



Australian Government

AusAID

Anti-Corruption Plan of Action 2008-2011

AUSTRALIA-PHILIPPINES DEVELOPMENT ASSISTANCE PROGRAM

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The Australia Philippines Development Assistance Program Anti-Corruption Plan 2008-2011 is a companion document to the Australia Philippines Development Assistance Strategy.

INTRODUCTION

The Plan of Action is intended to be a practical tool to advance the implementation of AusAID's anti-corruption and development policy and the Philippine Government's anti-corruption objectives. It is deliberately selective in its approach focusing on achievable actions suited to the strategic framework laid out in the Australia Philippines Development Assistance Strategy ("the Strategy"). It is not intended to be the design for an anti-corruption program, but rather guide the optimal allocation of Philippines Program resources toward anti-corruption outcomes.

The preparation of this Plan of Action was informed by Philippines based and Australia based consultations. In the Philippines, contributions were made by the key Philippine Government accountability institutions and central agencies, civil society organisations and other development partners. The Plan was further 'road-tested' in a round table discussion with members of the Philippine Development Forum Working Group on Governance and Anti-Corruption. In Australia, a peer review attended by AusAID and Australian whole-of-government stakeholders was conducted with its recommendations further enhancing the Plan's development.

Anti-corruption work is not new for the Philippines Program ("the Program"). This Plan of Action builds on an existing base of anti-corruption activity. Some of these existing anti-corruption approaches are highlighted in the box "AusAID Approaches to Anti-Corruption in the Philippines" (see page 6).

Corruption in the Philippines

The Philippines is subject to regular assessments and surveys of corruption undertaken by external organisations. The Transparency International Corruption Perception Index rated the Philippines 131st

out of 179 countries surveyed in 2007. With scores ranging between 10 (highly clean) and 0 (highly corrupt), the Philippines' score was 2.5. It fared better than Indonesia and Cambodia but worse than Thailand and Vietnam. Similarly, the 2007 World Bank Governance Indicators percentile ranking on the 'control of corruption' showed the Philippines ranking worst of the larger East Asian countries. This represents a regression from previous years when the Philippines fared better than Indonesia.

The effort to address public sector corruption in the Philippines is being made at various levels. Key accountability institutions such as the Office of the Ombudsman, the Commission on Audit, the Civil Service Commission and the Special Anti-Graft Court all have anti-corruption responsibilities. In addition, Executive agencies such as the Presidential Anti-Graft Commission and the Department of Budget and Management also exercise integrity functions. The number of these agencies can pose challenges in coordination and in ensuring complementary mandates. Further, the number of agencies with anti-corruption related mandates means resources are spread further with potential impact on the quality of service delivered. Public perception relating to the effectiveness of these institutions will need to be addressed for the Philippines' ranking in international surveys on the 'control of corruption' to improve.

The Philippines also has numerous laws aimed at countering corruption. These include the Anti-Graft and Corrupt Practices Act, the Plunder Law and the Forfeiture Law. Anti-corruption principles are also enshrined in the Philippine Constitution. In the area of procurement, the Government Procurement Reform Act appears to have had some success in reducing corruption by streamlining procurement processes.

Government policies relevant to the fight against corruption also exist. The Philippines is a signatory to the United Nations Anti-Corruption Framework (UNCAC). The Medium Term Philippine Development Plan 2004-2010 adopts a zero tolerance stance on corruption focusing on both punitive and preventative actions. Consistent with this framework, a National Anti-Corruption Program of Action has been developed by the Ombudsman's Office. The Office of the Ombudsman has also introduced the Integrity Development Review process and begun to pilot it in some national line agencies. Similarly, the Presidential Anti-Graft Commission has developed the Integrity Development Action Plan for the Executive Branch. Laws and policies are not wanting. The challenge lies in effectively implementing these laws and policies with due diligence. Heavily congested courts and an inefficient judicial system are also seriously undermining the Government's punitive efforts.

The Philippines has a strong civil society, vibrant media and active private sector all working to put corruption on the policy agenda. A proliferation of good governance advocacy groups has sprouted with the intention of keeping a 'watch' on government and minimising the misuse of public resources, for example Procurement Watch and Textbook Watch. The Catholic Church has also been a strong advocate for transparency and accountability.

Development partners have also worked to sustain anti-corruption efforts in the public sector. This has included a wide array of interventions in judicial reform, procurement reform, civil service reform, public financial management, and anti-money laundering. The Philippines has been a recipient of Millennium Challenge Corporation threshold programming, for example the RATE (Run after Tax Evaders) project. AusAID assistance has been actively sought in the area of public expenditure management.

Apart from implementing individual anti-corruption activities, donors and relevant government agencies meet to discuss the broader concerns related to the anti-corruption agenda under the auspices of the

Philippines Development Forum (PDF) Working Group on Governance and Anti-Corruption.

Guiding Principles

The Australian aid program's response to corruption will be guided by the following principles:

➤ ***Acting strategically and within our capacity to assist***

The Philippines is a challenging environment in which to work even more so in the anti-corruption context. Rather than provide capacity building to the anti-corruption institutions, the Australian aid program will engage directly with selected central agencies, national line agencies and sub-national governments to enhance their internal control systems. AusAID's current relationship with the Department of Public Works and Highways, to advance a range of integrity initiatives, is an example of this;

➤ ***Building on success***

Attention will be given to extending initiatives that have been shown to work in pilot. For example, the fruitful partnerships between CSOs and line agencies in procurement monitoring. AusAID's support of 'Road Watch' is aimed at strengthening such a partnership;

➤ ***Addressing donor gaps***

There is an emphasis in planned donor efforts on the investigation and prosecution of corruption related cases. The Australian aid program will focus on improving the integrity of public expenditure management systems. This is an area of existing strong engagement with the Philippines Government;

➤ ***Working within Paris Declaration commitments***

The aid program will deliver assistance using the Philippine Government's own anti-corruption instruments (laws,

policies, procedures) wherever this is feasible, and act to strengthen these instruments where appropriate;

➤ ***Protecting Australian aid investments***

High priority will be given to ‘corruption-proofing’ sectoral reforms resourced through the Australian aid program.

Objectives

This Plan of Action has two overarching objectives:

- a. **Strengthening of local efforts to combat public sector corruption;**
- b. **Reducing the corruption risks to Australia’s aid program.**

It is important to note that these objectives are not mutually-exclusive, but rather they will reinforce and support each other.

Strategic Approach

The Plan of Action approach has the following core elements:

a. **Use of Local Diagnostic Tools**

The Plan of Action will not introduce new tools to the assessment of corruption risks, but will use existing tools either developed and owned by the Philippines Government or localised by civil society organisations using international models. As well as being practical, this approach is aimed at giving some impetus to the implementation of actions arising from these analyses.

Some of the tools that can be used by the Program, and if appropriate strengthened and extended, are:

- (i) The Philippine Office of the Ombudsman’s (OMB’s) ***Integrity Development Review (IDR)*** and Presidential Anti-Graft

Commission’s (PAGC’s) ***Integrity Development Action Plan (IDAP)*** processes. These tools are designed to identify public sector agency-specific corruption risks and to lay out plans for the strengthening of systems in response to identified vulnerabilities. Further application of these tools will also help to strengthen the corruption prevention monitoring functions of the OMB and PAGC.

- (ii) The Philippines ***Agency Procurement Index*** and ***Procurement Compliance Performance Indicators*** (fashioned after the OECD/DAC and World Bank procurement assessment indicators respectively). These tools have been previously localised and applied to a selection of national government agencies and Local Government Units by civil society groups (Procurement Watch and the Transparency and Accountability Network).
- (iii) The new ***Sectoral Performance Audit Reports and Agency Performance Reports of the Philippines Commission on Audit (COA)***.

b. **Mainstreaming**

The Plan of Action will adopt a mainstreaming approach. There will not be a separate anti-corruption pillar added to the Strategy; rather anti-corruption measures will be implemented within and across the existing Strategy pillars (Economic Growth, National Stability and Human Security and Basic Education).

c. **Targeted Initiatives**

Specific anti-corruption initiatives will be supported where they fill a gap in the Program’s anti-corruption effort. These initiatives will, nevertheless, be consistent with existing Strategy priorities.

AusAID APPROACHES TO ANTI-CORRUPTION IN THE PHILIPPINES

Working with partners to improve transparency in the road sector

Procurement in the road sector remains one of the biggest corruption challenges in the Philippines. In partnership with the World Bank, the Australian Government is supporting the implementation of the National Roads Improvement and Management Program Phase 2 (NRIMP2). Australian technical assistance is strengthening corporate business processes, service delivery mechanisms and financial management systems in the Department of Public Works and Highways (DPWH). Australia is also supporting Road Watch, an independent group composed of government, development partners and civil society organizations, to ensure transparency in DPWH procurement systems, thus minimizing collusion and bid-rigging. The World Bank partnership provides AusAID with the opportunity to advance anti-corruption efforts through the Bank's loan assistance conditionality.

Performance incentives in the education sector

AusAID, through its performance incentive grant, supports the Department of Education (DepEd) in implementing the government's basic education reforms. In partnership with DepEd, the Program seeks to improve service delivery by enhancing DepEd's internal financial management. By developing a minimum service standards allocation formula, the Program hopes to ensure the transparent, fair and equitable allocation of funds and minimise leakage in the process. The Program provides an opportunity to use the government's expenditure systems by releasing funds through the central bank to a DepEd managed account in the national treasury. Expenditure will be made against an agreed work plan and will use government procurement and audit systems with both partners monitoring the flow of resources and acting together to address any issues.

Enhancing Transparency and Accountability in Land Administration

Through the Land Administration and Management Project, AusAID is improving the procedures and systems by which rights to property in the Philippines are documented – particularly in registration, surveying, valuation, and titling. One major achievement of the Project is the establishment of one-stop-shops (OSS) in key provinces. One stop shops restore confidence in the system by allowing transparency in the collection of property taxes and fees, reducing rent-seeking behaviour and other opportunities for corruption.

Five-Point Plan of Action

Implementation of the Plan of Action will consist of five core action points as outlined below. These have been informed by the AusAID Office of Development Effectiveness' report *Approaches to Anti-Corruption through the Australian Aid Program: Lessons from PNG, Indonesia and the Solomon Islands*.

Action 1: Anti-corruption will be an explicit consideration of all new strategies, sub-programs and initiatives

A. Concept and Design

Key decisions at the concept stage (for sector strategies and initiatives) and design stage (for initiatives) will be informed by corruption analyses. It will need to be evident that decisions around the choice of delivery modality; choice of interventions and choice of partnerships have been informed by an understanding of corruption dynamics.

- (a) ***Delivery Modality:*** Decisions around the choice of delivery modality need to be informed by a clear understanding of the exposure to corruption risk presented by

different options. Consistent with the Strategy, designers should give serious consideration to the feasibility of using Philippine Government processes and systems. In doing this, designers will draw on, undertake or update the most relevant of the local diagnostic tools mentioned in section 3 above with a focus on the capacity and probity of the proposed procuring entity. The World Bank's Country Procurement Assessment Report is an additional tool that should be referred to in looking at the possibility of delivering aid through local procurement systems.

- (b) **Interventions:** At the initiative level, these should be informed by agency Integrity Development Action Plans (IDAPs), where these are available, or consideration be given to developing these Action Plans in consultation with PAGC and agency Resident Ombudsman. Areas of particular corruption exposure should be explicitly targeted for remedial action. Where the use of local government systems is not advised, actions should be incorporated to strengthen local systems to facilitate their use at some stage in the future.
- (c) **Partners:** consideration should be given to incorporating a role for civil society organizations (CSOs) with a track-record in promoting transparency and accountability. Designers should: 1) identify anti-corruption CSOs working in the relevant field; 2) seek independent verification of the CSOs' effectiveness and independence; and 3) consult with Philippine government partners about possible roles for CSOs in the initiative. CSOs may be engaged at any level of the initiative where their participation is deemed crucial to the project. Traditionally, CSOs have been effective partners as external monitors and this role could be further reinforced. Where

local procurement systems are being used, attention may be given to strengthening civil society participation in Bids and Awards Committees as provided for under the Government Procurement Reform Act.

Consideration should also be given to partnering with other donors to ensure complementarity in anti-corruption efforts and consistency in anti-corruption advocacy messages.

B. Review and Performance Measurement

All future strategies, sub-programs and initiatives will have indicators for measuring anti-corruption efforts built into performance frameworks. These should link to the Strategy Performance Assessment Framework. The presence and quality of performance measurement approaches will be assessed during reviews.

All major, or high risk, initiatives (as agreed by the Governments of the Philippines and Australia) will have individual anti-corruption action plans which must, at a minimum, cover (i) the specific identification of corruption risk, (ii) the design responses to these risks, (iii) monitoring measures, (iv) sanctions, if appropriate.

Action 2: Targeted anti-corruption initiatives will be delivered

A small number of activities will have anti-corruption as their primary focus. These activities will typically be part of broad public sector reforms that cut across the Strategy's pillars but where the Australian Government has a comparative advantage in providing assistance. They will be designed to enhance the mainstreaming effort.

Current and planned areas of targeted anti-corruption work include:

- **Financial Management Systems Reform:** to include the roll out of the

Philippine Government's National Internal Control System Guidelines. This area of work aims to standardise and strengthen accountability processes across the national bureaucracy, with the ultimate goal of minimising the misuse of public resources.

- **Public Expenditure Management Reform:** this set of activities aims at complementing existing efforts on improved budget allocation with more transparent budget execution. Work could include the strengthening of **national** budget outcome reporting so that civil society can consolidate data on the actual disbursement of public funds and better engage on the delivery of government commitments.
- **Addressing the Corruption Vulnerabilities of the Philippines Government's Conditional Cash Transfer Social Protection Program:** this initiative is aimed at minimising the leakage typically experienced by the Philippine Government's other social safety net programs.

Action 3: Initiatives already under implementation will be progressively adapted, as appropriate, to strengthen anti-corruption efforts

All initiatives already in an implementation phase will follow these minimum standards:

- **Adhere to Australian Government accountability standards in internal resource management,** including: 1) consistency with AusAID's Fraud & Risk Management approach, including protocols to follow where corruption is detected; 2) compliance with Commonwealth Procurement Guidelines for any sub-contracting – where the move to Philippine Government systems has not yet been made; and 3) consistency with Australian Government merit selection processes.
- **Have a current 'corruption risk assessment'** built into risk management plans.

- **Seek opportunities to promote transparency and accountability** consistent with existing designs
- **Be subject to regular monitoring and review** which, among other things, will assess the quality of any chosen anti-corruption approaches.

Action 4: Information gaps will be identified for research

To ensure the Program's knowledge and understanding of anti-corruption in relevant sectors is up-to-date, both AusAID and the Government of the Philippines will have the opportunity to make suggestions about further research and analysis required. Quantifying the cost of corruption in particular sectors may be one area of further research. Preference will be given to the co-financing of research with other donors.

Action 5: Anti-corruption efforts will be strengthened through AusAID's internal management processes

AusAID Manila will take the following actions in relation to its human and financial resources to ensure that corruption is prevented and mitigated in the management of the Program:

Staff skills: As part of workforce planning for the AusAID 2010 Transition Plan, the need for skills related to corruption will be identified. Where necessary, job descriptions for new staff will include anti-corruption skills and experience. Training needs for existing staff will be identified and training programs developed in conjunction with AusAID's Learning and Development Services Section.

Financial resources: AusAID Manila's application of the Chief Executive Instructions, Commonwealth Procurement Guidelines and the Fraud & Risk Management Strategy will be closely

monitored by the now better resourced Corporate Resources Unit.

Anti-Corruption Contact Point: The appointment of an Anti-Corruption Program Officer will be formalised to support Plan of Action implementation.

Measuring the Performance of the Plan of Action

How anti-corruption performance will be assessed

Performance measurement related to corruption will be undertaken at three different levels under this Plan of Action:

- (a) ***Tracking of overall corruption trends in the Philippines:*** while this is outside the scope and influence of the Program, this will be done on an annual basis to provide the Australian Government with information about the context in the Philippines and the Government of the Philippines' anti-corruption efforts. This will not involve original research or surveys, but will draw on the work arising from the following assessments:
 - Transparency International Corruption Perceptions Index – which provides an annual, well respected comparison of corruption across different countries
 - World Bank Governance Indicators – which provide an assessment of performance against the six dimensions of governance across countries and over time
 - Medium Term Philippine Development Plan (MTPDP) Socio-Economic Report – this report includes the Philippine Government's own assessment of its efforts to curb corruption.

An annual assessment of corruption trends in the Philippines will be undertaken by AusAID Manila, drawing on the above sources.

- (b) ***Measurement of the anti-corruption impact of the Program*** will be done through the Strategy Performance Assessment Framework (PAF). The PAF already has a number of indicators addressing anti-corruption and these will be reviewed and updated as necessary to ensure that anti-corruption is fully incorporated and that anti-corruption indicators are highlighted. At the time the Strategy is reviewed, anti-corruption indicators will be separately collated and reported.
- (c) ***Measurement of the performance of individual initiatives*** will be done through the individual performance frameworks of each initiative and reported as part of AusAID's Quality at Implementation (QAI) processes.

The Program's monitoring mechanisms both at the initiative level and at the broader Program level (that is, the Annual Program Performance Report), have a built-in process for consultation with relevant stakeholders, in particular the Philippines Government, thereby allowing partners to participate in the measurement of anti-corruption efforts. The findings of these mechanisms will also be provided to the Philippines Office of the Ombudsman for possible incorporation into the MTPDP Socio-Economic Report.