



# ANTI-CORRUPTION TOOLKIT FOR PALAU'S WOMEN ENTREPRENEURS

In partnership with



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# WELCOME

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## GREETINGS FROM PALAU CHAMBER OF COMMERCE

Dear **Concerned Citizens** and **Women Entrepreneurs** in the **Republic of Palau**:

On behalf of the Palau Chamber of Commerce, I sincerely welcome each of you to the very first United Nations Pacific Regional Anti-Corruption (UN-PRAC) Project Workshop of 2021.

With utmost appreciation, I genuinely thank each of our partners, particularly the **United Nations Development Programme** (UNDP) and the **United Nations Office on Drugs and Crime** (UNODC), their consultant Mr. John Hyde, along with their advisers and representatives, for all their contributions in both time and resourceful efforts in assisting the Palau Chamber of Commerce to make this Workshop possible and for such event to happen on a very special day this year - International Women's Day, March 8, 2021.

For all the women entrepreneurs in Palau who are able to join this UN-PRAC Anti-Corruption Workshop, I am immensely proud of each of you for taking our invitation to heart and choosing to become an active participant in this anti-corruption work for Palau. You are now officially one of the Founding Members of this esteemed group that is working to prepare and to complete the very first **Anti-Corruption Toolkit for Palau's Women Entrepreneurs**. Your time and expertise that is crucial to your business, whether for profit or not for profit, is shared as one of 34 women entrepreneurs in Palau who care about integrity and capacity building in the business community and throughout all sectors of our small island nation.

With this **Anti-Corruption Toolkit for Palau's Women Entrepreneurs** and **Code of Conduct** you will be able to create for your own business or organization, we at the Palau Chamber of Commerce would like to support you. Therefore, we make a commitment to continue to advocate for legislations, orders, laws, and regulations that will prevent corruption and other related crimes so as to positively benefit you and all of us who love to work and live quality, peaceful lives in our beautiful, pristine paradise Palau.

I wish you all the very best in your business endeavors in the Republic of Palau! And I pray that God's blessings continue for each of you.



Irene Olkeriil,  
President  
Palau Chamber of  
Commerce

## PALAU'S IMPACT FROM THE GLOBAL PANDEMIC

As of March 2021, Palau's borders have been closed off from commercial international flights for a nearly a year. The only exceptions to inbound international arrivals have been the special repatriation flights (chartered by the national government), medical referral travels to and from Taiwan, travel by essential workers, and military travel—by air and sea. The impact to the private sector has been significant and devastating to the business in Palau's tourism industry. Most of the hotels have been temporarily closed, many restaurants had to adapt to the change in the demand to stay open, while other restaurants closed temporarily, with a few businesses permanently closing their entire operations.

While a majority of the business that were directly affected by the drastic halt in international tourism are business owned by male entrepreneurs, there was a greater impact to the small women-owned businesses (formal and informal) that provided support to the tourism industry through the production of food & drinks typically sold at tourist attractions such as the recurring events managed by the Palau Visitor's Authority (Palauan Night Market, Airai Tour Package that includes Lunch, and Today's Sunset Dinner Package, and Fam-Tours), at the various sites along the routes to established cultural sites along Babeldaob, and in outlying states of Peleliu, Angaur, and Kayangel. All the women farmers of taro, tapioca, and other local produce suffered from the significant loss in revenues generated by the tourist activities—directly from consumers purchasing locally produced food items or drinks, or indirectly from the employees purchasing meals to consume at lunch while they transport or entertain the tourists at work.





# BACKGROUND

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## WHAT THE TOOLKIT IS ABOUT?

The Anti-Corruption Toolkit for Palau’s Women Entrepreneurs is a practical guide aimed to clarify what constitutes as corruption in the Republic of Palau, what laws and institutions are used to prevent and fight corruption, and who to turn to for help when confronted with possible acts of corruption in Palau.

Corruption can have an impact to a business, its owner(s), and employee(s). This Anti-Corruption Toolkit is made available to help offer tips, provide knowledge, and tools to protect you and your business against corruption.

## WHY THIS TOOLKIT?

The Anti-Corruption Toolkit for Palau’s Women Entrepreneurs was developed by collaborating with various women entrepreneurs in Palau. The Palau Chamber of Commerce organized two events—a small focus group and a workshop—to gather the needs and concerns of the women entrepreneurs doing business in Palau. A total of 33 women entrepreneurs attended the workshop on anti-corruption for small business (MSMEs) in Palau (refer to Box 1).

## WHO WILL BENEFIT FROM THIS TOOLKIT?

The primary efforts of the Palau Chamber of Commerce in creating this Anticorruption Toolkit for women entrepreneurs of Palau. It is aimed at women of all ages, gender, ethnicity, and in any type of business or industry. However, the information contained in

### Box 1. PCOC-UN-PRAC Partnership

In 2020, UN-PRAC was approached by Palau Chamber of Commerce (PCOC) to conduct a training for their members on anti-corruption.

The Palau Chamber of Commerce is a non-profit organization that advocates for businesses and promotes business opportunities in the Republic of Palau.

The objective of the training was to: (a) create awareness of the United Nations Convention against Corruption (UNCAC) and Sustainable Development Goal (SDG) 16; (b) increase integrity in Palau’s private sector; (c) build capacity for women entrepreneurs to understand their roles in the fight against corruption; (d) and foster the networking opportunities for women entrepreneurs in Palau.

this Anticorruption Toolkit may be used by any person who owns or operates a business in the Republic of Palau.

## WHY IS UNCAC RELEVANT TO PALAU?

On the international stage, the United Nations Convention Against Corruption (UNCAC) has provided a consensus view on the appropriate legal standards that all countries should adhere to in order to prevent and fight corruption. Despite the variety of histories, cultures, and legal systems in the world, as of March 2021, 187 countries have ratified or acceded to UNCAC (including Palau and all 14 PICs), and reviews of their progress suggest near universal criminalization of certain acts of corruption. UNCAC is unique for its worldwide coverage but also in the extent of its provisions, recognizing the importance of both preventive and punitive measures (UNODC, 2004). UNCAC has provisions for the cross-border nature of corruption with provisions on international cooperation and on the return of the proceeds of corruption. States Parties (countries that have ratified/acceded to the Convention) are also obliged to help each other to prevent and combat corruption through technical assistance, defined broadly to include financial and human resources, training, and research (UNODC, 2004).

The Convention further calls for the participation of citizens, the private sector, media, and civil society organizations in accountability processes and underlines the importance of citizens' access to information (ibid).

There is no definition of corruption in UNCAC, however, it does define specific acts of corruption that should be considered in every jurisdiction covered by UNCAC (UNODC, 2019).

- Bribery in the public and private sectors (Articles 15, 16 and 21);
- Embezzlement (Articles 17 and 22);
- Trading in influence (Article 18);
- Abuse of functions (Article 19);
- Illicit enrichment (Article 20);

Related criminal acts are:

- Money laundering (Article 23);
- Concealment (Article 24) and Obstruction of Justice (Article 25) related to the offenses listed above.

The precise legal articulation of these crimes is complex, especially given UNCAC's consistent deference to State party interpretation "in accordance with the fundamental principles of its legal system". Clearly, Palau's legal interpretations hold sway in Palau.

During the October 2003 United Nations General Assembly in New York, members adopted the Convention against Corruption now known widely as UNCAC. The Conventions were formally entered into force later in 2005 with 167 state parties. The Republic of Palau adopted the United Nations Convention against Corruption in 2009.<sup>1</sup> As a member of the United Nations, Palau is expected to do its part to improve the integrity of its public and private sector when doing business both domestically and internationally.

The Palau Chamber of Commerce reached out to UNDP and UN-PRAC in 2020 for technical assistance in enhancing efforts in building capacity to improve business integrity and fight against corruption not only for Chamber members but for Palau's the private sector.



Figure 1. Business Integrity Workshop for Women on IWD 2021

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<sup>1</sup> Handbook (United Nations Office on Drugs and Crime) p. 3



## WHAT IS AGENDA 2030 AND SDGs?

The 2030 Agenda for Sustainable Development (Agenda 2030) is a plan of action for universal peace, and sustainable development that was decided upon by UN Member States in 2015. This plan includes the 17 Sustainable Development Goals (SDGs) and 169 targets that all UN Member States have pledged to achieve. These goals and targets outline an urgent call for action to UN Member States to work together towards peace and prosperity for the people and planet, and will be achieved by balancing the three dimensions of sustainable development: economic, social, and environmental.

# UNDERSTANDING THE ISSUE

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“Every year, trillions of dollars – the equivalent of more than five percent of global Gross Domestic Product – are paid in bribes or stolen through corrupt practices that seriously undermine the rule of law and abet crimes such as the illicit trafficking of people, drugs, and arms.

Tax evasion, money laundering and other illicit flows divert much-needed resources from schools, hospitals, and essential infrastructure; funds that are essential to advancing the Sustainable Development Goals.

People are right to be angry. Corruption threatens the well-being of our societies, the future of our children and the health of our planet. It must be fought by all, for all.”

UN Secretary General Antonio Guterres. International Anti-Corruption Day (9 December 2019)

Figure 2. Global Impact of Anti-Corruption by UN Secretary General Antonio Guterres

## WHY ARE WOMEN ENTREPRENEURS VULNERABLE TO CORRUPTION IN PALAU?

Corruption is found in every country, state, and community around the world. The citizens, residents, and businesses in Palau are not immune to the impacts of corruption. However, it is likely that women entrepreneurs in Palau could be impacted disproportionately. For example, when women are implied to pay a bribe, they are often less able to afford the bribe than men or have less power or confidence to resist the implication.<sup>2</sup>

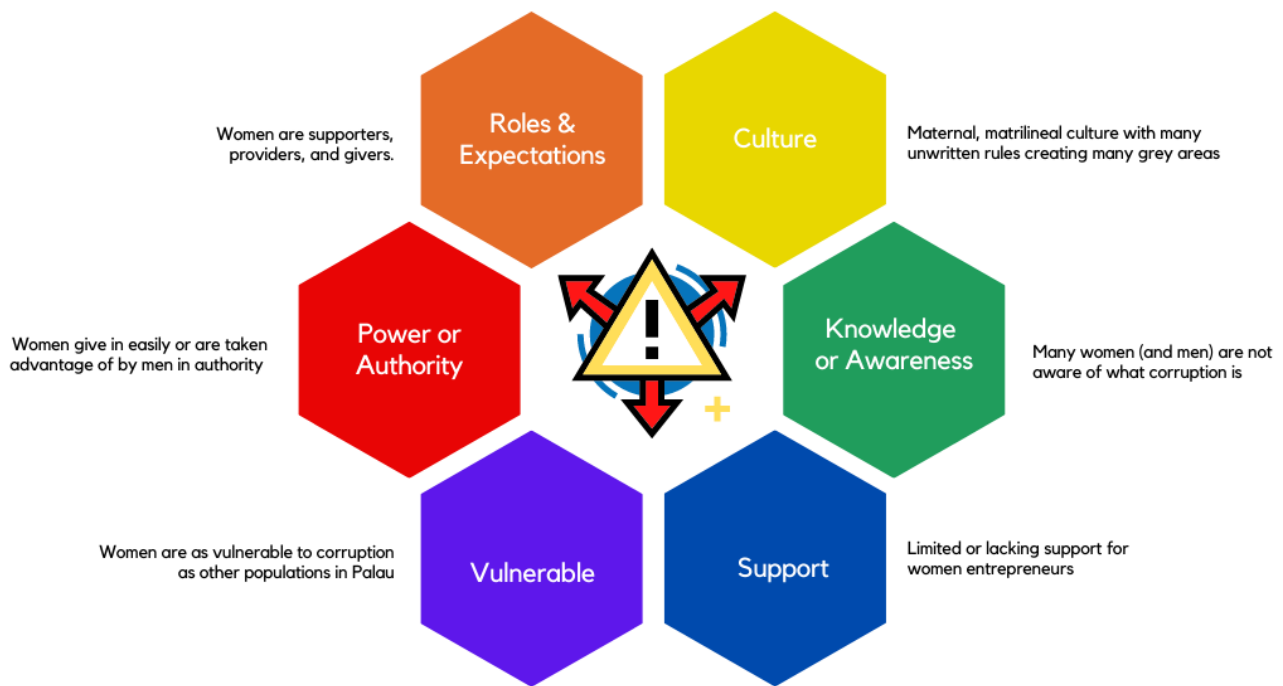
Palau’s high-context culture (also common in major Asian countries) prefer spoken communication and value the desired outcomes of family/clan/group. Thus, often placing a higher value to relationships over the process or actions. For example, women know about the many wrongdoings happening in the public sector but do not want to get their relatives in trouble for their actions in office.

Participation in group activities reinforce and strengthen the relationships of members within a group or community. The more times a woman participates in family, community, or group (*cheldebechel*) activities, the relationship between the woman and the group is

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<sup>2</sup> Gendered impacts of corruption. UNODC. June 202 (United Nation Office on Drugs and Crime)0

nurtured and grows close. The woman also gains unwritten education on the traditional knowledge, skills, customs, and traditions practiced by members within their own families, clans, and even workplace. For example, showing up at a funeral to assist or support in person has a greater impact to the relationship than to contribute large sums of money by “sending it” (*oldurokl a blekatef*). The many unwritten rules about behavior, roles & expectations, social structure, and customs create grey areas that often perceived as misconduct in international business settings and with individuals from low-context cultures.



### **Vulnerability to corruption in Palau**

Palau has a high-context culture where there are many unwritten rules about behavior, roles & expectations, social structure, etc. often creating a conflict with low-context cultures like the United States and Australia, where most information is taught or learned by reading books, manuals, and laws.

Palau is also home to people from many ethnic backgrounds, cultures, faiths/religion, level of education, and world views. The indigenous Palauans treasure their heritage and culture, while trying to embrace and keep up with modernism.

Figure 3. Why women entrepreneurs may be vulnerable to corruption.

Women entrepreneurs doing business in Palau may also be vulnerable to corruption due to the limited (or lack of) awareness of what corruption is. They may know a little about corruption but lack the tools to prevent or report corruption. For example, many of the

women were able to identify acts of corruption that they have heard or seen taking place in Palau, did not do anything about it because they did not know the appropriate process or authorities to report to. For example, gift giving and bribery are often used synonymously but have a distinct differentiating principle. Giving a gift to show appreciation after an act, transaction, or completion of a service that was not solicited is not a bribe. But most Palauans (and other members of high-context cultures) have been taught to provide gifts (*belebel* or *omiange*) to demonstrate support or appreciation and to nurture relationship. For example, a customer/client going to the labor office to pick up permits may bring betelnut to give to the clerk(s) for helping the client.

Often time women in Palau are still perceived just as supporting members of the community. (This is outside the Palauan women's roles as strong members of the clan in selecting and nominating chiefs to the traditional men's leadership.)

# WHAT IS CORRUPTION?

To better understand corruption, we must first identify the components that need to be present for an action(s) or transaction(s) to be considered as corruption. When a person in power or authority (such as an elected official, an employee in executive or management position, procurement clerk or buyer, or even persons authorized to collect money from customers), use his/her position of power or authority in an action or transaction (such as influence a decision, take action or prevent action, approve or decline a permit, etc.) in which he/she personally gains from the action, then that can be considered corruption. Personal gains may include financial gains (in the form of monetary gain, or indirectly as in products or services that has value, income from employment, revenues from personal business, etc.) personally or through immediate family (spouse, children, siblings, or in-laws).

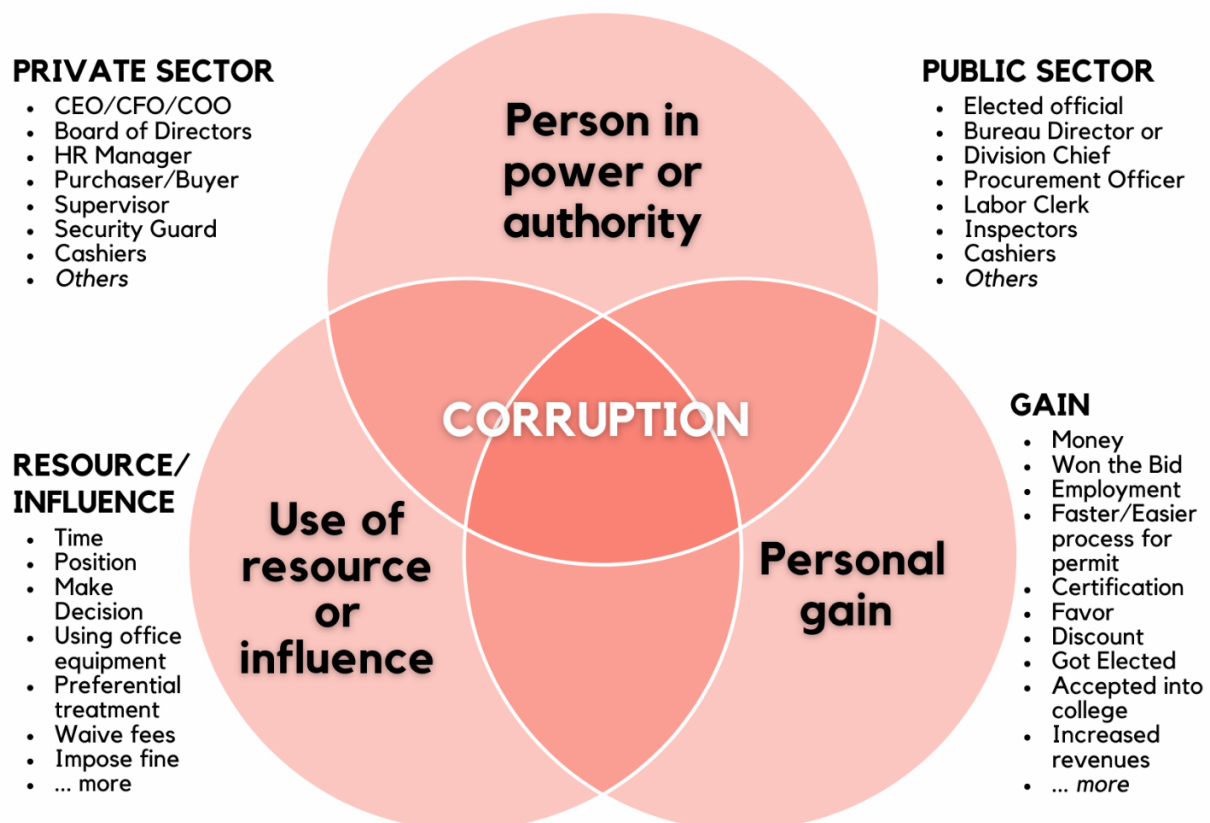


Figure 4. Identifying the components of corruption



## ACTS OF CORRUPTION OBSERVED IN PALAU'S PRIVATE AND PUBLIC SECTORS?

During the recent workshop hosted by Palau Chamber of Commerce, the question was posed to a group of thirty-three (33) women entrepreneurs— “What are examples of corruption I know about, heard about, or seen occur?”. The following infographic shows what acts of corruption the participants have heard or experienced.

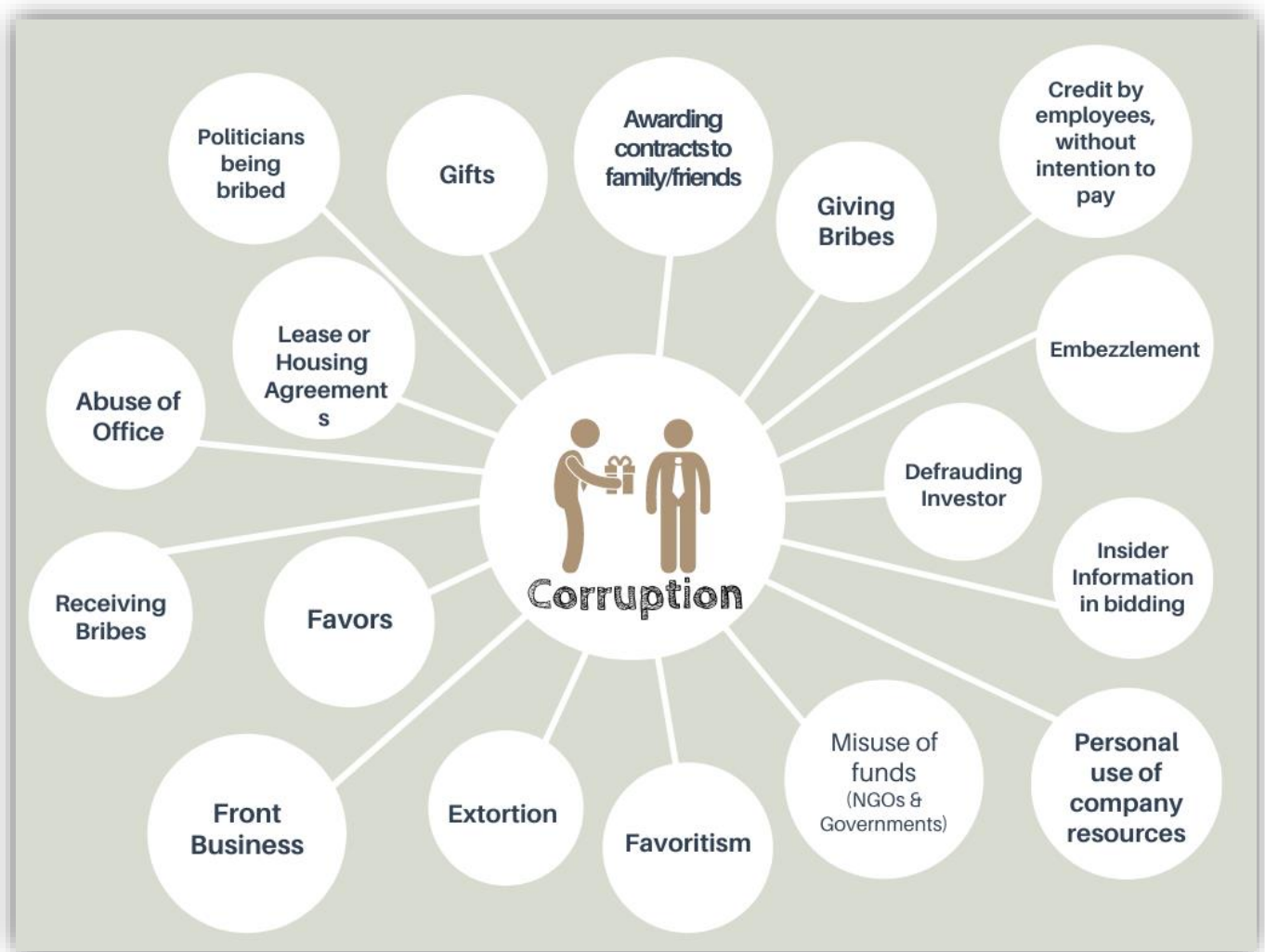


Figure 5. Examples of corruption in Palau

# KNOWING THE LAWS

## BRIBERY

Bribery is a common act of corruption. It often involves pecuniary or consisting of money. Bribery involves someone (**briber**) intentionally offering, promising, or giving any unnecessary advantage to another person (**bribed person**) often an official or someone who is in authority, with the intention that that official or someone in authority to behave in a certain way. These advantages can take the form of money, loans, kickbacks, secret commissions, donations, favors, or similar.

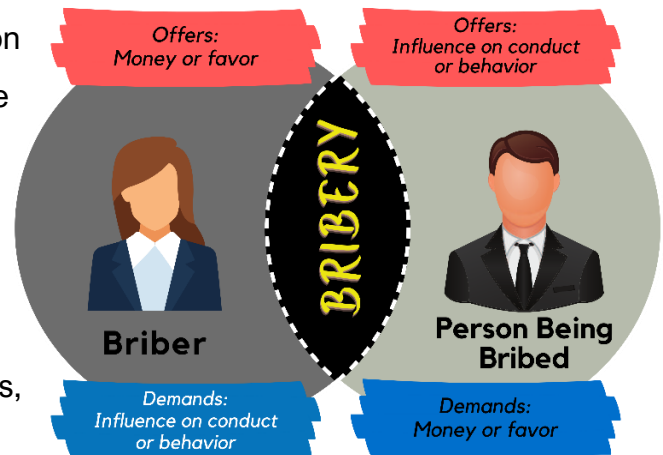


Figure 6. Roles involved in a bribe.

Bribery can occur in both the public and private sectors, or between the two sectors. It requires two parties to be involved in the act of bribery, but the two organizations are both impacted as the result of the actions of the two individuals.

## EXAMPLES OF BRIBERY

**Pay Procurement Officer**

A construction company takes the procurement officer out to dinner and offers him/her \$100 to influence the bid tabulation in the company's favor.

**Security Guard**

A security takes \$50 to allow access to the business surveillance cameras.

**Restaurant Manager**

A restaurant manager provides free dinners to environmental health inspectors before or after each site visit.

**Customs Officer**

A business owner offers \$200 to expedite the inspection of the container shipment that arrived.

Figure 7. Examples of bribery

## PENALTIES FOR BRIBERY

Bribery is a class B felony, where the authorized fine upon conviction shall not exceed Twenty-five thousand dollars (\$25,000). A person who has been convicted of a class B felony, as in the case of bribery, may be sentenced to term of imprisonment of up to ten (10) years.

Commercial bribery is a misdemeanor—where the authorized fine upon conviction shall not exceed One thousand dollars (\$1,000)— except in the event that the value of the benefit referred to in subsection (a) exceeds one thousand dollars (\$1,000), in which case commercial bribery shall be a class C felony—where the authorized fine upon conviction shall not exceed Ten thousand dollars (\$10,000). A person who has been convicted of a class C felony, as in the case of commercial bribery where the bribe exceeded one thousand dollars (\$1000), may be sentenced to term of imprisonment of up to five (5) years. While a misdemeanor conviction for commercial bribery where the bribe did not exceed one thousand dollars (\$1000) may be sentenced to imprisonment not to exceed one (1) year.

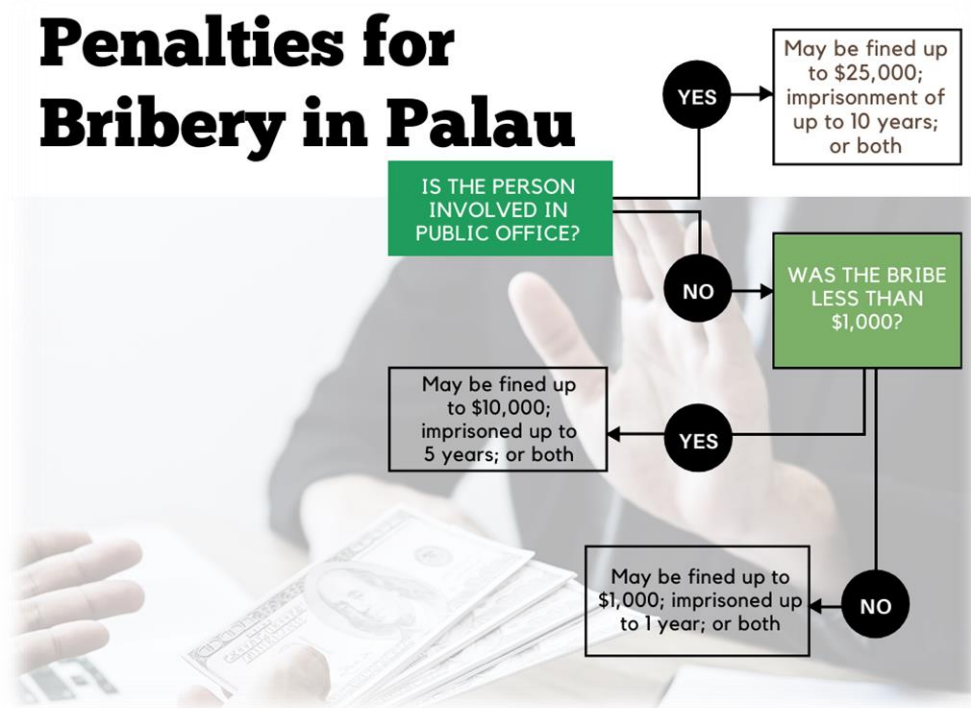


Figure 8. Penalties for bribery in Palau

To learn more about misconduct in public office in the Palau National Code see Bribery (Title 17 -Chapter 41) in Appendix A or visit the Office of the Special Prosecutor’s website at <https://www.palauosp.org/legal-resources/>.

## EMBEZZLEMENT

Embezzlement is a form of stealing or theft. It is most often associated with the misappropriation of money or property from a business, employer, or another person who entrusted the embezzler with the asset. The difference between embezzlement and theft is that the embezzler had permission to handle the assets (money or property) in a certain way, but not to take it.

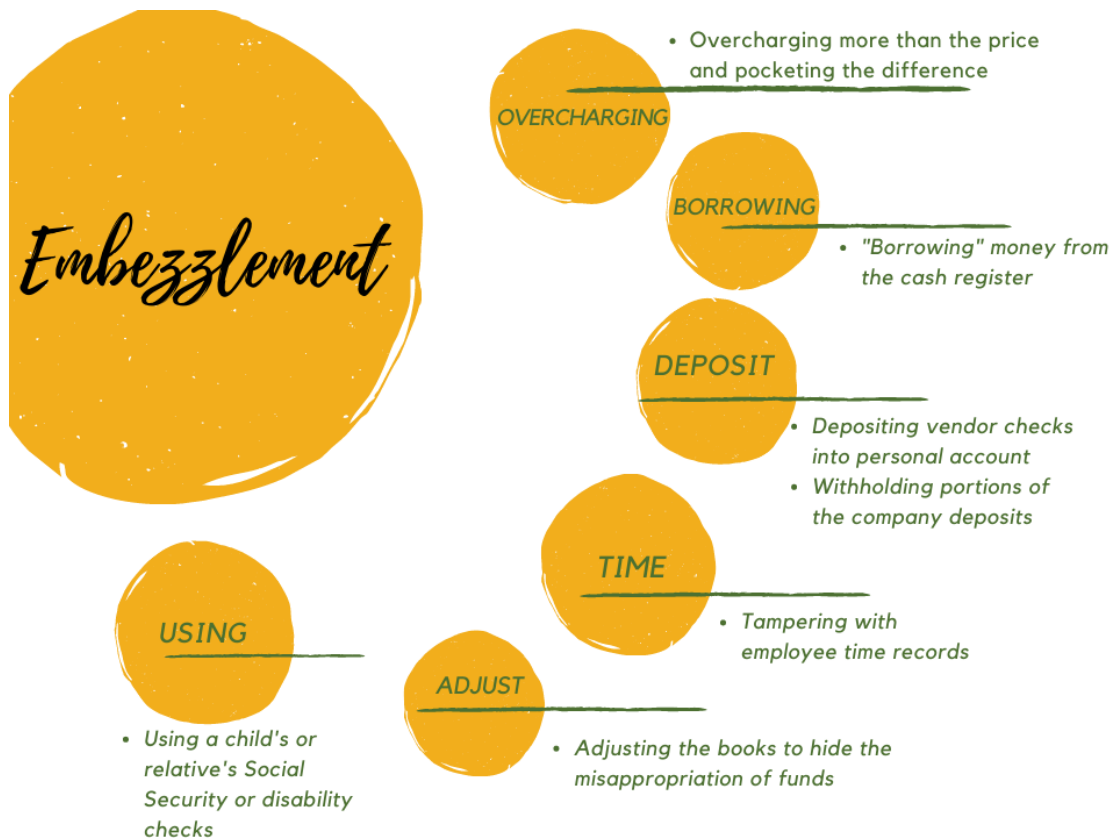


Figure 9. Examples of embezzlement

### PENALTIES FOR EMBEZZLEMENT

The theft of government property is a class C felony, if the value of the government property is three hundred dollars (\$300) or less. Theft of government property is a class

B felony if the value of the government property is more than three hundred dollars (\$300) but less than twenty thousand dollars (\$20,000). Theft of government property is a class A felony if the value of the government property is twenty thousand dollars (\$20,000) or more.

To learn more about embezzlement in the Palau National Code see Embezzlement (Title 17 -Chapter 19-Subsection 1904) in Appendix A or visit the Office of the Special Prosecutor’s website at <https://www.palauosp.org/legal-resources/>.

## MISCONDUCT IN PUBLIC OFFICE

Misconduct by public officials while in public office applies to individuals elected to office such as the President or Vice-President of the Republic, members of the executive cabinet include ministers and certain directors appointed by the President, the bureau directors and division chiefs. Members of the National Congress—Senators and Delegates—and state governments are also public officials. Title 33 also includes candidates that have filed nomination papers with the Election Commission to the list of public officials.



Figure 10. Examples of misconduct in public office

To learn more about Misconduct in public office (Title 17 -Chapter 39) in Appendix A or visit the Office of the Special Prosecutor’s website at <https://www.palauosp.org/legal-resources/>. More details on public officials see Appendix B



## FRONT BUSINESSES IN PALAU

A front business is defined as a business enterprise nominally owned exclusively by one or more citizens, but which in fact is owned or financed, in whole or in part, by one or more non-citizens.<sup>3</sup> A front business is evading the proper licensing by way of acquiring a foreign investment permit and/or certificate that is required by any business where one or more of the owners is a non-citizen of the Republic of Palau.

Examples of front businesses include the tour operators or boat charter companies, in which the Palauan citizen who “owns” the business may have received assets (such as speedboats, passenger buses, vehicles, or monetary investment) from a noncitizen to launch the company without acquiring the proper permits or license from the Foreign Investment Board. Thus, the Palauan citizen may be in title as the owner, but in reality, he/she is more of an employee on the company payroll.

Another example of front business in Palau are the many “Mom & Pop store” around Koror and have now spread to Airai and Babeldaob. A single Palauan is identified as the sole proprietor who owns the business, but he/she is seldom seen at the store, nor is he/she performing the roles and responsibilities of a store owner. Instead, one can find a handful of non-citizens behind the counter operating the register or filling up carts of inventory items at larger retail stores to restock at the “Mom & Pop store.” Again, the sole proprietor in this case is very much like an employee on the payroll earning a fixed income (salary) on a regular basis (i.e., monthly).

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<sup>3</sup> RPPL 9-64



## Boat Charter Businesses



by Island Times  
November 16, 2018



Dozens of suspected front businesses are estimated to have been operating in Palau and most of these are in the retail business industry, according to the Foreign Investment Board.

Figure 11. Examples of front businesses in Palau

## WHAT ARE THE IMPACTS OF CORRUPTION IN PALAU?

Now that we have defined corruption and identified some examples of corruption, let us take a look into how corruption can impact you, your business, the community, and Palau's economy.

### TO A BUSINESS

Corruption can have a negative impact on business as it introduces or increase risk to the business. When a business becomes involved in bribery, the legal risk of the individuals getting fined and/or imprisoned, upon conviction, could include the following:

- If an employee offers, solicits, gives, or receives a bribe, then he or she may lose their jobs and source of income. The individual may also face jail time as listed on Figure 8. Penalties for bribery in Palau. The company involved would lose an employee and have to invest time and money to recruit, hire, and train a new employee, and the company could also suffer a negative impact to its reputation.

- If the company's owner/management was involved in a bribery the fine may be coming from the business earnings, which is a negative impact to the cash flow and income. The owner may also face imprisonment as listed in Figure 8 on page 13. As a small business without the owner present and managing the operations, the company may find itself losing its market share (customers) which means revenues will decline. Even without imprisonment, the company will suffer a blow to its reputation that could ultimately lead to closure of a small business.
- If bribery was related to a bidding or procurement process, upon conviction the individual(s)/company involved may be disbarred from any future bids or participation in the public procurement process. For a construction company, this may be a significant blow to prospective projects and revenues.
- The impact of the bribery conviction may also affect the person's ability to seeking capital funding or investment for the current or future businesses.



The same, or similar, negative consequences may be the same for other acts of corruption such as embezzlement, misconduct in public office, giving false statements, money laundering, unfair business practices, price gouging, or other related acts.

Some businesses may be innocent victims of corruption, or the corrupt actions of others. For example, a women-owned business may be a victim of the corruptive acts of others such as compliance inspectors that may prey on the gender-vulnerability presumption. This may be further exaggerated if the women are noncitizens or of mixed-race. In such cases, additional negative impact may include undue psychological or emotional distress.

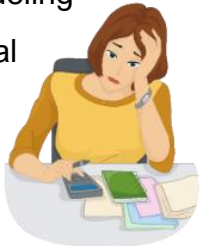


### TO COMMUNITY

Corruption can also have a negative impact to the community where corruption takes place or is present. The impact(s) are dependent on various factors that include the type of actions or activities that occur, frequency of the occurrence, the degree of severity of the actions (value, size/scale, number of individuals involved, the level of office involved, etc.), and other considerations.

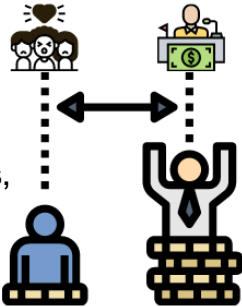
For the private sector community, corruption disrupts fair and free enterprise in the community. As the cost of doing business increases due to the demands for bribes from compliance inspectors (such as customs inspectors, health & sanitation inspectors, business inspectors, or even the police) can be transferred to the final consumer as the price of goods and services has to increase to absorb the extra cost.

Front businesses backed by foreign nationals or foreign investors make it harder, if not impossible, for local entrepreneur to enter and/or survive the business industry affiliated. In the boat charter or bed & breakfast businesses, where a foreign national or investor is able to purchase high-cost items such as speed boats or pay for the remodeling of homes into Air B&Bs creates unfair competition between local entrepreneurs of equivalent nature (income, education, background, creditability, etc.). The honest local entrepreneur's cost structure could not allow him/her to compete with the price levels offered by the foreign-backed front business.



The general morale of a community declines as the rise of corruption increases in a community. When corruption occurs in the top levels of the public sector (government), members of the community become more discouraged at the growing disparity in the income between the public officials and the average citizen.

For example, any elected member of the Olbiil era Kelulau earns an annual salary of fifty thousand dollars (\$50,000) per year, or just over \$24 per hour, while Palau's minimum wage is still at \$3.50 per hour, *although many individuals may be earning about \$4 per hour or more if they work for the government*. Hence, elected lawmakers make about six times more than the average Palauan. When the public officials use *their position or access to non-public information* to achieve personal gains (such as receive expensive gifts, conduct personal businesses transactions during official trips, connect to investors, receive business investments, or are introduced to prospective business partners, during and/or through their position, etc.) the morale in the community falls. The reality is as the rich grow richer, the poor



grows poorer; as poverty increases, crimes increase, and the efforts to achieve sustainable development goals become undermined.

### TO PUBLIC SECTOR

Corruption in the public sector amplifies inefficiencies created by bureaucracies in the public sectors. Services may cost more in terms of price, time, and/or other resources. Permits may take longer to process or cost more to expedite. If the practice of preferred allocation of goods or services exist within the ministry, bureau, division, or agency, certain individuals or businesses get preferential treatment (such as skipping lines to receive service or assistance or get extra perks) at the expense of others.

Corruption in the procurement process could lead to goods or services that are of less quality because the bidder had to ensure to have the lowest offer. On the other hand, the agency could end up paying overpriced goods and services, because the bidder had to add extra on top of the actual cost in order to pay the procurement official (kickback or facilitation payment) that helped with the awarding of the bid in their favor.

## **WHY SHOULD YOU PROTECT YOUR BUSINESS AGAINST CORRUPTION AND PROMOTE INTEGRITY?**

### REASONS AND BENEFITS OF PROMOTING BUSINESS INTEGRITY

You may be asking yourself, why should you become involved in the fight against corruption. The journey to success begins with a single step. When you take a step to promote business integrity and stand against corruption, you are doing the right thing for you, your business, and your community. You become part of a larger effort by others, including many small and large businesses around the world, and international organizations such as the United Nations, to make every community a better place to live in. You have an important role to play because the issue of corruption cannot be resolved without the partnership between the private sector businesses, the public sector government, and international support such as UNDP. “Neither governments nor companies fight corruption alone.” (United Nations Office on Drugs and Crime)



In many countries around the world, businesses are expected to have anticorruption preventive measures or business integrity reporting mechanisms in place. Corporate-social responsibility has become increasingly important in areas of environmental protection, the use of renewable energy sources, sustainable practices, international labor, and food production (i.e., organics and GMO).

As a business owner, you should protect your business—including its investor/owners, employees, partners, customers, and other stakeholders—, so that you can build and grow your business to become successful or maintain your success. You probably started (or went into) the business because you wanted to gain financial independence by being your own boss, you are really good at creating a product or providing a service and wanted to do it for a living, you wanted to support your current income from a day job, or simply wanted financial success (become rich, someday). You may be protecting your business from corruption because you want to avoid the costly fines you could be facing upon conviction or the possible jail time. Any additional cost above your normal cost of goods sold and operations may eat into company profits.

Other reasons you want to protect your business from corruption may include your personal values or morals (such as democracy, diversity, efficiency, equality, ethics, excellence, loyalty, honor, hope, prudence, recognition, respect, sincerity, stewardship, sustainability, etc.). If your business is multigenerational, or has been in existence for many years, you may choose to protect your business integrity because you are protecting your legacy or reputation that has been established by others before you.

Ethical business practices can create tangible business advantages such as providing access funding opportunities, add value to your business brand and reputation, improve your access to markets, increase customer loyalty, and attract talented employees or philanthropic investors.

Sometime businesses are able to access other funding mechanisms when they follow the proper (or legal) business responsibilities as state in Palau's national laws and regulations, or even international guidelines. For example, during the global coronavirus pandemic

that started in the early part of 2020, some businesses were able to access the low-interest loans under Palau Coronavirus Relief One-Stop-Shop (CROSS) Act. Other self-employed entrepreneurs (sole proprietorships without any employees) were able to access the unemployment insurance by the US CARES Act through the US Department of Labor’s Workforce Innovations and Opportunities Act (WIOA). As a reward to these responsible businesses and entrepreneurs, it paid off to be properly licensed, registered, to have proper recordkeeping or accounting records, and have evidence to show that the business reported and paid its fair share of taxes.

### TIPS TO HELP YOU PROTECT YOUR BUSINESS AGAINST CORRUPTION

It is highly recommended that business owners, both informal and formal entrepreneurs, invest time to learn about the existing national and state laws that related to their business operations. In addition, get acquainted with other regulations or policies that your business is required to comply with. Here are some tips on how you can protect you and your business against corruption.

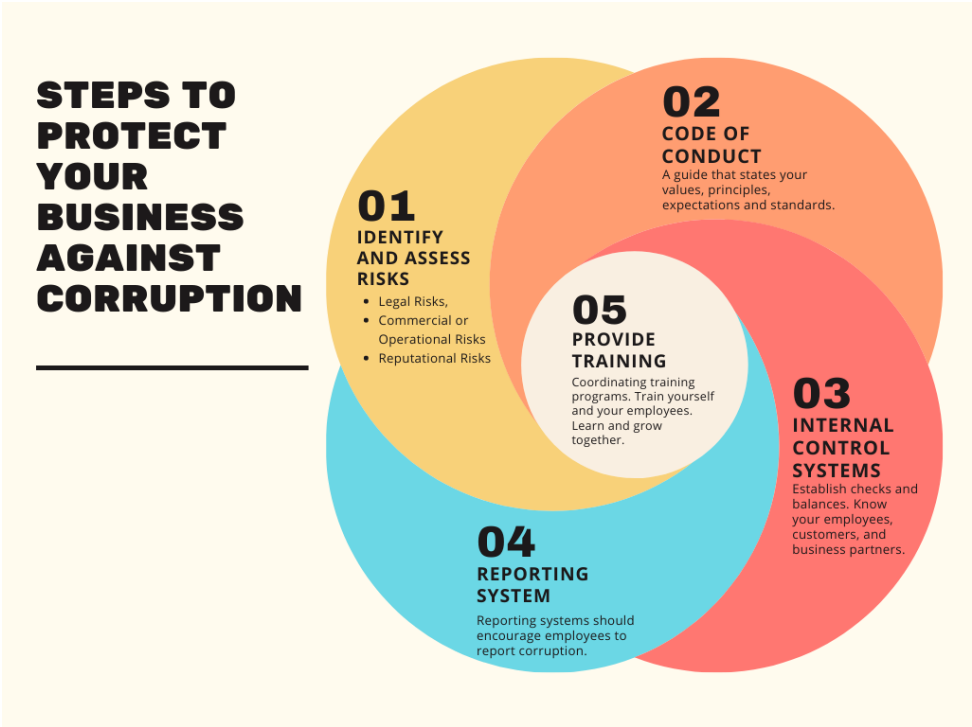


Figure 12. Steps to protect your business against corruption.

Identify and Assess Risks

The first step is to identify the risks at your business. Look at the roles that are at risk of corruption. For example, was positions handle money, have authority to make decisions, or at vulnerable to influence.

For example, if the corruptive actions are against the law your business risks facing fines and imprisonment, then the legal risks. If the actions have an effect on the daily operations, the risk involved may be operational. While reputational risks relate to your character or standing among your family, friends, colleagues, peers, and the community. Look at the possible consequences associated with the risks. Ask yourself what potential areas in your business are at risk for conflict of interest with hiring, awarding bids, or selecting suppliers of goods and services.

Once you have identified the risks, you can now plan for how to mitigate or lower the risks from happening.



## Assessing the Risk of Corruption

- **Impact of Occurrence** – estimate of all the negative consequences to the company.
- **Probability of Occurrence** – is the likelihood that a corruption related risk will actually occur within the next 12-24 months.

		Impact of Occurrence				
		Slight Injury	Minor Injury	Major Injury	Single Fatality	Multiple Fatalities
People		Slight Damage	Minor Damage	Local Damage	Major Damage	Extensive Damage
Assets		Slight Effect	Minor Effect	Localized Effect	Major Effect	Massive Effect
Environment		Slight Impact	Local Impact	Industry Impact	National Impact	International Impact
Reputation						
		Negligible	Minor	Moderate	Major	Catastrophic
Frequent	5	5	10	15	20	25
Probable	4	4	8	12	16	20
Occasional	3	3	6	9	12	15
Remote	2	2	4	6	8	10
Improbable	1	1	2	3	4	5
		1	2	3	4	5
		Very Low	Low	Medium	High	Very High

Figure 13. Assessing the Risk of Corruption

Establish a Code of Conduct Tailored for your Business

Next, you will need to create and enforce a code of conduct for your business. A code of conduct is a guide that states your vision, values, and goals for the business. A written

code of conduct communicates the expectations and standards of how you want to do business, how you and your employees treat others, identifies what behaviors are acceptable (or unacceptable), and the process of how to report risky behaviors or activities of corruption. The code of conduct should also describe the incentive for following the rules.

The code of conduct is you provide guidelines for the giving or receiving of gifts if it is allowed. It may also include the rules of using electronic devices such as cellphones while at work.

It is just as important for you to enforce your code of conduct in your organization. Because if you have a code of conduct, but the enforcement is weak or absent, it become useless and ineffective in protecting your business against corruption.

#### Internal Control Systems

The third step is to build effective internal control systems, just like how the government has a system to check and balance the positions or people in power. Internal control systems can help you to:

- run your business more efficiently.
- protect your investments, equipment, assets, and other resources.
- identify errors sooner, prevent fraud and theft (these add cost to business).
- ensure that accounting records are accurate and follow the accounting rules (GAAP).
- and helps generate reliable information or reports for make better decisions for your company.

You will need to know your company and its players in order to manage an effective control system. It is important to know about potential risks associate with each employee, and you can know more by conducting proper background checks. This also applies to business partners, investors, suppliers, or agents.

### Create a Reporting System

Make sure your employees have a system in place to report corruption when it happens. Failure to report certain acts of corruption, such as bribery, is an offense itself. This system should encourage employees to report unethical behaviors without worrying about the possible threats from perpetrators. It should be simple and accessible.

Palau's Office of the Special Prosecutor has created a way for the community to report corruption on their website.



Figure 14. Palau Office of Special Prosecutor - Reporting webpage

### Training and Professional Development

It is important to include opportunities to build common understanding and the skills needed to implement the first four steps that have been identified. All employees, including the owners, should be equipped with the knowledge and the know how to build business integrity and protection your business against corruption.





## Training and Professional Development

- *Regular training support business integrity*
- *Training can be done internally for larger companies and externally for smaller businesses*
- *Training should involve all employees, including top management and especially those exposed to risks of corruption*

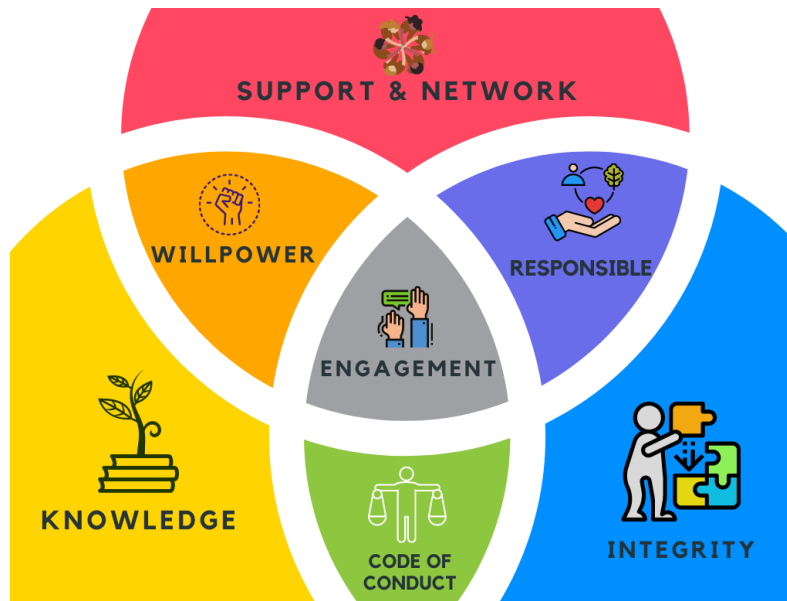


Figure 15. Training and professional are tools for success

### LESSONS LEARNED FROM THE WOMEN'S ANTICORRUPTION WORKSHOP

The recent workshop, where 33 women entrepreneurs attended, it became evident that business integrity is a common unifying goal in Palau's private sector. Individually, the women *want* to do their part in fighting against corruption to create a transparent, free, and democratic country. But there were gaps that were identified that need to be mentioned here.

The women were keen on building their knowledge on business integrity. They wanted more opportunities to support one another and build a network to protect their business against corruption. Many businesses did not have a code of conduct but were interested in opportunities to learn how to create and implement their own code of conducts. The women were actively engaged and contributed to the discussions on how to create opportunities to recognize and report businesses that were already demonstrating ethical business practices.



## CONCLUSION

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Corruption is real and creates real problems in businesses, communities, and the nation's sustainable development. In the private sector, businesses that are victims of corruption realize undue costs to their operational expense stunting their growth and ability to realize their true potential.

Gender inequalities in Palau's public and private sector communities allow for opportunities of corruption, and women are disproportionately impacted by such actions. There is still much work to do to improve the women's entrepreneurial empowerment in Palau, such as awareness, networking, professional development, and even in funding mechanisms.



## Prevent



- Learn about corruption
- Know your players
- Assess the Risks
- Signs (Flags)
- Adopt a Code of Conduct
- Internal Controls
- Grey Areas, especially with culture

## Detect



- Bribery
- Embezzlement
- Facilitation Payments
- Gifts and entertainment
- Conflicts of Interest
- Workplace harassment
- Discrimination
- Work Conditions

## Respond



- How to say no
- Whistle-blowing
- Reporting

Figure 16. Prevent, detect, and respond to help end corruption

By choosing to learn more and equipping yourself with the tools to improve your business integrity and to protect your business against corruption, you increase your opportunities to become a successful women entrepreneur in Palau. Your actions and commitment directly support the local efforts to creating a corrupt-free business community in Palau.

In addition, your action against corruption contributes to UNCAC implementation and progress in achieving sustainable development (SDG), particularly SDG 16 with aims to promote peaceful and inclusive societies for sustainable development, providing access to justice for all, and building effective, accountable, and inclusive institutions.

## REFERENCES

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"Title 17 - Crimes." *Palau National Code*. n.d.

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# APPENDIX A

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## BRIBERY (TITLE 17 – CHAPTER 41)

§ 4101. Bribery.

(a) A person commits the offense of bribery if:

(1) The person confers, or offers or agrees to confer, directly or indirectly, any pecuniary benefit upon a public servant with the intent to influence the public servant's vote, opinion, judgment, exercise of discretion, or other action in the public servant's official capacity;  
or

(2) While a public servant, the person solicits, accepts, or agrees to accept, directly or indirectly, any pecuniary benefit with the intent that the person's vote, opinion, judgment, exercise of discretion, or other action as a public servant will thereby be influenced.

(b) It is a defense to a prosecution under subsection (a) that the accused conferred or agreed to confer the pecuniary benefit as a result of extortion or coercion.

(c) For purposes of this section, "public servant" includes in addition to persons who occupy the position of public servant as defined in 17 PNC section 3801, persons who have been elected, appointed, or designated to become a public servant although not yet occupying that position.

(d) Bribery is a class B felony. A person convicted of violating this section, notwithstanding any law to the contrary, shall not be eligible for a deferred acceptance of guilty plea or no contest plea under [Subchapter I] of 17 PNC Chapter 6 of this Penal Code.

Source

RPPL 9-21 § 5 [Chapter 41 § 4100], modified. Former Chapter 41 of Title 17 of the Palau National Code entitled "Cash Courier Disclosure Act" is renumbered as Chapter 36 of Title 17 of the Palau National Code and its title amended as "Cash Courier Disclosure" by RPPL 9-21 § 4(h).

## Notes

In RPPL 9-21 § 5 section numbering in Chapter 41 read § 4100 which have been renumbered to § 4101 to conform with the Code numbering format.

The bracketed [Subchapter I] in subsection (d) read “Part 1” in the original legislation and was changed to “Subchapter” to conform with the standard format used in the PNCA.

### Offenses Affecting Occupations

§ 3001. Commercial bribery.

(a) A person commits the offense of commercial bribery if:

(1) The person confers or offers or agrees to confer, directly or indirectly, any benefit upon:

(A) An agent with intent to influence the agent to act contrary to a duty to which, as an agent, he or she is subject; or

(B) An appraiser with intent to influence the appraiser in his or her selection, appraisal, or criticism; or

(2) Being an agent, an appraiser, or agent in charge of employment, he or she solicits, accepts, or agrees to accept, directly or indirectly, any benefit from another person with intent:

(A) In the case of an agent, that he or she will thereby be influenced to act contrary to a duty to which, as an agent, he or she is subject; or

(B) In the case of an appraiser, that he or she will thereby be influenced in his or her selection, appraisal, or criticism; or

(C) In the case of an agent in charge of employment, that he or she will thereby be influenced in the exercise of his or her discretion or power with respect to hiring someone, or retaining someone in employment, or discharging or suspending someone from employment.

(b) For purposes of this section:

(1) “Agent” means:

(A) An agent or employee of another;

B) A trustee, guardian, or other fiduciary;

(C) A lawyer, physician, accountant, appraiser, or other professional adviser or informant;

(D) An officer, director, partner, manager, or other participant in the direction of the affairs of an incorporated or unincorporated association; or

(E) An arbitrator or other purportedly disinterested adjudicator or referee.

(2) “Appraiser” means a person who holds himself or herself out to the public as being engaged in the business of making disinterested selection, appraisal, or criticism of commodities or services.

(3) “Agent in charge of employment” does not include any person conducting a private employment agency licensed and operating in accordance with law.

(c) Commercial bribery is a misdemeanor, except in the event that the value of the benefit referred to in subsection (a) exceeds one thousand dollars (\$1,000), in which case commercial bribery shall be a class C felony.

Source

RPPL 9-21 § 5 [Chapter 30 § 3000], modified. Former § 3001 to 3010 are repealed by RPPL 9-21 § 3.

Notes

In the original statute section numbering in chapter 30 read § 3000 which have been renumbered to § 3001 to conform with the Code numbering format.

EMBEZZLEMENT (TITLE 17 – CHAPTER 19 – SUBSECTION 1904)

§ 2615. Theft of government property in the first degree.

(a) A person commits the offense of theft of government property in the first degree if the person intentionally or knowingly embezzles, steals, purloins, converts, sells, conveys or disposes of any money, funds, or thing of value of the national government of the Republic,



its political subdivisions, state or municipal governments, or of any ministry, bureau or agency thereof; or whoever receives, conceals, or retains the same with intent to convert it to his or her use or gain, knowing it to have been embezzled, stolen, purloined or converted.

(b) Theft of government property is a class C felony if the value of the government property is three hundred dollars (\$300) or less. Theft of government property is a class B felony if the value of the government property is more than three hundred dollars (\$300) but less than twenty thousand dollars (\$20,000). Theft of government property is a class A felony if the value of the government property is twenty thousand dollars (\$20,000) or more.

Source

RPPL 9-21 § 5 [Chapter 26 § 2614], modified.

**MISCONDUCT IN PUBLIC OFFICE ( TITLE 17 -CHAPTER 39)**

§ 3918. Misconduct in public office.

(a) A person who, being a public official as defined in 33 PNC section § 601, does any illegal acts under the color of office, or who willfully neglects to perform the duties of his or her office as provided by law, shall be guilty of misconduct in public office.

(b) Misconduct in public office is a class B felony.

Source

RPPL 9-21 § 5 [Chapter 39 § 3917], modified.

# APPENDIX B

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## 33 PNCA § 601 PUBLIC EMPLOYMENT

### Chapter 6

#### Code of Ethics

§ 601. Definitions.

§ 602. Use of nonpublic information.

§ 603. Use of government property.

§ 604. Conflict of interest.

§ 605. Disclosure of financial interests.

§ 606. Campaign statements.

§ 607. Acceptance and use of contributions.

§ 608. Ethics Commission established.

§ 609. Duties of the Public Auditor.

§ 610. Record keeping.

§ 611. Penalties.

§ 612. Injunction.

§ 613. Public records.

§ 614. Transition.

§ 601. Definitions.

In this chapter:

(a) “Business entity” means an organization or enterprise operated for profit.

(b) "Candidate" means any individual who has filed nomination papers with the Election Commission or who has received a contribution or made an expenditure for nomination or election to any national or state elective office. An elected officer is deemed to be a candidate until he files a statement with the Ethics Commission stating that he does not intend to seek reelection to the office he currently holds or to seek election to any other office, and that he will not accept any further contributions or make any further expenditures of contributions after the filing of the statement.

(c) "Commission", when used alone, means the Ethics Commission.

(d) "Compensation" means any thing of value, or economic benefit conferred on or received by any person in return for services rendered or to be rendered by oneself or another, but shall not include compensation from the national or state government, or contributions.

(e) "Contribution" means a payment, forgiveness of a loan, a payment of a loan by a third party, or an enforceable promise to make a payment, whenever made, except to the extent that full and adequate consideration is received, unless it is clear from surrounding circumstances that it is not made for political purposes. An expenditure made at the behest of, or in coordination, cooperation or consultation with, the candidate is a contribution to the candidate unless full and adequate consideration is received for making the expenditure. A contribution to a committee or other entity is a contribution to the candidate if the candidate has a significant influence on the actions or decisions of the committee or entity and the committee or entity makes an expenditure on behalf of the candidate. The term "contribution" does not include volunteer personal services. The term "contribution" does not include informational materials such as books or pamphlets, contributions that are not used and, within seventy-two (72) hours of receipt, are returned to the donor or delivered to a charitable organization without being claimed as a charitable contribution for tax purposes, or any devise or personal inheritance.

(f) "Election" means any primary, general, runoff, recall or special election.

- (g) “Employee” means any nominated, appointed, or elected officer or employee of any state government or the national government. “Former employee” means a person who has been an employee within the preceding two (2) years.
- (h) “Employment” means any rendering of services for compensation.
- (i) “Financial interest” means:
  - (1) Any business entity in which the employee has a direct or indirect ownership interest, provided that interest has a fair market value of five hundred dollars (\$500) or more;
  - (2) An employment, or prospective employment for which negotiations have begun;
  - (3) Any real or personal property in which the employee has a direct or indirect ownership interest, including a leasehold interest, having a fair market value of one thousand dollars (\$1,000) or more;
  - (4) Any source of income, including compensation and gifts, and loans from sources other than commercial lending institutions made in the normal course of business, aggregating five hundred dollars (\$500) or more in value received by or promised to the employee during the preceding twelve (12) months;
  - (5) A directorship or officership in a business;
  - (6) Any source of contributions aggregating one thousand dollars (\$1,000) or more in value received by or promised to the employee during the preceding four (4) years.

As used in this chapter, “indirect ownership interest” means any interest owned by the spouse or dependent children of the employee or by an agent on behalf of the employee, or the pro rata share of an interest owned by a business entity in which the employee or the employee’s spouse or dependent children cumulatively own a ten percent (10%) or greater interest.

- (j) “Foreign national” means any individual who is not a citizen of the Republic of Palau, or a business entity, any of the ownership interest of which is held, directly or indirectly, by an individual who is not a citizen of the Republic of Palau.

- (k) “Official act” or “official action” means a decision, recommendation, approval, disapproval, or other action, or a failure to act, which involves the use of discretionary authority.
- (l) “Official authority” includes administrative or legislative powers of decision, recommendations, approval, disapproval, or other discretionary action.
- (m) “Payment” means a transfer, distribution, loan, advance, deposit, gift or other rendering of money, property, services, or anything else of value, whether tangible or intangible.
- (n) “Person” means any individual, corporation, partnership, association, or other entity.
- (o) “Public official” means any national elected official, any minister, any director of a bureau or chief of a division of the national government, any state chief executive officer, any member of a state legislature, any member of a national or state board, commission or authority, and any procurement officer or other employee responsible for the award of contracts on behalf of the Republic, or any of its separate branches or subdivisions, or on behalf of any state, or any of its separate branches or subdivisions; “public official” does not mean a traditional male or female leader who by virtue of their traditional title automatically receives or is appointed to a public position; however, a traditional leader who runs for an elected office shall be required to comply with the reporting requirements as set forth in this chapter.

§ 602. Use of nonpublic information.

No employee or former employee may use information acquired in the course of the employee’s official duties for the employee’s personal gain until such information has been made available to the general public.

§ 603. Use of government property.

No employee may use national or state time, equipment, facilities, assets or property for political activities or other private activities that serve no governmental or public purpose.

§ 604. Conflict of interest.

- (a) No employee may take, participate in taking or use his or her government position to attempt to influence any official action where it is reasonably foreseeable that the action could have a material financial effect on that employee, or on any financial interest of that employee, that is different from the effect on the public generally. An employee who is unable to disqualify himself on any matter because he is the only person authorized by law to perform the official action will not be in violation of this subsection if he has complied with the disclosure requirements in section 605.
- (b) No employee may acquire a financial interest in any business or other undertaking which he has reason to believe may be directly affected by official actions to be taken by him.
- (c) No employee may assist any person for compensation or act in a representative capacity before any national or state government agency in any matter that relates in any way to the governmental duties of the employee.
- (d) No employee may use or attempt to use the employee's official position to secure or grant privileges, exemptions, advantages, contracts, or treatment, for himself or others, including but not limited to the following:
  - (1) Seeking other employment or contracts for services for the employee by the use or attempted use of the employee's office or position; and
  - (2) Soliciting, receiving, or accepting compensation or other consideration for the performance of the employee's official duties or responsibilities except as provided by law;
  - (3) Soliciting, receiving or accepting any gift or other item of monetary value from any person seeking official action from, doing business with, or conducting activities regulated by the employee's agency, or from any person whose interests may be substantially affected by the performance or nonperformance of the employee's duties; provided that this subdivision shall not apply to wedding gifts, customary gifts and gifts exchanged between individuals on

birthdays, holidays and other similar occasions, provided that the gifts exchanged are not substantially disproportionate in value.

- (e) No employee may engage in any outside employment or other outside activity that is incompatible with the full and proper discharge of the employee's office or position. The Ethics Commission shall, for each government agency, designate those outside activities that are deemed to be incompatible with the duties of the employees of that agency.

For the full copy of Title 33 visit the Office of the Special Prosecutor's website under the Resources page at <https://palauosp.org/wp-content/uploads/2019/05/Code-of-Ethics-33-PNCA-Chapter-6.pdf>



# APPENDIX B: SAMPLE CODE OF CONDUCT

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## Code of Conduct

### for Palau Chamber of Commerce

based on the UN-PRAC – PIPSO Code for National Private Sector Organisations

1. A commitment to ethical behavior and preventing corruption will be at the core of our Palau Chamber of Commerce.
2. We will not engage in unethical behaviour when dealing with members, government officials, stakeholders, political parties, our own employees and employees of other organisations and businesses.
3. We will report to the appropriate authority any bribery, extortion or solicitation and embezzlement in contravention of the relevant laws and legislations of our countries.
4. Occurrences of gift-giving and receiving will be dealt with transparently through a publicly available register.
5. Conflicts of interest must be disclosed, and perceptions of conflicts will be dealt with transparently.
6. Relationships between board members, staff and members will be based on fairness with a commitment to transparent recruiting, merit and training, which avoids any corruption or favouritism.
7. We will protect any data collected against mishandling and fraud, collect personal information only as needed, and respect the preferences of stakeholders, members and staff regarding the use of their information.
8. Embracing free enterprise and mutual support in the spirit of the Sustainable Development Goals, we will operate so that everyone can benefit from vibrant business activity and the ensuing economic growth and stability.

Accompanying notes to the Code of Conduct and E-learning Module:

The Pacific Islands Private Sector Organisation (PIPSO) seeks to create and sustain an ethical business climate for its member National Private Sector Organisation Organisations (NPSOs) and the community by adopting a Code of Conduct.

PIPSO encourages its members to incorporate the principles and practices outlined here as (or in) their individual codes of ethics which will guide their relationships with their members, governments, stakeholders, their own and others' employees and volunteers, customers, clients and suppliers. This Code should be prominently displayed at all NPSO locations and may be incorporated into marketing materials. PIPSO believes that its members should use this Code as a model for the development of their own member organizations' business codes of conduct. While this Code applies to the NPSO, individual business operators may choose to adapt the Code for their own businesses.

This Code is a statement of principles to help guide decisions and actions based on respect for the importance of ethical business standards in the community. PIPSO believes the adoption of a meaningful Code of Conduct is the responsibility of every business and professional organization.

#### NOTES TO SPECIFIC SECTIONS OF THE CODE:

1. A commitment to ethical behavior and preventing corruption will be at the core of our NPSOs and PIPSO.

This can be achieved through good practices such as:

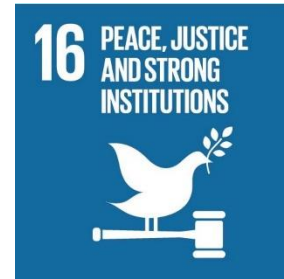
1.1 Establishing strong political will by the board and the management of the NPSO to combat corruption in the private sector.

1.2 Ensuring that the members, board, management, employees and volunteers have personal ownership of this Code and abide by it at all times.

1.3 Organizing and coordinating anti–corruption training for employees and members.

1.4 Abiding by all written agreements and verbal representations, fulfilling contracts signed and agreements reached and correcting mistakes as quickly as possible.

This is aligned to Sustainable Development Goal (SDG) 16, Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable, and inclusive institutions at all levels.



2. We will not engage in unethical behaviour when dealing with members, government officials, stakeholders, political parties, our own employees and employees of other organisations and businesses.

Such unethical behavior includes but is not limited to:

Bribery, which is giving, receiving, or promising of money or favors of any kind in order to influence the decision or action of an individual in a position of trust;

Extortion or Solicitation - demanding a bribe, which may be followed by a threat if the demand is refused;

Embezzlement - theft or misappropriation of funds and/or assets belonging to an NPSO/PIPSO by an employee/member of the NPSO/PIPSO;

Laundering proceeds from illegal activities - hiding, concealing, covering up the beginning, source, position, movement, or ownership of a property while being fully aware that the property is a proceed of crime.

This is fully aligned to SDG 16.

3. We will report to the appropriate authority any bribery, extortion or solicitation and embezzlement in contravention of the relevant laws and legislations of our countries.

The receipt of gifts or favors by staff and officeholders of NPSOs from stakeholders can be seen as improper inducement. Gifts and favors must not be solicited. Gifts of money must never be accepted. Reasonable small tokens [below US\$20] and hospitality may be accepted provided they do not place the recipient under any obligation, are not capable of being misconstrued and can be reciprocated at the same level. Any offer of gifts or favors of unusual size or questionable purpose should be reported to the CEO of the NPSO



immediately. This is also aligned to SDG 16 and Goal 10, Reduce inequality within and among countries.

4. Occurrences of gift-giving and receiving will be dealt with transparently through a publicly available register.

4.1 Gifts Register - Gifts and entertainment that are given or received should be recorded in a gift register and reported to the Board of the NPSO. Each NPSO and PIPSO needs to adopt a written gifts policy.

4.2 Entertainment - may only be offered to stakeholders in the course of business provided it is reasonable and modest and neither influences the recipient's objectivity nor could be construed as a means to make the recipient feel obliged to act in accordance with the wishes of the NPSO.

4.3 Donations to political parties and charitable organisations may be arranged on the condition that it is transparent and in accordance with existing laws and legislations of the country; it does not influence the recipient's objectivity and should not be interpreted as a means to make the recipient feel obliged to act in accordance with the wishes of the NPSO.

This is aligned to SDG 10 and SDG 16.

5. Conflicts of interest must be disclosed, and perceptions of conflicts will be dealt with transparently.

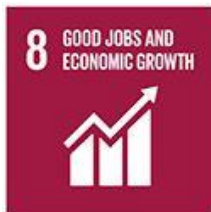
While many people in small Pacific countries have interests in common which would usually not lead to conflicts of interest, full transparency is achieved by staff and members declaring any potential issues of personal interest and interests of immediate and extended families that may directly affect the operations of the NPSO to the CEO of the NPSO (for staff) and Chair (for board members and the CEO). This is aligned to SDG 10, SDG 12 (relating to transparent procurement) and SDG 16.



6. Relationships between board members, staff and members will be based on fairness with a commitment to transparent recruiting, merit, and training, which avoids any corruption or favouritism.

6.1 Human Resources - NPSOs are encouraged to formulate Human Resource policies that outline proper, efficient, fair, and transparent recruitment, promotion, training, performance evaluation and remuneration processes for staff that will avoid corruption and nepotism.

6.2 Finance and Accounting - NPSOs must establish and maintain appropriate, accurate and transparent financial records and reporting mechanisms following the relevant accounting and financial reporting standards both locally and internationally. NPSOs should strive to conduct annual audits of their financials to prevent corruption.



This section is very much aligned with SDG 8, Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all, and also SDG 5, Achieve gender equality and empower all

women and girls, and Goal 10, Reduce inequality within and among countries; SDG 12, Ensure sustainable consumption and production

patterns, includes a “Target 12.7 Promote public procurement practices that are sustainable, in accordance with national policies and priorities”.



7. We will protect any data collected against mishandling and fraud, collect personal information only as needed, and respect the preferences of stakeholders, members, and staff regarding the use of their information.

This relates to the confidential nature of the private details of members being provided for a specific use and any survey information which is collected, including data being fed into national statistical plans. This is aligned to SDG 10 and SDG 16 and SDG 17 (Target 17.18 relating to confidential data).



8. Embracing free enterprise and mutual support in the spirit of the Sustainable Development Goals, we will operate so that everyone can benefit from vibrant business activity and the ensuing economic growth and stability.



This is aligned to SDG8, SDG9, Innovation and Infrastructure, SDG 11, Make cities and human settlements inclusive, safe, resilient, and sustainable, SDG 12, Ensure sustainable consumption and production patterns, (which includes a “Target 12.7 Promote public procurement



practices that are sustainable, in accordance with national policies and priorities”) and SDG 16.

# APPENDIX D - USEFUL INFORMATION FOR BUSINESS

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## GENERAL BUSINESS RESPONSIBILITIES IN PALAU

### EMPLOYERS IDENTIFICATION NUMBER (EIN)

Every business that is established in Palau must apply for an Employer Identification Number (EIN). Applicants must visit the Social Security office to complete the process.

### WORKER'S SOCIAL SECURITY NUMBERS

All employees working in the Republic of Palau must have a valid Palau Social Security number. Also, with the start of the new Healthcare Fund program, all dependents, including babies and young kids, are required to have valid Palau SSNs if the parents wish to enroll them under their accounts.

### SOCIAL SECURITY

Effective October 1, 2017, the SS contribution rate for each employee or wage earner in Palau is 7% of the total gross wages earned in each quarter and matched equally 7% by the employer. Therefore, a total of 14% of each employee's wages including owner's income or owner share, is reported, and paid to the SSA at the end of each quarter.

Quarter	Quarter Ending	Report and Payment Due Dates
1st Quarter March 31 No later than April 30		3rd Quarter September 30 No later than October 31
2nd Quarter June 30 No later than July 31		4th Quarter December 31 No later than January 31



Palauan citizens who are full-time farmers, fishermen, and taxi-drivers may also participate in the Social Security program in order to become eligible for Social Security benefits. To acquire eligibility for SS benefits, you must declare a minimum of \$300 gross wages per quarter and pay as required.

Effective October 1, 2017, all employees with or without employees are required to report and pay SS contributions on a quarterly basis. Read more about how SS contributions are reported and paid for Businesses with Employees and Businesses without Employees.

### HEALTH CARE FUND

HCF contributions are relatively new to employers doing business in Palau. Deductions for the HCF began in October 2010. Funds that become available in employees' Medical Savings Accounts and their eligibility for National Health Insurance are based on these contributions.

Currently, the HCF contribution rate for each employee or wage earner in Palau is 2.5% of the total gross wages earned in each quarter and matched equally 2.5% by the employer. There is no maximum taxable income that is subject to HCF contributions. The employee's 2.5% contributions get credited into his or her Medical Savings Account (MSA), while the employer's matching 2.5% share gets credited into the pooled account that funds the National Health Insurance (NHI).

Therefore, an employer must file and pay a total of 5% of each employee's total gross wages, including owner share, to the SSA at the end of every quarter.

The SSA also allows unemployed persons and self-employed persons such as full-time farmers, fishermen, and taxi-drivers, to voluntarily participate in the Healthcare Fund program. Read more about voluntary participation in the HCF.

Depending on whether or not you have employees, HCF contributions are reported and paid differently. Read more about how SS contributions are reported and paid for Businesses with Employees and Businesses without Employees.

## NATIONAL BUSINESS LICENSES

Any person conducting commercial activity must register with BRT and obtain appropriate business license before beginning and or continuing the activity.

All Employers, irrespective of the number of employees, must register with BRT and must withhold and report over wages and salary taxes withheld within 30 days of the date of pay.

## GROSS REVENUE TAX

Palau is one of the lowest taxed business environments in the Asia-Pacific region. There is no corporate tax nor is there any taxation of income for business owners. Instead, Palau has enacted a Unified Tax Act, which is codified at Division 2 of Title 40 of the Palau National Code. Under the Act, the national government levies three general types of taxes. The principal form of tax is the Gross Revenue Tax (GRT) of 4%, which applies to all businesses operating in the islands, however; no tax is payable where annual gross revenue is \$2,000 or less. The GRT essentially applies to all revenue you may receive, whether in the form of cash or property, from sources other than wages and salaries from which your employer has withheld the wages and salary tax.