by the El Niño, and their cash flows have been badly affected, the bank has not abandoned them. Credit arrangements, flexible dealings, and other financial concerns are accommodated.

Source: "Community partnership and actors in development," PBSP Compact, Vol. 3, No. 2 (1998 September)

**Table 9: Motivations for Corporate Giving**

	<b>Number of Responses</b>	<b>% to Total</b>
Response to National Issues	20	34
Geographic presence	19	32
CEOs Vision	18	30
Response to National Emergency	15	25
Target Consumers (as beneficiaries)	11	18
Others (i.e public image, walk-in, tax exemption)	18	30

Source: RVR-AIM 2001

**Measuring the gains from CSR**

According to Unilever, many businesses use profits as to measure the effectiveness of their CSR activities and policies. In Unilever, CSR's success is measured using the company's business excellence framework on how a business should be run. Identified as an excellent

business criterion is impact on society. "We cannot just continue operating getting all results [generating profits] but a failure on the impact [ non contributor to / practitioner of ] on social responsibility. People won't trust you after all," declared Mr. Ramon Macapagal, Unilever (Philippines) General Manager for Corporate Development.



The PBSP has helped several companies in measuring their CSR performance by developing benchmarking tools to help these companies “assess their internal practices against a set of standard indicators to determine areas of competitiveness and areas for improvement.” (See Appendix 3.)

#### IV. APPROACHES AND STRATEGIES IN THE PROMOTION OF CSR

##### Types of CSR collaboration

According to James Austin (2000),<sup>19</sup> there are three stages in the collaboration between corporations and nonprofit organizations: the philanthropic stage, the transactional stage and the integrative stage. The philanthropic stage is the simplest and most common form of partnership. It exemplifies the donor-recipient relationship between the corporation and the nonprofit organization. In the transactional stage, on the other hand, the partners are more significantly involved. They pool their resources in sponsoring an event, for example. Lastly, these alliances are institutionalized with a synchronized mission, values, people and activities within the organization. The partnership is classified in the integrative stage.

The RVR Center for Corporate Responsibility yearly awards organizations for their exemplary CSR practice in four areas: education, the environment, poverty alleviation and CSR policies. Yearly, the center receives nominees from different economies in Asia, namely, Malaysia, Singapore, Indonesia Japan, India, The Philippines and Hong Kong, China for the awards. The 2003 and 2004 nominations were used to assess the level of CSR collaboration in the Philippines. The evaluation showed that the three types of collaboration are indeed present in Philippine CSR practices.

Almost the same number of nominees came from the Philippines in 2003 and 2004. The bulk of these nominees came from the manufacturing and utility sectors. The nominees were evaluated on the type of collaborations. (See Tables 10 and 11.)

**Table 10: Types of CSR Collaboration (2003)**

Areas of 2003 ARCSR Philippine Nominees	Type of collaboration						Industry			
	I	%	II	%	III	%	A	B	C	TTL
Education	10	42	11	46	3	12	8	8	8	24
Environmental Excellence	6	46	2	15	5	39	7	3	3	13
Poverty Alleviation	6	46	4	31	3	23	9	1	3	13
Best CSR Policies	4	40	3	30	3	30	6	3	1	10
Total	26		20		14		30	15	15	60
% to total nominations	43.3		33.3		23.3		50.0	25.0	25.0	100

Source: AIM RVR Center 2004

<sup>19</sup> James Austin, *The Collaboration Challenge*, Harvard Business School, 2000.

**Table 11: Types of CSR Collaboration (2004)**

Areas of 2004 ARCSR Philippine Nominees	Type of collaboration						Industry			
	I	%	II	%	III	%	A	B	C	TT L
Education	12	55	9	41	1	4	9	5	8	22
Environmental Excellence	9	82	1	9	1	9	7	1	3	11
Poverty Alleviation	12	55	9	41	1	4	11	8	3	22
Best CSR Policies	7	100	0	0.0	0	0.0	4	3	0	7
Total	40		19		3		31	17	14	62
% to total nominations	65		30		5		0.50	0.27	.23	100

Source: AIM RVR Center 2005

Legend

- I - Philanthropic Stage
- II - Transactional Stage
- III - Integrative Stage

- A- Manufacturing and Utility Companies
- B- Service Companies
- C- Foundation and Nonprofit Organizations

Although, collaboration generally falls under type 1 or the philanthropic stage (between 43% and 65%), efforts were also evident in the higher types of collaboration like education and the environment in 2003, and education and poverty alleviation in 2004. The type of collaboration generally depends on the scope of the CSR

program implemented by the nominated organization. The best CSR policies are generally focused on internal types of CSR and usually pertain to the basic type of collaboration. Furthermore, the PBSP noted several factors affecting business relationships across communities. (See Table 12.)

**Table 12: Factors that affect Business Community Relationship**

Bottom Line	Business	Community	Government
Financial	Longer-term interest translates to a willingness to deepen the engagement	Impact on community income flow  Self-reliant communities are less costly to engage with	The LGU are mandated to serve the community Competing projects  Business is "profit hungry"
Social	Reputation management  Top and middle management support vs. company policy	Changes to community life  Leadership and community readiness  Capacity-Building	Mandate  Developmental leader-personal vs. policy  Consolidation between LGUs and national government
Environmental	Regulations  Competitiveness issues  Allows medium to long-term planning including that for expansion activities		

Source: Enhancing Business Community Relations, PBSP, 2003, page 70

## **Roles of multi-sectoral groups**

The promotion and implementation of CSR involves multi-sectoral groups. Collaborations and partnerships between the private sector and the government, with civil society organizations/non-government organizations and with other private organizations are necessary to address the economy's social ills. As Mr. Lopez<sup>20</sup> noted, social problems, whose scope may be regional or even global, usually require public policy and implementation. Their features and widespread negative effects, may sometimes result to emotionalism and disagreements. Patience, dialogues, and the application of management expertise are needed to bear these social issues.

### **A. Government**

Government has an increasingly crucial role to play in shaping markets through incentives. "To encourage companies to start their own CSR programs" is one of the main objectives of the corporate citizenship program of the Philippine government's governance portfolio. The program is geared toward improving public understanding of globalization and corporate citizenship and their issues, and developing capacities to manage globalization's impact on citizenship development. The portfolio is composed of other programs over 2002 to 2004, namely reforms on electoral, judicial, anti-corruption,

economic management and civil service, right to development, globalization, decentralization and local governance, and a governance review.<sup>21</sup>

Since the government is mandated to serve the community and improve its economic situation, it thus promotes the practice of CSR. It has to address generally issues policies and regulations to encourage CSR activities in businesses by searching for partners in the delivery of its developmental programs. The government should recognize its responsibility to initiate and provide a friendly political climate through appropriate policies and practices. It could specifically help organizations, especially CSR practitioners in the private sectors, pinpoint the gaps where help is needed for the promotion of CSR. By doing so, the government become fiscalizers and capacity builders in the advocacy and integration of government plans.

In the Philippines, companies that want to implement CSR activities have had to engage with government in developmental programs, as the local and national governments are responsible for designing projects and programs that focus on special interest groups. Case studies on the Little Red Schools and the Davao City's lighting project are good examples. (See Case Studies 6 and 7.)

### **Case Study 6: The Little Red School House**

In the year 2004, the Philippine economy had a debt of P3.36 trillion. Some 42.6 % of total revenue was spent on debt service. Spending on infrastructure slid from P96.5 billion in 1999 to P49.77 billion in 2003, while spending on health and education went down from 3.4 % of GDP in 1999 to 2.8 % of GDP in 2003.

The Little Red School House was a project undertaken by Coca-Cola Foundation in partnership with the Department of Education (DepED), and the Philippine Business for Social Progress (PBSP). The three entities' common mission is to provide complete, quality elementary education to children in remote, underserved rural areas. Key project components included the construction of three-classroom schoolhouses, improving the skills of multi-grade teachers, and building the capabilities of parent-teacher-community associations.

The Coca-Cola Foundation has contributed to the project through funds, a network of associates, and other facilities, whereas the PBSP has provided expertise in community organizing and school construction supervision. The Department of Education has played its part by providing land, teachers, and the expertise needed for multi-grade schooling.

<sup>20</sup> *Ibid* 2003 AFCSR Conference Proceedings

downloaded June 2005

*continuation.....*

#### **Achievements of the Little Red Schoolhouse**

- 55 'three-classroom' schoolhouses.
- Beneficiaries include over 10,000 schoolchildren, 300 teachers, school supervisors, and 2,000 parents.
- Close to 500,000 children and 12,000 teachers have benefited indirectly from echo training and improved supervision.

The impact of the project in terms of output has been a decrease in the number of dropout and an increase in enrollment and the number of motivated and better-skilled teachers. There has also been an increase in the number of more actively involved parents, assistance from LGUs, and improved school facilities.

*Source: 2004 Asian Forum on CSR, AIM-RVR Conference Proceedings 2005*

#### **Case Study 7 : Davao Light et Power Company**

The street lighting Program, a novel partnership between the Davao Light et Power Company (DLPC) and the City Government of Davao, is aimed at decreasing the level of criminality and projecting a secure and world-class city. The city was solely responsible for the installation, distribution, maintenance and repair of the streetlights, including the assessment of which communities were in most need of light. The company, in turn, donated sodium bulbs and assemblies and other equipment that the city government needed to implement the program. It also provided technical assistance through employee volunteers and casual staff.

The DLPC is a power distribution company exclusively serving Davao City and the other municipalities of the Davao province. It is a subsidiary of the wholly Filipino-owned Aboitiz Group of companies and it is the third largest privately-owned utility in the economy.

Davao City, known as the largest city in the world in terms of land area (2,440 sqm), has a diverse topography ranging from an urban cityscape to mountains and forests. With 180 barangays (or villages), it has 1.2 million people and a population density of 491 persons per square meter.

The reputation of the city has been marred by the general image of Southern Philippines as consisting of insurgents and lawless elements. The city government of Davao was affected by this image to such an extent that revenues did not match the potential of the whole city. The small budget obtained from the meager income of the city was never enough to address all issues relating to peace and order.

A brainstorming session of the Davao government and the DLPC yielded the street lighting project after which implementation, true enough, the crime rate in pilot areas decreased significantly. For example Barangay 22C Piapi had a reputation for being one of the worst barangays in the City. However, in the first month of lighting installation alone, the crime rate in the barangay went down by 10 percent monthly on the average.

On the other hand, the company obtained a return on its investment in that payments by the city to the utility reached a high of Php12 million per month in 1998. The government also recovered additional costs from the increase in taxes it collected from new businesses that sprung in the lighted areas.

Following the success of the project, street lighting became an integral part of the rural electrification program of the DLPC.

*Source: Enhancing Business and Community Relations. The Role of Volunteer in promoting Global Corporate Citizenship 2003 .UN*

Ms. Cecile Alcantara, President of the Coca-Cola Foundation Philippines, Incorporated emphasized in her speech at the 2004 Asian CSR Forum that a partnership forged through CSR is a way of addressing gaps in social investment/community involvement with the common objective of fostering the greater good without any direct profit to the corporation. She spoke of the importance of having a clear and transparent agenda in order for each partner to contribute according to its resources and competencies. She said, "Respect for government protocol is essential but it is important that the company sees its vision for the project through active involvement rather than mere grant-making. In partnering with government, it is important to build relationships with local officials as well as top officials. It must be made clear from the start that project sustainability would be the responsibility of government and the beneficiaries and that the corporation can and will help to build this capability."<sup>22</sup>

### **Government tax incentives**

To promote investment in CSR, the Philippine government's tax code provides for CSR related incentives to corporations. (See Appendix 4.) These incentives include the granting of the following:

- Under Section 29: Limited or full deductibility of contributions or gifts for income tax purposes
- Under Section 80d: Exemption from the estate tax
- Under Section 94 (a) (3): Exemption from the donor's tax

The Philippine is reportedly one of the few legal systems in Asia that recognizes the importance of NGOs and other non-profit organizations in nation-building.<sup>23</sup> The PBSP, for its part, has

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<sup>22</sup> Cecile Alcantara, "Why Private-Public Partnership Is Necessary and How to Make It Work?" 2004 Asian Forum on CSR. AIM-RVR Conference Proceedings, 2005

<sup>23</sup> David Baron, *Business and Its Environment*, 3<sup>rd</sup> ed. (New Jersey: Prentice Hall, Inc., 2000).

emphasized that the economy's constitutional mandate has paved the way for the creation of a "social demand" for corporate giving in the economy. Amidst such a positive environment, many NGOs and people's organizations have formed fruitful partnerships with the corporate sector.

The PBSP also highlighted some tax reforms relating to the promotion of CSR:

- Extension of tax incentives to individual donors to compensate individual earners and prompting personal involvement in the promotion of the welfare of society.
- The promotion of intangible and innovative modes of corporate giving. Tax laws could provide for incentives for corporate giving in the form of service, skills, and technology but a mechanism has yet to be developed in the evaluation of employee-volunteer efforts.
- Other promotion of innovative methods of corporate giving or corporate initiatives, specifically pertaining to improvement in the workplace.

Indeed, incentives are useful but they could also create an environment that delimits voluntary action. The PBSP economy report of 2003 noted that incentives per se could not convince companies to conduct CSR because to begin with, incentives are tied up with other laws, such as the Clean Air Act of 1999 (Republic Act 8749) and the agriculture and fisheries Modernization Act (Republic Act 8435). Therefore, the main objectives are not geared towards improving CSR activities. The report also noted that different industries and sectors have different requirements depending on the Board of Investment's (BOI) policy and the regulatory framework pertaining to the concerned sector.<sup>24</sup>

Furthermore, despite this mandate and incentives, the PBSP noted how the government still lacked a definition of its CSR agenda. For

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<sup>24</sup> *Ibid* EBCR Philippine County Report.

example, in a roundtable discussion organized by the PBSP (2000), the government should formulate policies that would encourage SMEs CSR in Local Government Units

The passage of the Local Government Code in 1991 (RA 7160) decentralized powers, authority, responsibilities and resources to local government units (LGUs). It placed LGUs in a strategic position that allowed them to promote corporate social responsibility as an innovative tool for good governance. RA 7160 mandated LGUs to increase their efforts to remind businesses to comply with laws and observe responsible practices. A partnership in enhancing CSR practices between the LGUs and private corporations was highly encouraged. The skills, expertise, and resources of both LGUs are complementary, thereby making CSR an imperative for both sectors. As for LGUs, the partnership will expose them to corporate best practices and learning which will enhance their ability to effectively address their locality's development needs and priorities.

A PBSP study revealed that many LGUs lack awareness and an appreciation of the CSR concept. Many LGUs regard the business sector and its defined communities as either donors or beneficiaries of community projects. On the other hand, companies poured more of their resources to social investments (giving cash and in kind) rather than to their LGU partners.<sup>25</sup>

## **B. CSOs and NGOs**

NGOs are intermediate agencies and institutions that tend to operate with a full-time staff complement. They provide a wide range of services to primary organizations. In the Philippines, nonprofit organizations have distinct characteristics: advocacy and a lobbying component, and the existence of nonprofit categories in professional organizations.

The Philippines is considered to have one of the most liberal and open legal and policy environments in Asia. Since 1986, it had a fairly

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<sup>25</sup> PBSP survey of nine LGUs in Metro Manila in terms of CSR practices of corporations with LGUs.

open policy environment, with lobbying taking place in the national and local governments, and at the executive and legislative branches. Furthermore, the density of civil society in the economy is high. It is estimated that the Philippines entire nonprofit sector may range from 60,000 to 96,000 registered nonprofit, non-stock organizations. CSOs could account for an entire range including non-state, nonprofit organizations and groups, including socio-civic organizations, academia, media, religious groups, development non-governmental organizations, cooperatives and people's organizations. Around 90% of these organizations are grant-dependent.

The CSOs' were originally watchdogs of government performance. Today, many NGOs in the Philippines are involved in the delivery of various public services like health, education, microenterprises and cooperatives development. However, the nation still recognizes the need for a strong civil society.

## **C. Private organizations**

The PBSP, AIM-RVR, the League of Corporate Foundations, and other CSR consortium likewise promote corporate citizenship in the business community. In addition, the Philippines has 100 corporate foundations and over 6,000 registered NGOs that assist and provide venues for sharing the experiences and opportunities of companies for joint practices and resource-sharing.

**The Philippine Business for Social Progress (PBSP).** The PBSP is a corporate-led foundation. It was established in 1970 by the economy's business leaders as an expression of their corporate citizenship. After starting out with 50 company members, its membership has grown to 196. The foundation promotes and advances its corporate citizenship agenda through its Center for Corporate Citizenship which is mandated to advocate and enrich the discourse to promote corporate citizenship practice, develop and test leading edge corporate citizenship models, and disseminate and popularize corporate citizenship tools,

publications, studies, and training programs to the wider business community.

The PBSP designed a framework to help managers develop and implement strategic, effective, and sustainable corporate citizenship. This framework hinges on the following criteria: leadership, policy, program systems, and measuring and reporting. (See Appendix 3) The organization is involved in different projects such as the “LGUs as Enablers” program and the “Strategic Private Sector Partnership for Urban Property (SET-UP) Reduction” program in Metro Manila. (See Appendix 5.)

The PBSP is considered the largest grant-making business organization in the Philippines. Since its inception, it has mobilized and invested over Php5 billion in social development programs from its members and funds from the Office of Development Assistance (ODA).

**The Ramon V. del Rosario Center for Corporate Responsibility (RVR Center).** The RVR Center is a research and program center within the Asian Institute of Management (AIM). The Center believes that only when corporate social responsibility can be structured as a business model and regarded as fundamental to strategy and general management can CSR be sustainable. The Center is engaged in case writing and research, program development, and executive education and training. It also sponsors various lecture series and annually hosts the Asian Forum on Corporate Social Responsibility in different parts of Asia where pressing and relevant CSR issues are presented and discussed. The Center also offers consultancy services on corporate responsibility to corporations throughout Asia.

**The League of Corporate Foundations (LCF).** The LCF is a network of 58 corporate foundations and corporations doing social development work in the Philippines. It is guided by its vision to be the driving force in the formation of a highly committed business sector working effectively with communities and partner institutions toward the attainment of

equitable and sustainable development. Its mission is to harness the resources and strengthen the commitment of corporate foundations and their principals in the pursuit of national development goals through greater CSR. LCF’s programs fall under five major areas of interest that include education, health, enterprise development, environment and youth development.

#### **Corporate Network for Disaster Response (CNDR).**

The Corporate Network for Disaster Response in the Philippines is a coalition of some 30 business organizations and foundations that institutionalize disaster response mechanisms in 1990. CNDR is now a network of more than 50 corporations, corporate foundations and business associations that span the Philippines. Its latest project, Bayanihan, aims to organize government agencies, academe, NGOs, corporations and local government into an effective network that will optimize resources for sustainable disaster prevention, mitigation and preparedness. It also aims to establish effective communications that will allow the timely flow of information.

### **V. CONCLUSIONS AND CHALLENGES**

CSR is not “alien” to the Philippines as it is rooted in its culture (i.e., the bayanihan concept). The economy’s poor economic conditions further emphasize the need for corporations to practice CSR activities, and act as the driving force in the implementation of CSR activities.

Globalization has shown that organizations cannot operate in isolation. Rather, they should be conscious of each other and should extend aid when needed. Such a stance may bring about stability to the nation and redound positively for the corporation—the multiplier effect. Companies now recognize that long-term success lies in the ability to contribute actively to the well-being of society.

So how can CSR in the Philippines be made sustainable? Although the statistics on corporate

giving appear positive, efforts thus far exerted are still not enough. There are simply too many problems in the economy. The marginalized sector constitutes the largest segment of the population, so additional support mechanisms are needed to sustain the efforts of companies. They should not give up the fight.

One idea to sustain such efforts entails making the poor partners in the quest for economic growth. As PBSP pointed out, the poor should no longer be the objects of benevolence, but must have an equal take on growth and development. Businesses can be a key factor in bringing the segment to the mainstream of society as contributors and consumers in the marketplace. The corporations' CSR activities should provide options that will help attain and sustain the economic well-being of the community.

Another idea presented is that CSR can be made sustainable if it were structured.<sup>26</sup> By identifying the role of the business community relative to other organizations—NGOs, government and other private organizations—CSR efforts can be made proactive. Integrative efforts are also needed given the size of the economy's social problems which raise two main challenges; how to optimize CSR collaboration and how to integrate CSR in a daily operations of a company and make it part of the entity's business strategy.

In Philippine CSR Expo<sup>27</sup> 2005, PBSP reported that the assistance and contributions of private firms are sporadic and short term in nature. There is thus a call for government, business and civil society to come up with more collaborative efforts. Planning and resource management and generation are important to ensuring sustainability. The downtimes of businesses should also be anticipated.

Half the battle of ensuring the sustainability of CSR initiatives is won by getting the staunch commitment of the CEO. Only when there is leader's commitment that CSR would be spineless.<sup>28</sup> Leaders of corporations, as well as, of the government and other civic organizations play a major role to play in promoting CSR commitment as these leaders decide the degree of CSR involvement of the corporations. If corporate citizenship would be a mere branch of public relations to reinforce a corporation's dominance as an economic institution, it would be but a way of preserving the status quo, of lending a brand "the aura of morality."<sup>29</sup>

The leaders' commitment to CSR could be reinforced if CSR were regarded as a business strategy. PBSP suggests that corporations align their corporate goals with a social agenda. The integration of CSR into the overall business operations of a company offers the promise of gaining for it financial and social benefits via new business opportunities, the strengthening of brands and corporate reputation, a highly reliable workforce, and public trust and acceptance.

CSR in the Philippines faces a number of challenging realities for while it is clear that CSR activities have positive effects, achieving the ultimate goal of "making life good, not for a few but for everyone"<sup>30</sup> may take several years, possibly decades. A solid national CSR agenda is therefore called for to optimize the efforts and collaborations of all.

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<sup>26</sup> *ibid* J.M. Luz 2000

<sup>27</sup> *ibid* CSR Expo

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<sup>28</sup> Oscar Lopez. Speech delivered at the 2003 Asian Forum on CSR in Bangkok, Thailand.

<sup>29</sup> *ibid* Bobadilla

<sup>30</sup> Juan Santos, "Emerging Networks of Corporate Philanthropy in Asia." 2003 Asian Forum on CSR. Conference Proceedings 2004



## APPENDIX 1: The Philippine Poverty Situation

Gerson<sup>31</sup> (1998) noted that the relative lack of progress in improving poverty indicators in the Philippines can be attributed to the economy's poor growth performance. Economic growth in the Philippines has been dampened by economic policies that favored capital over labor and import-substituting industries over agriculture, and that led to underinvestment in the human capital of the poor. The United Nations Development Program (UNDP)<sup>32</sup> characterized the Philippines as having a high inequality throughout its history, with the highest Gini<sup>33</sup> recorded was in 1965. The table below shows that the coefficient is somewhat stable with minor ups and downs.

Income Distribution in Selected Years, 1957-2003

	1957	1961	1965	1971	1985	1988	1991	1994	2000	2003
Gini Coefficient	0.461	0.497	0.513	0.494	0.447	0.445	0.468	0.451	0.482	0.468
Percent of Income (Top 20 percent)	48.6	56.5	56.0	54.0	52.1	51.8	53.9	51.9	n.a.	n.a.
Percent of Income (bottom 20 percent)	6.5	4.2	3.5	3.6	5.2	5.2	4.7	4.9	n.a.	n.a.
Ratio of incomes (top 20 percent to bottom 20 percent)	7.5	13.5	16.0	15.0	10.0	10.0	11.5	10.6	n.a.	n.a.

Sources: 1957-71, Deininger and Squire, 1996; and 1985-94, Philippines, National Statistics Office, various years.

Gini Coefficients of Selected Countries

	Years	First Year	Last Year
Philippines	1957-1994	0.461	0.451
Indonesia	1964-1993	0.333	0.317
Korea	1953-1988	0.340	0.336
Malaysia	1970-1989	0.500	0.484
Thailand	1962-1992	0.413	0.515

Sources: Deininger and Squire, 1996, and Philippines, National Statistics Office, 1994.

Note: The Gini coefficient was developed to measure the degree of concentration (inequality) of a variable in a distribution of its elements. This line (or perfect equality) assumes that each element has the same contribution to the total summation of the values of a variable. The Gini coefficient ranges between 0, where there is no concentration (perfect equality), and 1 where there is total concentration (perfect inequality).

<sup>31</sup> Philip Gerson, 1998, "Poverty, Income Distribution, and Economic Policy in the Philippines," IMF Working Paper 98/20 (Washington: International Monetary Fund). Downloaded from <http://www.imf.org/external/pubs/ft/fandd/1998/09/gerson.htm> (August 2005)

<sup>32</sup> Pablo Rodas Martini. "Has Income Distribution Really Worsened in the South? And has income distribution really worsened between the North and South?" Background paper for the Human Development Report 2001. downloaded from [http://hdr.undp.org/docs/publications/background\\_papers/rodasmartini.pdf](http://hdr.undp.org/docs/publications/background_papers/rodasmartini.pdf) (August 2005)

**APPENDIX 2  
SMEC's CSR AREAS AND ELEMENTS**

CSR Area	Key Elements
ENVIRONMENT	<ul style="list-style-type: none"> <li>• Conserve environmental resources by incorporating environmental protection and rehabilitation during the planning stage and project implementation.</li> <li>• Strictly comply with standards set by the government on environmental laws, rules and regulations in order to minimize environmental disturbance if not to totally eliminate.</li> <li>• Support and actively participate with any research work conducted by any agency for the diverse stewardship of flora and fauna in the locality.</li> </ul>
ECONOMIC	<ul style="list-style-type: none"> <li>• Provide superior returns for the community and shareholders in a socially and environmentally responsible manner.</li> </ul>
GOVERNANCE	<ul style="list-style-type: none"> <li>• Inform and consult partner communities through the local government units and various sectors concerning company's plans and programs.</li> <li>• Promote and maintain harmonious understanding with the partner communities and other stakeholders in the management of community-based resources towards self-reliance.</li> </ul>
SOCIAL	<ul style="list-style-type: none"> <li>• Perform aggressive but prudent exploration, extraction, and utilization of the available mineral resources with considerations and respect to the culture and heritage of the local communities.</li> </ul>

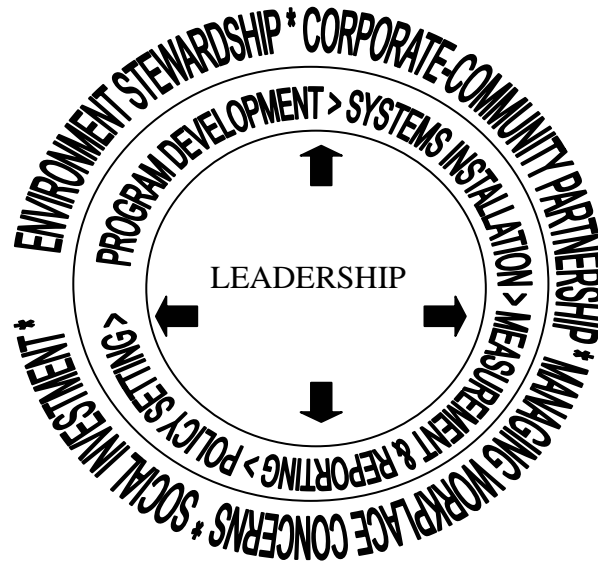
**DIVISION OF ROLES AND RESPONSIBILITIES IN CTWG**

	ROLES AND RESPONSIBILITIES
Department of Environment and Natural Resources (DENR-MGB 13)	Act as team leader of the group Prepare and submit reports address to the MGB-Region 13 Regional Director and agencies concerned Act as the secretariat of the group
Department of Environment and Natural Resources (DENR-PENRO)	Collect water samples for analysis to the pre-identified areas in the presence of CTWG members Expedite the immediate analysis of water samples Act as assistant team leader of the group Review and sign CTWG reports submitted to MGB region 13 and agencies concerned Recommend measures that can further improve the implementation of the Environment and Community Development Program.
Municipal Government of Tubod	Designate a community council person member as the chairman of environment, Health/ Municipal Health officer and Municipal Agrarian Officer as regular member of the CWTG Participate and act as witness during the monitoring of the drilling site, during the collection of water samples for analysis, and implementation of the social development programs. Review and sign CTWG reports submitted to MGB Region 13 and agencies concerned Recommend measures that can further improve the implementation of the Environment and Community Development program.
Community LGUs	Designate a council person of the community as the chairman for Environment and health, junior/young council person of the community and school principal as regular members of the CTWG

	<p>Participate and act as witness during the monitoring of the drilling sites, during the collection of water samples for analysis, and implementation of the social development programs.</p> <p>Review and sign CTWG reports submitted to MGB Region 13 and agencies concerned.</p> <p>Recommend measures that can further improve the implementation of the Environment and Community Development Program</p>
NGO	<p>Participate and act as witness during the monitoring of the drilling sites, during the collection of water samples for analysis, and implementation of the social development programs.</p> <p>Review and sign CTWG reports submitted to MGB Region 13 and agencies concerned</p> <p>Recommend measures that can further improve the implementation of the Environment and Community Development program</p>
Silangan Mindanao Mining Company Incorporated	<p>Assist the CTWG during the implementation of the Memorandum of Agreement.</p> <p>Responsible in the expenses incurred in water analysis and materials including logistics support to all CTWG activities</p> <p>Sign the CTWG reports submitted to the MGB Regional Director and agencies concerned</p> <p>Act on the agreed upon recommendation of the CTWG for the improvement of the Environment and Community Development Program</p>

APPENDIX 3

CORPORATE CITIZENSHIP SYSTEM AND PROCESS ASSESSMENT TOOL



CORPORATE CITIZENSHIP IMPACT FRAMEWORK	CORPORATE CITIZENSHIP SYSTEM AND PROCESS ASSESSMENT TOOL	
	DIRECT BUSINESS IMPACT	INDIRECT BUSINESS IMPACT
FINANCIAL DRIVER	<ul style="list-style-type: none"> <li>Human and intellectual capital</li> <li>Marketing advantage</li> </ul>	<ul style="list-style-type: none"> <li>Reduced indirect costs and other related spending</li> </ul>
SOCIAL DRIVER	<ul style="list-style-type: none"> <li>Social Acceptability</li> <li>Good Corporate Reputation</li> <li>Favorable Business Environment</li> </ul>	<ul style="list-style-type: none"> <li>Leadership in responding to Development Issues</li> <li>Reduced dependence of community</li> </ul>
ENVIRONMENTAL DRIVER	<ul style="list-style-type: none"> <li>Operational Efficiency</li> <li>Reduced /Managed Risk</li> </ul>	<ul style="list-style-type: none"> <li>Shared Environmental Cost and Risk</li> </ul>

SOURCE: PBSP's Center for Corporate Citizenship

## **FRAMING CORPORATE RESPONSIBILITY**

The Framework hinges on the following elements, which also serve as criteria in assessing the company's CSR programs and processes.

**LEADERSHIP.** The PBSP points out that business leaders “play a central role in championing corporate citizenship in behaving in ways that are consistent with the company's principles, values, and purposes, and are responsive to the expectations of its various stakeholders. “They must be able to convince their internal publics –owners, shareholders, and employees – that the company's viability “goes hand in hand with the social and environmental benefits it owes to the communities where it operates.

**POLICY.** Written policy statements are necessary to define the company's behavior and guide the internal stakeholders' decision-making process for the practice of CSR.

**PROGRAM.** CSR programs must be well defined and based on the shareholder expectations and business needs. A match between community needs and the company's corporate social agenda ensures effective collaboration and program sustainability. Internal CSR means taking care of employees and making sure that their processes does not pollute the environment.

**SYSTEMS.** Once CSR becomes an integral part of business operations, appropriate management systems and procedures should be put in place to equip an organization with the infrastructure that enables people to carry out the company's CSR agenda. Enabling technologies include an organizational structure, unit, or personnel explicitly charged to develop and coordinate the CSR function such as communicating the company's CSR agenda among employees and the public.

**MEASUREMENT AND REPORTING.** With the growing popularity of CSR, NGOs, communities, and investors alike demand that they be informed on what the companies are doing and to support their claims of success with clear and verifiable measures. Thus the company must adopt a measurement and reporting mechanism.

SOURCE: Corporate Citizenship: How companies can do good while doing well. Business World Special Feature. 14 February 2005

**APPENDIX 4  
GOVERNMENT TAX INCENTIVES**

**A. Special Laws**

<b>Special Law</b>	<b>Coverage</b>	<b>Additional Incentive</b>	<b>Conditions</b>
Republic Act No. 7686 (The Dual Training System Act of 1994)	Training of Company's employees by an accredited Dual Training System Education Institution	Deduction of 50% of actual system expenses paid to TESDA accredited institution	Training expenses should not exceed 5% of the total direct labor expenses and should not be P25 million per year.
Republic Act No. 8525 (The Adopt-a-school Act of 1998)	Expenses incurred for adopting and assisting school, including donations	Deduction from taxable income of 50% of actual expenses	Valuation of assistance other than money shall be based on the acquisition cost less depreciation.
Republic Act 6791 (the Productivity Incentives Act of 1990)	Cost of benefits under Productivity Incentives Program mutually agreed upon by labor and management  Grants for manpower training and special studies	Deduction from taxable income equivalent to 50% of the total productivity bonuses over and above the total allowable  Deduction from taxable income equivalent to 50% of the total productivity bonuses over and above the total allowable	Bonuses shall be given within six months from the start of program.

**B. Basic Incentives Under the Tax Code of 1997**

<b>Incentives</b>	<b>Donee Institution</b>	<b>Conditions</b>
A. Exemption from Donor's Tax (Sec. 101, NIRC)	National Government or any entity created by any of its agencies	Government entity must not be conducted for profit
	Government political subdivisions  Educational, charitable, religious, cultural, social welfare corporations, institution, accredited nongovernment organization	Donee must:  a. Not use for administration purposes 30 percent of the said gifts b. Be registered with the Securities Exchange Commission (SEC) as a nonstick entity c. Pay no dividends to members d. Be governed by a board of trustees who receive no compensation e. Devote all its income, whether students' fees or gifts, donations, subsidies or other forms of philanthropy, to the promotion of the purposes enumerated in its Articles of Incorporation.

<p>B. Claim for deduction from income</p> <p>Limited Deduction – 5% of the taxable income derived from trade or business (for stock corporations and income from real property for nonstick corporation) without the benefit of fully deductible contributions</p>	<p>Nonstock, nonprofit domestic corporations or associations organized and operated exclusively for religious, charitable, scientific, youth and sports development, cultural or educational purposes or for the rehabilitation of veterans</p> <p>Social welfare institutions</p> <p>Government of the Philippines or any of its agencies or any political subdivision</p>	<p>Donations must be used solely for the purpose for which the organization was established in accordance with its certificate of registration issued by the SEC.</p> <p>Donations must be used solely for the purpose for which the organization was established in accordance with its Certificate of Registration issued by the SEC and license issued by the Department of Social Welfare and Development.</p> <p>Donation must be exclusively used for:</p> <ul style="list-style-type: none"> <li>a. A public purpose, but</li> <li>b. Not in accordance with the National Priority Plane of National Economic Development Authority (NEDA)</li> </ul>
<p>C. Claim for deduction from income:</p> <p>Full deduction – entire amount of donation is allowed</p>	<p>Government of the Philippines or to any of its agencies or political subdivisions, including fully-owned government corporations</p>	<p>Donation must finance, provide for, or be used in undertaking priority activities in either:</p> <ul style="list-style-type: none"> <li>a. Education</li> <li>b. Health</li> <li>c. Youth and Sports Development</li> <li>d. Human settlements</li> <li>e. Science development</li> <li>f. Cultural development and</li> <li>g. Economic development in accordance with the National Priority Plan of NEDA.</li> </ul>
	<p>Nongovernmental Organizations</p>	<p>NGO must:</p> <ul style="list-style-type: none"> <li>a. Be accredited as a donee institution by the Bureau of Internal Revenue (through the recommendation of the Philippine Council for NGO certification)</li> <li>b. Make utilization directly for the active conduct of activities constituting the purpose for which it is organized not later than the 15<sup>th</sup> day of the third month after the close of its taxable year in which contributions are received, unless an extended period is granted by the Secretary of Finance, upon recommendation of the Bureau of Internal Revenue Commissioner.</li> <li>c. Have a level of administrative expenses, on an annual basis, not exceeding 30 percent of the total expenses for the taxable year.</li> <li>d. In the event of dissolution, distribute its assets to another accredited NGO organized for similar purpose or to the state for public purpose, or its assets may be distributed by a competent court to another accredited NGO to be used in a manner that shall best accomplish the general purpose for which the dissolved organization was organized.</li> <li>e. Value the amount of any charitable contribution of property other than money</li> </ul>

		received based on the acquisition cost of said property. f. Not compensate or remunerate the members of its Board of Trustees either as members or for their services thereto
	Foreign institution or international organizations	Donation must be in pursuance of or in compliance with: a. Agreements, treaties or commitments entered into by the Government of the Philippines and the foreign institutions or international organizations and b. Special laws

C. Regulated Donations

<b>Regulating Law</b>	<b>Corporate Donor</b>	<b>Conditions</b>
Article 270 (labor Code)	Foreign companies and entities with respect to donations to labor organizations to labor organization, cooperatives, credit unions and institutions engaged in research, education or communication in relation to trade union activities	Donations must be with permission of Secretary of Labor
Batas Pambasa Bilang 881 (The Omnibus Election Code)	Private or public financial institutions	Donations must not be for purposes of partisan political activity.
	Operators of public utilities or in possession of or exploiting the economy's natural resource	Same
	Corporations holding contracts or subcontracts to supply the government or any of its subdivisions with goods or services to perform construction or other works	Same
	Corporations with franchises, incentives, exemptions, allocations or similar privileges or concessions by the government or any of its subdivisions.	same
	Corporations who, within one year prior to date of election , have been granted loans or accommodations in excess of P100,000 by the government	Same
	Educational institutions with public funding of less than P100,000	Same

Source: A Guide to Strategic Corporate Giving in the Philippines . PBSP and UNDP. 2002



## **APPENDIX 5**

### **Examples of PBSP's Programs**

A. LGUs as enablers. The PBSP believes that the key to CSR promotion is to build capacities of LGUs. The program aims to bridge the gap between LGUs and business in local development partnership. It identifies which ways in which LGUs can provide CSR enabling environments for businesses to practice corporate citizenship. The process involves information-education-communication (IEC) strategy through the development and offering planning strategy sessions to LGUs and businesses. The program in a way assist LGUs in developing policies, programs, and structures. The PBSP believes that functioning under the distinct realms yet working together as partners. This idea works on the premise that both LGUs and businesses could treat CSR as a point of convergence in local development.

B. Strategic Private Sector Partnership for Urban Poverty Reduction (SET-UP). The program is implemented in eight cities and 26 communities for three years. The program generally deals with social preparation and capability building intervention in the partner community associations on organizational and project management. Different employable skills have been introduced to improve chances at regular employment. Six out of the eight owners associations have availed of the housing improvement loan. A total of 42 community infrastructure projects amounting to P40.29 million were approved for implementation.

The program generally include the following areas: job/employment generation, employee volunteering, stakeholdership, and other sponsorship projects.

#### I. Job/Employment Generation

- a. Direct hiring by companies and their suppliers of trained workers from communities
- b. Subcontracting arrangements between companies, government/ private offices, subdivisions, etc., and homeowner associations for janitorial services, repacking, landscape maintenance, manufacturing of goods, etc.
- c. Dealership retailing of company products by the community

II. Employee Volunteering. This is an opportunity for employees to devote their time, skills and resources, and perform activities recognized by the company to serve its internal and/or external communities.

SET-UP will need volunteers for: (a) construction of houses, community infrastructure, etc., (b) business planning, leadership training, bookkeeping, design concepts, etc. (c) feeding, medical and dental mission, risk mitigation and response training, (d) engineering services, architectural designs, etc, (e) use of heavy equipment. Technical assistance and use of heavy equipment are treated as restricted contributions to the program.

III. Stakeholdership. This involves CEO or senior officer participation/ membership in city-level multi-sectoral groups and business consensus group. This is a venue for them to engage the other key stakeholder institutions operating in the city on discussing and resolving priority development issues, CEOs'/officers' time and expertise will be considered as contribution to the program.

IV. Other contributions. Other contributions are most welcome, such as (a) gift in kind, (b) funding support to livelihood employment generating activities, (c) adopt-a-community, (d) adopt-a-program component.

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