
YELLOW PAPER II
BEYOND EDSA: THE POST-ERAP REFORM AGENDA

GOVERNANCE AND CORRUPTION IN THE PHILIPPINES

Eric Batalla
Fernando Aldaba
Men Sta. Ana
Nepo Malaluan
April 2001

A. Key Governance Issues in the Philippines

1. Key Governance Issues at the Level of National Government

The Philippines is touted to be one of a few genuine democracies in East Asia. However, its political and governance system must be able to initiate major reforms in the next few years to meet the challenges of a rapidly changing world. National governance in the Philippines is still constrained by a variety of issues.

Weak and Unpredictable Regulatory Environment

Rule of law and predictability of the regulatory environment are imperatives of good governance. Rule of law refers to the institutional process of setting, interpreting and implementing laws and regulations. Government decisions must be based on well-defined legislation and rules and must not be arbitrary. This also requires effective mechanisms for law enforcement and dispute settlement. Rule of law also implies a level playing field where various players in the economic and political sphere are given equal rights and opportunities to attain their legal objectives. A predictable and reliable regulatory environment is key towards a healthy investment climate.

The Philippine regulatory environment however is still weak and lacks predictability. Regulatory institutions have high vulnerabilities to rent seeking and political influence. The recent BW Resources “insider trading” investigation by the Securities and Exchange Commission (SEC) is a case in point where the latter was subjected to immense pressure by higher authorities particularly the Office of the President during the Estrada administration. The dismissal of the multi-billion tax evasion case of Mr. Lucio Tan due to a mere technicality allegedly committed because of Malacanang’s influence is another example during the ousted regime. There are also

numerous cases of failed or rigged bidding processes that contributed to negative perceptions among investors (e.g. the Manila Hotel Sale during the time of Ramos and the Industrias Metalurgicas Pescarmona S.A. power contract during the Estrada administration). Tariff rate reductions have been subject to tremendous lobbies often times derailing targeted schedules as was demonstrated during the Aquino administration.

Policy Incoherence, Flip-flops and Gridlock

While a certain level of policy incoherence is intrinsic in a democracy due to pressures from competing interest groups, the state must be able to reconcile and manage these divergent interests. However, in the Philippines, there are several instances where policy contradictions have constrained development activities. For example, the Mining Act of 1995 granting incentives to foreign corporations in developing large mines is contradicted by another law, the Indigenous Peoples Rights Act (IPRA) of 1997. The land redistribution objectives of the Department of Agrarian Reform are also being eroded due to land conversions for housing and industrial use often legitimized by appropriate government agencies. It is now wonder then why a National Land Use Code has been pending in Congress for the last ten years (Razon-Abad, 1999).

Institutions with functions overlapping with each other (e.g. The Housing and Urban Development Coordinating Council and the Presidential Commission for Mass Housing, the National Anti-Poverty Commission and National Economic and Development Authority, the Economic Coordinating Council and NEDA, etc.) are continuously being set up exacerbating policy conflicts. Institutional reform is sometimes delayed because of policy flip-flops. A recent example from the Estrada administration is the delayed privatization of the National Food Authority in which conflicting executive orders were issued by the Office of the President.

Policy gridlock on the other hand occurs as the three branches of government are unable to coordinate key economic or political reforms. A classic example was the enactment of the law expanding the coverage of the value-added tax during the Ramos administration. The law sponsored by the Executive was supported by the legislative. However, losing members of Congress filed a case before the Supreme Court which then issued a restraining order to halt the implementation of the law. While the law was ultimately supported by the Supreme Court, the delay caused a significant amount of uncertainty. Foreign investment liberalization was promoted by both the executive and the legislative during the Ramos regime. However, the decision of the Supreme Court nullifying the sale of the Manila Hotel to a Malaysian firm signaled policy conflicts among these branches of government.

Particularism and Patronage Politics

It has been observed that the Philippine political system has often been dominated by particularistic interests i.e. decisions and outcome reached within the system are based not on any fair or rational balancing of competing social objectives but are dominated by narrow group interests (de Dios, 1998). At the extreme, activists declare that the Philippine state is captured by elite vested interests with cronyism as an ultimate example. Cronyism during the Estrada administration was one of the causes of his downfall. Certain policies (e.g. bilateral air agreements) have been made to favor the former President's close friends and relatives. For example, a real estate firm whose directors included Estrada's wife and son was able to develop a piece of land in the city of Antipolo without even bothering to secure the necessary permits and clearances from appropriate government agencies. The source of such particularistic interests as pointed out by various academics is the entrenched patron-client relations or "bossism" existing in the political landscape.

Weak Law Enforcement and Slow Administration of Justice

The current peace and order situation (e.g. rampant kidnapping in Mindanao or drug smuggling in Luzon) will cast doubt on the ability of the law enforcement agencies to maintain public order. In addition to this, criminal involvement and human rights violations on the part of the police and military personnel further decrease public trust and confidence in law enforcement agencies (Razon-Abad, 1999). The Philippine justice system has also not been spared from criticism - being perceived negatively by the public concerned with its weak, slow and elitist dispensation of justice. The judicial process is plagued with inefficiency as courts are perennially clogged with pending cases.

Inadequate Organizational and Technical Capacity of the Bureaucracy

An effective and efficient bureaucracy can respond to the changing demands of the environment, promote equity and provide excellent quality service. This requires government personnel equipped with administrative, managerial and technical capacity. However, the Philippine bureaucracy is still saddled with a number of problems as specified by Razon-Abad (1999):

- Maldistribution of government personnel: the bureaucracy is not only bloated but also suffers from misallocation of human resources. Streamlining the bureaucracy has been the objective of any administration since time immemorial. But what is also alarming is the skewed distribution of government personnel with respect to the National Capital Region (NCR). For example, the NCR accounts for almost a fourth of all agricultural

workers but the region is hardly agricultural. In addition, it has one policeman for every 860 individuals as compared to Southern Tagalog that has one per 1,161 inhabitants.

- Low salary levels: while the Salary Standardization Law has brought the salary of rank and file government personnel to relatively competitive levels, salaries of middle and senior managers still lag behind their counterparts in the private sector and within the region (i.e. Southeast Asia).
- Lack of Incentives to Improve Performance: the primacy of political connection over merit prevails in several managerial positions in government as appointments are made by designated authorities. This definitely affects the quality of decision making in the bureaucracy as managers try to please appointing powers rather than respond to the real situation.
- Organizational Dysfunction and Outmoded Systems and Procedures: the bureaucracy remains saddled with unclear delineation of roles and overlapping functions and programs among government agencies. For example, more than 10 agencies undertake livelihood development (even the Department of Science and Technology!), 8 agencies provide housing services, 11 agencies involved in water resources management and development.

2. Key Governance Issues at the Local Level

Decentralization and Devolution in 1991

Article 5 section 1 of the 1987 Constitution mandates that “The territorial and political subdivisions shall enjoy local autonomy”. Sections 5 and 6 of the same article provides the local government power to create sources of revenue, local fees, levies and charges and the right to share in tax revenues resulting from the exploitation of natural resources in their areas. In October 10, 1991, Republic Act 7160 otherwise known as the Local Government Code of 1991 was signed into law by then President Corazon C. Aquino.

The Code provides for the devolution of certain powers to local government units (LGUs) according the level of local authority and prescribes a decentralized system made operational through the devolution of services (i.e. health, social welfare, agriculture and environmental protection), strengthening people’s participation in local development, provision of increased shares in taxes (e.g. Internal Revenue Allotments) and strengthening of local councils (Mananzan, 1999). Tables 1-2 below from Cuaresma and Ilago (1996) summarize the devolved regulatory powers, services and functions. In terms of revenue sources, the productive taxes with large and secure bases remained with the National government (e.g. income taxes,

value-added taxes, import and export taxes). The LGUs get the bulk of their revenues from real property and business taxes.

Table 1. Summary of Devolved Services and Functions

Services and Functions	Devolving Agency/Department
Social welfare and services	Department of Social Welfare and Development
Agricultural extension and on site research	Department of Agriculture
Field health and hospital services; other tertiary health services	Department of Health
Public Works and Infrastructure projects funded out of local funds	Department of Public Works and Highways
Tourism facilities and tourism promotion and development	Department of Tourism
School building program	Department of Education, Culture and Sports
Community-based forestry projects	Department of the Environment an Natural resources

Table 2. Summary of Devolved Regulatory Powers

Services and Functions	Devolving Agency/Department
Reclassification of agricultural lands	Department of Agriculture
Enforcement of environmental laws	Department of the Environment an Natural Resources
Inspection of food products and quarantine	Department of Health
Enforcement of the National Building Code	Department of Public Works and Highways
Regulation of tricycles or motorcycles with sidecars	Land Transportation Franchise Regulatory Board- Department of Transportation and Communication
Processing and approval of subdivision plans	Housing and Land Use Regulatory Board
Establishment of cockpits and holding of cockfights	Philippine Gamefowl Commission

The Limits of Local Autonomy

Even after nine years of implementation, there is still an ongoing debate on the actual powers that local governments may actually exercise. A conservative view emphasizes that LGUs can only exercise those powers explicitly delegated to them or necessarily implied by enabling laws. A more liberal perspective however extends the authority of LGUs to those that are not otherwise expressly prohibited by law. Because of this debate, certain policy decisions, executive issuances and orders of national line agencies allegedly violate the constitutional guarantee of local autonomy.

For example, the Department of Justice opined that devolution is not a continuing process and is therefore limited to the powers functions and facilities confined to the Code. The Department of the Interior and Local Government issued memorandum orders that direct LGUs

in the use of their IRAs and in one instance required their approval (i.e. purchase of heavy equipment for infrastructure projects). There are also bills pending in the House of Representatives that seek to “recentralize” powers already devolved to LGUs i.e. functions related to health, agriculture and social welfare services.

Executive Supervision and Legislative Control

The executive branch exercises general supervision over local governments through the Department of the Interior and Local Government and through the President’s direct supervision of autonomous regions. With regard to the devolved services, the departments concerned retain supervision over the respective LGU functions and provide technical assistance, additional services and facilities when needed. Cases of LGU-national agency conflicts arise as this general supervision is translated into specific areas of concern.

The Legislative branch has control over the structure, delineation and delegation of powers of LGUs. It also has a direct hand in the creation, conversion (e.g. from town to city) and dissolution of local governments and in the formulation of specific policies guiding inter-local government cooperation (which is still pending until today). Congress also has the power to amend the allocation of the share of LGUs in national taxes and national wealth. There are obvious signs of tensions between political leaders in Congress dependent on pork barrel funds and local government officials who do not enjoy these automatic appropriations. There was even an attempt by Congress in the past to reduce the IRA share of LGUs in the National Budget but was stymied because of a strike threat by the local officials. Local government executives are usually compelled to be more innovative and entrepreneurial to sustain their legitimacy as local leaders (Rivera, 1999).

Inter-Local Government Cooperation

Several constraints encountered by LGUs (e.g. lack of financing for projects) may be solved through inter-LGU cooperation. At the same time, economies of scale constraints (e.g. solid waste management) and spillover (e.g. or squatter relocation) problems also exist among local territories. Thus, the Code allows LGUs to group themselves, consolidate and coordinate their efforts, services and resources for mutually beneficial purposes. However, until the present time, very few cases are successful (e.g. the Metro-Naga experience) and policy guidelines are still pending in Congress. For rapidly urbanizing areas and regions, the concept of “metropolitanization” is still being pondered and discussed. The Metro-Manila Development Authority, an attempt to coordinate LGUs in the National Capital Region remains a dismal failure (e.g. traffic and garbage problems are still unsolved).

The Inequity of the Internal Revenue Allotment Share

As one of the major sources of revenue, the IRA has generated both optimism and concern among LGUs especially with regard to its distribution, allocation and impact on local fund raising. The 1997 IRA shared by 41,000 LGUs amounting to 71 billion pesos is 14.4% of the entire national budget up from a meager 4% in 1991. The impact of the increase in IRA share however varies across levels of local government depending on the cost of devolution for each unit. The provinces shoulder most of the burden followed by the municipalities and then, the cities. In addition, as a general purpose grant, the IRA does not require any effort on the LGUs to improve their performance and has developed dependency among some LGUs. It has also contributed to the growing gap between rich and poor LGUs. This gap is often exacerbated by the lingering doubt of the national government agencies with regard to the LGU's capacity for fiscal administration and its lack of support and technical assistance to needy LGUs.

More Fiscal Woes

Despite some improvements in local fiscal administration, problematic areas remain:

- local revenues are still insufficient especially among 4th to 6th class municipalities as tax bases are relatively small and collection efficiency still wanting
- local revenues are derived mostly on real property and business taxes
- credit facilities for local governments are still limited
- many LGUs still lack technical capacity to undertake non-traditional forms of revenue raising like Build Operate Transfer schemes or Bond flotation
- many LGUs still do not have strategic development plans which form the basis of any revenue raising program

The Unfunded Mandates

These include laws, executive orders and other policies that increase the functions and services of LGUs but do not include the necessary funding for implementation. For example, Congress has enacted various legislation requiring local governments to undertake and implement national programs (e.g. Social Reform Agenda of the Ramos Administration), provide benefits to local government officials and employees and shoulder the cost of devolved personnel. The LGUs were even asked by the Commission on Elections to share in the expenses for the barangay elections in 1997. The LGUs also oppose the election of sectoral representatives in their local legislature (as mandated by the Code) because they do not have funds to cover the salaries and expenses of those elected. The LGUs contend that "unfunded mandates" put a

strain on their financial resources, stunt their creativity to design local programs and upset their local plans and management systems (Mananzan, 1999).

B. Corruption as a Key Governance Issue in the Philippines.

1. Corruption in the Philippines as an Historical and Ongoing Phenomenon

Over periods of our colonial and national history, corruption has gradually come to be firmly embedded in the culture of government, business, and society. Historical records show rampant corrupt practices in the country since the Spanish colonial period. Allegations of corrupt practices by the previous Estrada administration make it representative of a historical phenomenon. However, that should not be justification for that regime's legitimacy and continuity. In contrast to President Marcos' rule that thrived in an authoritarian setting, President Estrada's government had been the epitome of a corrupt government under a democratic setup. It was a setup where an institutionalized system of check and balance was supposed to function properly. Serious charges had been raised regarding vast amounts of ill-gotten wealth that he accumulated in just two and half-years of his term. He allegedly exercised his power and influence for the benefit of relatives, friends, and allies. Similar to what happened during Marcos' rule, heightened beliefs and perceptions of corruption and injustice divided the country and led it to rise up. Such beliefs about corruption in the Estrada government were conditioned by the following:

Corruption scandals involving President Estrada, his relatives and associates.

In June 1999, just 11 months old, the Estrada administration was rocked by several scandals such as the aborted P2 million bribery by a relative for the DEC's purchase of textbooks, the diversion by a top-ranking official of a P200 million Motorola contract for handheld radios, and the awarding of a P3.6 billion deal for mandatory drug testing of policemen, licensed gun-owners and security guards. In the latter part of 1999, the President was accused of influencing SEC Chairman Perfecto Yasay to clear BW president Dante Tan on alleged stock market manipulation. Yasay was forced to resign later. On January 5, 1999 Secretary of Finance Espiritu quit reportedly over his disgust over the administration. Then in October 2000, the president himself was implicated by a series of allegations starting with revelations of involvement in jueteng. Ilocos Sur governor Luis Singson directly testified of the president's involvement. Likewise, PCI Equitable bank executive Clarissa Ocampo positively identified him as maintaining a fictitious account under the name of Jose Velarde.

Deteriorating Welfare and Order Conditions.

Perceptions of corruption were reinforced by daily nuisances such as traffic congestion, government ineffectiveness in instilling discipline among pedestrians and motorists, garbage collection problems, poor road conditions, prevalence of crime, increasing unemployment/underemployment, etc. Deteriorating welfare and order conditions raised the question “what is the government doing?” Corruption, institutionalized over decades of public mismanagement, has already damaged our national psyche. It has miseducated and misinformed people that there is nothing wrong in being corrupt. We have defined our success by the wealth and power that we possess. We know who the corrupt people are. Some of them have even flaunted the fruits of their acts through lavish lifestyles and properties. Yet they have not been prosecuted.

The message to the general public is clear: it is possible to be corrupt and get away with it. That message tells much about the ineffectiveness of our justice system. More importantly, it sends wrong signals on how we should behave and on the kind of aspirations that we form. Many of us are attracted to government service because of the privileges of power and the almost sure route to wealth and income. Our businessmen spend large amounts of energies and resources to cultivate relationships with government in the hope of getting special favors and contracts. For many us, these behavior and practices are but part of the iniquities and injustices of our present systems of governance. Surprisingly, many of us have managed to ignore these continuing injustices simply because the results of performing our civic duties are not always encouraging.

According to the 1998 annual report of the Ombudsman (OMB), as of December 1998, the rate of pending cases before the Sandiganbayan has risen to 65% from 42% in 1995. In other words, out of 10,615 cases, the number of pending cases totaled 6,912. Aside from these, it has been mentioned that the Ombudsman receives an average of 18,000 complaints a year. Of this number, an average of 1, 179 cases per year from 1990 to 1998 were being filed before the Sandiganbayan.

One reason for this disparity is that complaints received by the OMB usually did not have supporting documents and other evidence to help in the evaluation of probable cause. The task of getting evidence falls under the Ombudsman’s Fact-Finding and Investigation Bureau (FFBI), which in turn seeks the assistance of the National Bureau of Investigation and the COA. Accordingly, it takes months and even years before the FFBI gets a reply.¹ Another set of reasons

¹ Cecile C.A. Balgos, “Ombudsman Cases Just Lie There and Die There”, *Businessworld*, 28 September 1998.

hint non-action by the OMB. A third set points at budgetary constraints and propose enlarging the OMB infrastructure.

2. Perceptions of Corruption in the Philippines.

In the Philippines, public perception of corruption is high. In a 1999 Social Weather Station (SWS) survey, corruption was the second most common subject of public dissatisfaction with government after failure to control inflation. In the same survey, 41% said that “corruption is part of the way things work in the Philippines” confirming that the country indeed has a “systemic” type of corruption. The five government agencies perceived to be most corrupt are the Department of Public Works and Highways, the Philippine National Police, the Bureau of Internal Revenue, the Bureau of Customs and the Department of Education and Culture. In the survey the year before, almost 91% of the respondents thought that there was graft and corruption in government with 38% saying there was “a great deal” of corruption. Actual number of complaints received by the Ombudsman verify this public perception:

Table 3: Top 10 Graft Prone Government Agencies: Number of Cases Filed, 1993-98

Government Agency	Number of Cases
1. Department of Public Works and Highways	1762
2. Department of the Environment and Natural Resources (DENR)	1149
3. Department of Education Culture and Sports (DECS)	1046
4. Bureau of Customs/ Philippine Ports Authority	517
5. National Irrigation Administration	393
6. Bureau of Internal Revenue	355
7. Department of Health	289
8. Department of the Interior and Local Government	247
9. National Power Corporation	217
10. Bureau of Immigration and Deportation	199

Source: Carino (1999)

The nature of the above cases include: graft and corruption (72%), malversation (15.42%), theft (6.60%), estafa (5.22%) and unexplained /ill gotten wealth(0.79%).

Based on its Corruption Perceptions Index (CPI) for 99 countries, Transparency International (TI) rated the Philippines as the 54th most corrupt countries in 1999. The Philippines scored 3.6 based on the CPI's scale of 1 (high perception) to 10 (negligible perception), up from 3.33 the previous year. The Table below shows the improving scores of the Philippines in the last eleven years. The TI-CPI is derived from assessments of various international surveys that get the perspectives of business people, political analysts, and expatriates in the country being rated.

Table 4: Transparency International Ratings for the Philippines

Year	Rating	Ranking*
1988-92	1.96	44/54
1995	2.77	36/41
1996	2.69	44/54
1997	3.05	40/52
1998	3.33	55/85
1999	3.60	54/99

* the denominator is the number of countries included in the ratings

A Hongkong based firm, the Political and Economic Risk Consultancy Ltd. (PERC) also gives out corruption ratings annually for Asian countries. PERC's ratings are derived from regular surveys among expatriates working in the region. The Philippine score has also been improving the past three years. In 1999 though PERC included a caveat that the absolute figure is still not good and that "jury is still out on the extent to which Estrada is prepared to allow crony politics to stage a comeback". (World Bank 2000).

With regard to over-all risk assessment, the World Development Report publishes a measure taken from the PRS-International Country Risk Guide. This monthly index is based on twenty two risk indicators transformed into one numerical value from 0-100. A rating of 50 and below means the country is high risk and 80 and above means low risk. The Philippine index rose to 73 in February 1999 from 67 in June 1998 as the latter year was an election year for the Presidency. This year however, the most recent rating (March 2000) dropped to 70.8. It is highly probable that this has dropped again in the next months because the Mindanao hostage crisis and war started to worsen in April 2000.

The previous Estrada administration vowed early on to fight corruption. However in its first two years of office, perception of corruption increased tremendously. Various scams and anomalies have already surfaced e.g. the IMPSA contract, the BW Resources insider trading scandal at the Philippine Stock Exchange (PSE), The Philippine Charity Sweepstakes Office, etc.. The Office of the President was always indirectly or directly involved. More recently, the Philippine Center for Investigative Journalism has published articles looking into the statement of assets and liabilities of the President and into the "active firms" where the President's relatives remain as board directors. In one case, a real estate firm owned by the wife and son of the President did not even bother to acquire the necessary permits for land and housing development in Antipolo City. Perceptions of cronyism did not die down as high profile businessmen friends of the President were always linked to controversial issues (e.g. Danding Cojuangco in agrarian reform and agriculture cases, Lucio Tan in airline industry and tax evasion cases). This perception was the impetus for EDSA 2 and has now been concretized in the twelve plunder charges against Estrada.

3. Magnitude, Extent, and Cost of Corruption in the Philippines

As mentioned, from 1990 to 1998, there were 10,615 cases filed by the Ombudsman before the Sandiganbayan. These involved transactions of government agencies totaling P7.75 billion. The National Capital Region Manila had the largest share at approximately 25% of the total number and 72% of the total amount involved. The incidence of corruption in the regions outside of the National Capital Region may probably be higher because of perceived weaker check and balance mechanisms, which in turn are due to local conditions of poverty and powerlessness.

Corruption have direct and indirect economic costs. The following are the typical costs of graft and corruption (Kaufmann, 1998, World Bank, 1998):

- it raises transaction costs and uncertainty in the economy. Cost of doing business increases and this discourages foreign and local investments. Macroeconomic instability through deficits may also be catalyzed as revenue targets are not reached and government spending overshoots because of corruption. Foreign debt may also balloon as these are diverted to non-productive uses.
- it leads to inefficient economic outcomes. It misallocates talent to rent seeking activities and distorts actual priorities and technology choices. It pushes firms to go underground, undercuts the state's ability to raise revenues. It may also lead to monopolies and cartels to the detriment of the consuming public.
- It exerts more burden on the poor. It denies the poor their share, small as it is as the poor gets excluded when bribery becomes the norm to access government services. It even increases poverty as resources for the welfare of the poor are diverted to dishonest officials and businesses
- It endangers the environment when private interests are able to secure rents from the exploitation of natural resources through bribery

It has been estimated that losses to corruption are at least 20% of the national budget.² If this estimate were used, from 1995 to 2000, the cost of corruption is at least P609 billion, or an average of P105 billion a year, or P278 million per day. Further, during the same period, the average annual losses represent 3.8% of our gross national product (GNP). This magnitude is similar to another estimate derived from existing cost assessments of around 94.1 billion to 118 billion pesos which can be broken down as follows:

- Revenue Losses (tax evasion) average of P70 billion per year (this is derived from an EIIB estimate of tax evasion of US\$ 8.1 billion from 1993 to 1995)

²Amando Doronila, "WB report targets Erap administration", *Philippine Daily Inquirer*, 8 November, 1999.

- Expenditure leakages due to malversation averaged P24.1 to 48 billion a year (this is derived from President Estrada's estimate of 20% of total project funds of government for 1998 that was lost to corruption and the total P1.2 trillion pesos corruption losses for the past 25 years according to the Office of the Ombudsman).

However, indirect losses such as opportunity costs because of foregone investments or losses due to macroeconomic instability are difficult to estimate. However, if one looks at the Foreign Direct Investment (FDI) data across the region, the Philippines definitely lags behind Malaysia, Thailand and in some years, even Indonesia.

Actual Sectoral Losses

Data from the Office of the Ombudsman shows that the P9 billion losses through the various government agencies from 1990 to 1998 are broken down as follows (only the top 20 agencies are included in this table):

Table 8: Government Losses By Agency

Agency	Losses
Philippine National Bank	P 1.7 billion
Department of Interior and Local Government	P 1.4 billion
Department of Public Works and Highways	P 1.1 billion
Ministry of Human Settlements	P 1.0 billion
Department of Finance	P 0.81 billion
Philippine Guarantee	P 0.81 billion
Department of Justice /Register of Deeds	P 0.69 billion
Development Bank of the Philippines	P 0.44 billion
Polytechnic University of the Philippines	P 0.24 billion
Department of Tourism/PTA	P 0.2 billion
National Power Corporation	P 0.2 billion
Department of Defense	P 0.11 billion
National Food Authority	P 0.05 billion
Department of Transport and Communication	P 0.03 billion
Office of the President	P 0.022 billion
Office of the Regional Governor (ARMM)	P 0.021 billion
Philippine Charity Sweepstake Office	P 0.021 billion
Department of Education, Culture and Sports	P 0.018 billion
Philippine Racing Commission	P 0.017 billion

Source: Office of the Ombudsman

Gathered from various documented sources mostly from the case studies of the Philippine Center for Investigative Journalism (PCIJ), the following are estimates of the percentage of total project costs lost to cases of corruption in key government sectors:

Table 9: Estimates of Sectoral Losses in terms of Commissions Paid in Bribes

Sector	Government Agency	Loss estimates	Source
Infrastructure	Department of Public Works and Highways (DPWH)	10-30% of total cost of public works projects	Parenno, 1998
	Mount Pinatubo Commission	10-30% of total cost of public works projects	Florentino-Hofilena, 1998
Education	Department of Education Culture and Sports	20-65% of total cost of textbooks procured	Chua, 1999
Health	Department of Health	20-40% of total cost of medicines procured	Corotan, 2000
Agriculture	Department of Agriculture Rural Field Units	10-50% of total cost of farm inputs procured	Sarmiento, 2000
Finance	Bureau of Internal Revenue Bureau of Customs	30-43% of potential revenues	Talisayon, 1998
Environment	Department of Environment and Natural Resources	15% of reforestation costs, 1988-1992	Danguilan-Vitug, 1993
Local Government	Philippine National Police	P45 million a year-ghost payroll	Carino, 1999
Justice	Bureau of Immigration	P200,000 to P350,000/illegal alien	Chua and Rimban, 1998

In addition to these, there are also cases where 100% of the total cost of procurement is lost through ghost deliveries. There are also instances where inferior quality goods or products are delivered by suppliers or contractors. Protection money is also common among the police and some national and local government officials especially for illegal activities like smuggling, gambling and drug pushing.

4. “Areas” of Corruption

Corruption Due to Flaws in the Political System

Expensive Elections

Philippine elections are characterized by three Gs - guns, goons and gold. However, gold is the most crucial as this is crucial to access the two other Gs. Thus, it is no wonder that elections are quite expensive in the country. Current estimates for successful campaigns for various electoral positions are found below:

Table 5: Campaign Funds Needed to Win an Electoral Position

Electoral Position	Amount Needed
President	P3-5 billion
Senator	P100-200 million
Congressman	P5-50 million
Provincial Governor	P5-50 million
Mayor (Municipal and City)	P 3-20 million

Source: Interviews, World Bank (2000)

Thus, candidates need to raise such campaign funds from various sources. More often than not, contributions have strings attached. Profits from electoral investments are cashed in when winning candidates begin to sit in their public office. These may be in the form of concessions, franchises, monopoly rights, contracts and other favors dispensed with by the winning candidate that would give monetary returns to such investments.

De Castro (1998) chronicles several cases where funds of government agencies (e.g. BIR, DILG) and corporations (e.g. PAGCOR, PNCC) were utilized to bankroll the campaign of various administration candidates at the local and national levels. These instances happened in the Marcos and Aquino regimes. A celebrated case during the Marcos regime was the withdrawal of P55 million in cash from the Manila International Airport bank account supposedly as partial payment of its debt to the Philippine National Construction Company (PNCC). The cash was delivered in three tranches to the Secretary of then President Marcos in January 1986, the peak of the presidential campaign. During the Aquino administration, the Rebel Returnee Program of the National Reconciliation and Development Council (NRDC) was allotted P240 million in 1992, an election year. The fund was to be utilized for various peace and order programs all over the country implemented by local governments. It was alleged that many of the recipients of the funds (82%) were supporters of then administration candidate Fidel V. Ramos.

Political Analyst Antonio Gatmaitan however argues that it is the whole government bureaucracy that provides administration candidates the advantage in an election. Being in power, the administration can call on businessmen and many rent seekers who depend on government contracts to provide monetary contributions. He estimates that the use of government machinery, including vote buying and cheating could translate to around 10 percent of the vote (De Castro, 1998).

Legislating through the Pork Barrel

The Philippine President is able to wield power over the legislature because of his ability to withhold the release of pork barrel funds of the Senators and District Representatives. These funds are for various “projects” under the direct supervision of the legislators. Examples include the Countrywide Development Fund and the Congressional Initiative Allocations. These funds under the discretion of the legislators are typically used for the construction of school buildings, farm to market roads and other public works.

To their proponents, such funds allow legislators to be more responsive to the needs and priorities of their constituents and ensure the equitable distribution of resources among electoral districts. However opponents have claimed that they are frequently a source of graft and corruption. For example, in 1996 alone, around P1.8 billion were unliquidated from such

funds.(World Bank, 2000). In early 1998, newly appointed Finance Secretary Salvador Enriquez told reporters that up to 45% of pork barrel funds may have been lost to commissions especially in the case of money set aside for school and other instruction materials and about 30% of the total cost of public works projects (Parreno, 1998).

Patronage in the Bureaucracy

According to the World Bank study, the president has the power to name people to 3,175 career executive positions in various government department and agencies. In such line departments as education, for example, this includes everyone from the secretary down to provincial superintendents. It includes ambassadors, military officers from colonel up and justices for various courts. It also includes 2,488 positions in 60 government owned corporations (e.g. SSS alone has 229 appointive positions). Only a minority of these political appointees are confirmed by the Commission of Appointments in Congress.

Patronage within the bureaucracy can be gauged by the degree to which casual and contractual workers are hired to circumvent regulations that applicants pass the civil service examinations. In 1995, there were 157,000 casual employees within the civil service but there were 120,000 civil service vacancies. At the local level, 85,000 casuals were hired despite 43,000 regular vacancies. In 1997, 112,000 were hired as casuals at the local level though there were 43,086 career vacancies. (World Bank, 2000)

Judicial Transparency and Accountability

Corruption in the Judiciary has always been raised by various administrations but it is also one of the most difficult subjects of journalistic investigation, according to the Philippine Center for Investigative Journalism (PCIJ). It adds that this is basically due to the apparent lack of transparency in the judicial processes. While court hearings are typically open to the public and that transcripts of judicial proceedings are part of the public record, deliberations in the judicial bodies especially the Supreme Court and the Court of Appeals are usually kept confidential.

Recent cases documented by the PCIJ include a ruling on the monopoly issue in the telecommunications industry by a Supreme Court justice was alleged to have been written by the lawyer of the Philippine Long Distance and Telephone Company. This was confirmed by an expert who analyzed writing styles of the two persons concerned. In addition, PCIJ looked at violations of the Judicial Code of Conduct by Supreme Court Justices when they are publicly seen with litigants and lawyers with cases pending in their courts, bolstering allegations of the Court's vulnerability to lobbying interests. They also conducted investigations on the role of law

offices run by relatives of justices or retired justices, which have been accused of peddling influence in the high court. They also examined the flip-flopping patterns of court rulings and overturning of precedents which were possible signs of influence by pecuniary interests. Finally, they also examined deviations from prescribed procedures that often were symptoms of anomalies taking place.

The lack of transparency and accountability in the Judiciary stem from the fact that the current political system does not institute appropriate “check and balance” mechanisms. While the President appoints key justices recommended by a Judicial Bar Council, the appointees are not subject to confirmation by the Legislative. Coronel (2000) points out that the only check available is the impeachment by Congress of individual justices, a long tedious process that experts say is almost impossible to see through. In addition she mentions that the Supreme Court also has the leeway to set its own procedural rules which may be used to favor certain litigants. The 1987 constitution even strengthened the Supreme Court by giving it the power of executive review and to issue restraining orders.

Corruption in Regulatory Agencies

Regulation is an area where the state exercises its discretionary power to granting firms or citizens certain documents, permits, licenses, exemptions or concessions to conduct economic and other activities. The power of the State is stronger where the good or service it is distributing is scarce such as forest concessions, import licenses, telecommunications and transport franchises (Carino 1999). Examples of regulatory agencies supposedly tainted by recent corruption cases include:

- Department of Finance (recent one stop shop tax exemption certificate scam)
- Securities and Exchange Commission (as alleged by the President during the Best World Resources scam)
- Department of Environment and Natural Resources (timber licenses, mining permits, environment clearance certificate, etc.)
- Bureau of Immigration (human smuggling, extortion)
- Land Transportation Office (registration of smuggled or carnapped vehicles)
- Economic Intelligence and Investigation Bureau (extortion)
- Land Regulation Agency (rigged bidding)
- Philippine National Police (drug bust related extortion)

Corruption in Revenue Raising Agencies

Since these agencies raise funds from citizens and firms through taxes, duties and the like, and because evasion is rampant, revenue-raising agencies are highly vulnerable organizations for corrupt practices. According to the Economic Intelligence and Investigation Bureau, from 1993 to 1995 alone, tax evasion in the Philippines was estimated at P210.8 billion compared with the potentially collectible revenue of P493.5 billion (Talisayon, 1998). The key agencies involved in collecting taxes and duties are the Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC). It is not surprising why positions in these agencies are the “most sought after” ones. Also, these agencies almost always top perception surveys on the most corrupt government agencies. Other agencies documented for corrupt practices include the Asset Privatization Trust and the Public Estates Authority (Carino, 1999 and Tordesillas and Coronel, 2000)

Corruption in Revenue Spending Agencies

While all government agencies are included in these sub-group, wider opportunities for corruption can be found in agencies which have a big percentage of their budgets allotted to procurement of equipment and supplies and those which hire sub-contractors in the performance of their mandated services. Carino (1999) cites studies done by the University of the Philippines that showed the cost of supplies increasing due to overpricing, short deliveries, non-existent or insufficient deliveries, purchases in excess of quantity required, low quality goods, etc. Agencies falling under this category include:

- Department of Public Works and Highways (sub-standard roads and bridges)
- Department of Transportation and Communication (rigged bidding)
- Department of Interior and Local Government (ghost projects and purchases)

- Department of Education, Culture and Sports (overpriced textbooks and chairs)
- Department of Health (overpriced drugs and vaccines)
- Armed Forces of the Philippines (questionable deals in procurement)

Corruption in Government Corporations

Government corporations enjoy certain privileges and exemptions relative to their counterparts in the bureaucracy. For example, some of them are exempted from the Salary Standardization Act. The Philippine Amusement and Games Corporation (PAGCOR) is not even audited by the Commission on Audit. Because of their nature, such government entities enjoy relative independence and weak oversight from other government bodies (e.g. Office of the

President). The Social Security System for example was recently criticized because of its investment forays in the private banking industry. In addition an incentive problem exist because many of such corporations are subsidized heavily by the national government despite poor performance. For example, the National Home Mortgage Finance Corporation has been in the red for the past several years and yet it continues to receive increased budget allocations from the national government. During the time of Marcos, several of these corporations were used to fund election campaigns (e.g. PAGCOR) while others gave or guaranteed loans to Presidential friends and cronies (e.g. Philippine National Bank, the Development Bank of the Philippines, Government Service Insurance System, and PHILGUARANTEE). Some government corporations were also alleged to have entered into lopsided contracts (e.g. National Power Corporation during the power crisis of 1991-92).

Corruption at the Local Government Level

Critics of decentralization say that the only result of such reform is to decentralize corruption. The Local Government Code of 1991 has indeed given local officials more power and revenues to be able to serve their constituencies better. However, some shrewd politicians have also utilized their new found “powers” to increase rent seeking at the local level. In Cavite, a rapidly industrializing province, officials have made millions from facilitating land conversions (from agricultural to industrial) through the enactment of municipal and zoning ordinances allowed by the Code (Coronel 1995). This type of kickbacks are in addition to the traditional sources of revenues for local politicians which include cuts from public works contracts (10-15% during the 1970s in Cavite as noted by Coronel, 1995) and pay-offs from jueteng (illegal numbers game) lords and other types of protection money (e.g. prostitution dens).

Jueteng operation for example is very lucrative where operators at the local level (e.g. municipality) collect P160,000.00 to P200,000.00 daily. 20% of the monthly collections (around P1.2 million) consists of their net profits while 80% (roughly P4.8 million) goes to an elaborate multi-tiered structure of protection that includes the police, military, mayor, and the barangay captains (PCIJ and IPD, 1995). The recent Chavit Singson expose showed that bribe money from jueteng has gone all the way to the Presidency. Other types of corruption at the local levels can be traced to the power of the local government to issue business permits, collect real property taxes and procure equipment and supplies. Available data on cases at the local government level is given below:

Table 6: Number of DILG Cases at the Sandiganbayan, 1990-1995

Bureau	Number of cases	Percentage to Total	Amount Involved (million)	Percentage to Total
PNP	621	17.2%	1,204.06	33.9%
NAPOLCOM	5	.1%	.01	0.0%
Municipal governments	1,946	53.7%	745.83	21.0%
Provincial Governments	393	10.9%	443.61	12.5%
City Governments	275	7.6%	457.88	12.9%
Barangay	339	9.4%	680.98	19.2%
DILG	9	.2%	13.41	0.4%
Bureau of Fire prevention	24	.7%	1.48	0.0%
Others	5	.1%	.16	0.0%

Source: Ombudsman as reported in Batalla (2000)

Corruption in Media

The media is also not free from corruption. A recent study shows that media corruption today is costlier, more pervasive and even more systemic. It is also disturbingly more creative and more difficult to detect (Florentino-Hofilena, 2000). Corruption in media is due to the increasing role and power of media in influencing and shaping the people's minds on various issues of the day. Media is also used to project the agenda of certain firms and individuals especially politicians for public relations purposes. For this reason, media practitioners are vulnerable to bribes (e.g. "envelopmental" journalism in print media) and some even engage in extortion. A PCIJ survey shows that almost 50% of reporters of national dailies and 45% of broadcast media were offered bribes.

Corruption in the Private Sector

Typically, private sector participation in corruption is seen mostly from a perspective that the sector is the "bribe giver". However, emphasis must also be placed on other business practices that can also be labeled corrupt. Talisayon's (1998) definition of a corrupt act as those that profit only a small number of people and whose net value to society is nil or negative can definitely include erring private sector groups and individuals. Examples of corrupt business practices in the Philippines include:

- using influence and money to corner contracts, concessions, franchises, tariff protection, quotas, etc.
- illegal harvesting of a natural resource from a public domain (e.g. illegal logging)
- anti-competitive practices like price fixing by a cartel to the detriment of the consumers (e.g. the long running telephone monopoly)
- using influence and money to avoid legal obligations and responsibilities (e.g. paying the right taxes, giving the right minimum wage and benefits, not employing child labor, etc.)

- using influence and money to access government funds and loans (e.g. use of GFIs for behest loans)
- outright embezzlement, estafa or fraud against the public
- DOSRI loans above the limit in the banking sector

A most recent case in the banking industry is the Urban Bank fiasco where executives and officers of the bank allegedly diverted funds worth P2.8 billion to an affiliated real estate firm on the red. This caused a run and the eventual closure of the bank. The government has filed a case of economic sabotage, an offense punishable by death or 30 years in prison. The Marcos regime is replete with examples of the private sector (e.g. his cronies) being able to access government funds including foreign loans. The Philippine Center for Investigative Journalism also discovered that among the water and power thieves are big corporations. These include Coca-Cola Bottlers and Unilever with the arrears of the former due to illegal connection since 1984 amounted to P27million while the latter around P19 million (Rimban, 2000).

Corruption in Bilateral and Multilateral Projects

During the Marcos regime, there were allegations that official development assistance (ODA) and foreign loans were diverted to private interests. Because of this, ODA funds (e.g. Dutch) were channeled to non-government organizations (NGOs) rather than government line agencies. Bilateral and multilateral funded projects are relatively large and involve huge financial outlays. While implementing government agencies are careful with these types of projects because of wider possibilities for public scrutiny and stricter donor agency monitoring, “leakages” and bribery through project “commissions” still occur. However, monitoring agencies like the National Economic Development Authority (NEDA) does not have systematic documentation of corruption cases in bilateral and multilateral projects. Many of such incidents remain anecdotal.

Leakages occur because of several reasons. For one, there are various possibilities of information asymmetry as the line agencies are able to select the information they want to give the donor. Donors also have monitoring constraints as they usually have a portfolio of projects to monitor. In addition to this, excessive intervention by the donor in terms of project design and implementation maybe construed as an affront to the sovereignty of the country.

Thus, ways and means of corruption in donor-funded projects are similar with regular and government funded projects. For example, implicit commissions from donor assisted infrastructure projects at the Department of Public Works and Highways run from 5 to 15% of the gross project cost according to firms bidding for contracts funded by donors like the World

Bank and ADB. Though of course, in pork barrel funded projects, “leakages” run up to 40% of the total cost as monitoring is relatively more lenient here than in donor funded projects.

Some government agency officials also use dubious entities to exact rents from contracts that donor funds allow. An example is the US\$240 million Asian Development Bank social forestry loan from 1989 to 1993 where fly by night NGOs were able to garner reforestation contracts amounting to a few hundred thousand to a million pesos. This resulted into some contracts not being fulfilled while others resulted into very low tree survival rates (Severino, 1995). Danguilan-Vitug (1993) even estimates that around 15% of total reforestation costs or around P390 million from 1988 to 1992 was lost to corruption.

Procurement is also another area and this is the reason why donor agencies like the World Bank and the Asian Development Bank (e.g. textbooks by the Department of Education, Culture and Sports) have initiated new guidelines to minimize leakages in their new projects. Textbooks are overpriced from 20 to 65% in cases of fraud. (Chua, 2000). Another recent case is the charge of malversation or illegal use of the World Bank assisted Small Coconut Farms Development Project (SCFDP) funds for "crash training," P23,262,882 of the Philippine Coconut Authority. The Commission on Audit reports that no actual trainings took place and it was alleged by some groups that political rallies and consultations for charter change were instead held. (Philippine Daily Inquirer, March 28, 2000).

5. Tackling Corruption: Traditional and Alternative Approaches

Corruption in the Philippines has reached a high level of sophistication. For instance, there are at least 14 different ways of making money in road projects.

- Bidding participation of and awards to unqualified and blacklisted contractors
- Bribery of various forms including entertainment
- Presenting more jobs in the Program of Work than is required for the project. The program of work, which is approved by the Department of Public Works and Highways, provides details of the jobs to be undertaken and the budget.
- Ghost deliveries of supplies
- Ghost projects
- Misrepresentation of labor costs through payroll padding
- Over-assessment of values of land acquired for rights-of-way
- Use but nonpayment of rental of government equipment
- Misrepresentation of purchase, use and rental of construction equipment
- Non-conformity of quality control standards
- Use of dummy contractors by DPWH project engineers

- Procurement and use of substandard materials
- Applying improper mix of materials
- Overpricing of materials

It is remarkable how contractors can adjust their bids and work based on changing project budgets, net of payoffs made to officials at various levels of government. These cases illustrate how agents of corruption can devise admirably creative, innovative processes and systems to advance their earthly objectives. They have in a sense elevated corruption to some form of “science”. Systemic and more sophisticated corruption may not easily be tackled by traditional approaches and thus new ways of doing things must be put forward.

Current Approaches and Traditional Thinking

The traditional and dominant approach has been to expect government to solve the problem, to police its ranks, to clean its own house because public office is a public trust. We want government to solve the problem when the problem itself is government. Human experience tells us that the hardest thing to manage is the self. Nevertheless we continue to wait on government through the Office of the Ombudsman, presidential task forces, anti-corruption legislation, etc., to strike at the heels of corruption and eliminate it. But that can be very painful because that can be one and the same heel.

We expect responsible leadership, a sort of heroism that will always pursue the common good before the self. If and when this happens, then we are lucky. But in the meantime, do we rely on fortune or fate? Is this the only way to think about and approach the problem? This has been our thinking for a long time and it seems that it has not brought us very far.

Traditional Action

Our research has shown several initiatives from various sectors. We have seen innovative programs from the Office of the Ombudsman, several task forces put together, watchdog NGOs being formed, people’s organizations mobilized, private sector initiatives, development assistance programs and projects, and witnessed the emergence of volunteerism against corruption. Past governments from Presidents Quirino to Estrada have created various task forces, presidential commissions, and other organizations to combat corruption (see Table 7).

Table 7. Presidential Anti-Graft and Investigation Agencies 1950-1985

Agency	President	Period	Duration
Integrity Board	Quirino	May 1950-Nov. 1950	6 months
Presidential Complaints and Action Committee (PCAC)	Magsaysay	Dec. 1955-July 1958	4 years and 7 months
Presidential Committee on Administrative Performance and Efficiency (PCAPE)	Garcia	July 1958-Dec. 1961	2 years and 5 months
Presidential Anti-Graft Committee (PAGC)	Garcia ³	Feb. 1960-Dec. 1961	1 year and 1 month
Presidential Anti-Graft Committee (PAGCOM)	Macapagal	Jan. 1962-Jan. 1966	4 years
Presidential Agency on Reforms and Government Office (PARGO)	Marcos	Jan. 1966-Sept. 1966	8 months
Presidential Complaints and Action Office (PCAO)	Marcos	Sept. 1966-Oct. 1967	1 year
Presidential Agency on Reforms and Government Operations (PARGO)	Marcos	Oct. 1967-Feb. 1970	2 years and 4 months
Complaints and Investigation Office (CID)	Marcos	Feb 1970-Feb. 1986	16 years
Public Ethics and Accountability Task Force	Aquino	1986-1988 ⁴	More than a year
Presidential Commission Against Graft and Corruption (PCAGC)	Ramos to present	Feb. 1994 to present	More than 5 years and still operational
Inter-agency Anti-Graft Coordinating Council	Estrada	August 1999 to present	Still operational

Sources: Data from 1-9 based on Venzon (1993). See Venzon, Regina Emily P. 1993. "Graft and Corruption and the Institutional Mechanisms Promoting Accountability under the Aquino Administration: Focus on the Office of the Ombudsman and the Sandiganbayan". MA Thesis, University of the Philippines. 1993.

While these efforts have all contributed to managing corruption to some degree, we have always wondered why our projects and attempts have not had the impact we have wanted them to have. If we take at a closer look at these initiatives, we will observe that some of these may be sporadic, reactive, tactical in nature (not solving the roots), and uncoordinated. We have put large amounts of resources –time, effort, money—behind these initiatives but it seems that we have not been able to leverage these resources, link all these efforts to have the impact that make a difference.

There has definitely been a tremendous amount of good will behind these noble initiatives. But given the sophistication of the problem, we wonder at the amount of rigor, intellectual discipline, and scientific thinking that has been applied in these pursuits? What kind of database, quality of information, analytical frameworks, as well as systems and processes, have been used to develop these programs and projects? What diagnostic tools have been adopted to

³ President Garcia also formed a Presidential Fact Finding Committee (PFFC) to investigate on graft and corruption but was not included in Venzon's table.

⁴ This agency ceased to exist upon the establishment of the Office of the Ombudsman in May 12, 1988.

understand the problem and what methods have been employed to generating strategic and sustainable solutions?

This has been our thinking and our actions for a long time. And this has brought us not very far. So therefore are there any alternative ways of thinking and acting to de-institutionalize corruption in the Philippines?

Alternative Ways of Thinking and Action

Rather than say, “Government heal thyself”, can we say, “Like people, like government”. Can we build an institution amongst ourselves, linking our efforts, leveraging our resources, and making our collective genius equal to the task? Can we build on the good will of government, NGOs, people’s organizations, private business, international development agencies, the academe, research organizations, legislators, media, and individual volunteers and weave these efforts toward greater impact and effectiveness? Can we build an institution that can de-institutionalize corruption in the Philippines?

These questions suggest a renewal of how we deal with one another, how we elect our officials, and how each individual is contributing to the common good. We have talked about the degree of sophistication, ingenuity, and almost scientific thought that goes into designing methods of corruption. Can we utilize the vast amount of information and technology, social science tools to design superior anti-corruption programs that strike at the roots of the problem and bring us closer to more permanent, sustainable solutions?

For instance, agency theory may serve us a framework for understanding conflict of interest between principal—that is the public—and agent—that is government. It emphasizes the importance of appropriate incentives and monitoring in addressing problems. Likewise, stewardship theory portends that altruistic values play an integral role in the effective discharge of duties and responsibilities.

There is no doubt that traditional approaches such as presidential commissions and other agencies will continue to be employed. However, rather than merely being there for show, the enforcement capabilities of anti-corruption agencies should be enhanced. The traditional approach of strengthening in letter the legal framework against corruption should be matched by strengthening in fact the independence of these agencies to perform mandated duties.

Scholars from Singapore and Hong Kong have suggested that the salary structure in government may be a key factor to consider. We think that in their countries a lot of thought and debate have gone into this new perspective in government compensation. A serious discussion should be likewise initiated in the Philippines. We also have to give serious thought

about the overall incentive structure for generating profit and income in this country, the amount of investments in money, time, and effort required to equally address the problem.

We do need to get our best researchers, policy-makers, planners, and analysts to the drawing board and come up with sharp and comprehensive analyses, focused and systematic plans, and to find ways to implement and continuously improve our approach to the problem.

6. Conclusion

From the paper, the following were the key lessons learned:

Governance

- The need for wide ranging political reforms that will address the issues regarding elections being too expensive, how to strengthen check and balance among the three branches of government, and how to enhance local autonomy and decentralization. The first two may require amendments to the present Constitution.
- The need to improve administrative governance to address the issues related to streamlining, reorganization, coordination and proper incentive schemes. Computerization and the use of the available information and communication technology should be required for all government agencies.
- The need to promote greater economic reforms that will address issues related to the government's role in leveling the playing field and promoting competition in markets

Corruption

- Corruption in the Philippines is systemic and sophisticated; the approach to curb it must be holistic, comprehensive, integrated and innovative.
- There must be strong political will on the part of the top leadership of the country to push for a strong anti-corruption strategy and program. The political leadership must also be credible enough as role model for the program.
- The necessary laws, policies and mechanisms to combat corruption are already in place. However, what is needed is credible leadership in these organizations and commitment to enforce these laws and policies.
- Partnerships must be forged among the various sectors of society (Government, civil society and the private sector) to combat corruption. Current initiatives from government and civil society are often times not linked.
- Government has already started various anti-corruption programs and listed several more (i.e. the DAP study). The greater need is to prioritize and harmonize all these efforts and effectively implement them.

- Government must improve its incentive package (i.e. salaries and benefits especially for high officials) and the prerequisite for this is a successful streamlining and reorganization of the bureaucracy to make costs affordable.
- Since the notorious agencies have already been identified, anti-corruption efforts must be focused on such bodies.
- The key areas where corruption takes place are in procurement, contract bidding and in the actual implementation and delivery. Processes and procedures must be reviewed. Computerization will be a necessary (though not sufficient condition) to promote transparency and accountability in these two areas.
- Functions of government regulatory agencies must be reviewed; some may be abolished and even privatized.
- Corruption in the legislature and judiciary is also alarming but this will require more in depth political reforms by enhancing the check and balance mechanisms provided by the Constitution.
- Corruption in the private and civil society sector is also an area that has remained relatively unexplored and unchecked.

Definitely, we can use new ways of thinking and acting to de-institutionalize corruption in the Philippines. Confronting institutionalized or systemic corruption entails new institutions. Further, the pseudo-science employed by syndicated corruption must be matched by the practice of an equally, or more, powerful science. Uniting efforts, leveraging resources, applying the rigors of the sciences, the intelligent use of information, technology, processes, and structures, all play a key role in advancing our goal. In conclusion, as we reflect on this daunting task before us, we are reminded of a Japanese word: *kokoro*. It is a word that means heart, mind, spirit, and will. This is one such arena where the challenge is one for our *kokoro*. De-institutionalizing corruption in the Philippines will engage our heart, our mind, our spirit and will. And if we are ready to bring all of ourselves to this cause, then we will be equal to the task.

References:

- Aldaba, F. Key Governance and Corruption Issues in the Philippines, Ateneo Center for Social Policy and Public Affairs
- Balgos, C., "Ombudsman" in in Coronel (ed.), **Pork and other Perks: Corruption and Governance in the Philippines** Philippine Center for Investigative Journalism, 1998.
- Batalla, E. "De-institutionalizing Corruption in the Philippines", DLSU and Yuchengco Center, 2000.
- Carino, L. "Initiatives Taken Against Corruption: The Philippine Case", NCPAG and UNDP, 1999.
- Chua, Y., **Robbed**, Philippine Center for Investigative Journalism, 1999.
- Chua, Y. and L. Rimban, "The Gatekeepers" in Coronel, S. (ed.), **Pork and other Perks: Corruption and Governance in the Philippines** Philippine Center for Investigative Journalism, 1998.
- Coronel, S. (ed.), **Pork and other Perks: Corruption and Governance in the Philippines** Philippine Center for Investigative Journalism, 1998.
- Coronel, S., "Cavite" in Lacaba (ed.) **Boss: Five Case Studies of Local Politics in the Philippines**, Philippine Center for Investigative Journalism, 1998.
- Coronel, S. (ed.), **Betrayal of the Public Trust**, Philippine Center for Investigative Journalism, 1999.
- Corotan, G. "Money form Health" in Coronel (ed) **Betrayal of the Public Trust**, Philippine Center for Investigative Journalism, 1999.
- Cuaresma, J. and S. Ilago, **Local Fiscal Administration in the Philippines**, UP College of Public administration and German Foundation for International Development, 1996.
- Danguilan-Vitug, M., **Power From the Forest**, Philippine Center for Investigative Journalism, 1993.
- Danguilan-Vitug, M., "Highway Robbery" in in Coronel (ed.), **Pork and other Perks: Corruption and Governance in the Philippines** Philippine Center for Investigative Journalism, 1998.
- De Dios, E."Interest Group Competition and Legislative Intervention" UP School of Economics and Institute of Developing Economies, 1998.
- De Castro, I., "Campaign Kitty" in in Coronel (ed.), **Pork and other Perks: Corruption and Governance in the Philippines** Philippine Center for Investigative Journalism, 1998.
- Development Academy of the Philippines -Center for Governance, "The Ten Point Jumpstart Anti-Corruption Program of the Filipino People Under the Estrada Administration, April 2000.
- Florentino-Hofilena, C., **News for Sale: Corruption of the Philippine Media**, Philippine Center for Investigative Journalism, 1998.
- Florentino-Hofilena, C., "Profits from Disaster" in Coronel (ed.) **Betrayal of the Public Trust**, Philippine Center for Investigative Journalism, 1999.
- Guerrero, L, and Rood, S. , "An Exploratory Study of Graft and Corruption in the Philippine, Social Weather Station, 1999.
- Hutchcroft, P. **Booty Capitalism: The Politics of Banking in the Philippines**, Ateneo de Manila University Press, 1998.
- Kalaw-Tirol, L., "Graftbusters" in in Coronel (ed.), **Pork and other Perks: Corruption and Governance in the Philippines** , Philippine Center for Investigative Journalism, 1998.

- Kaufmann, D. and C. Gray, "Corruption and Development" in *Finance and Development*, the World Bank, March 1998.
- Lacaba, P. (ed.) **Boss: Five Case Studies of Local Politics in the Philippines**, Philippine Center for Investigative Journalism, 1998.
- Manazan, M., "Local Governance in the Philippines: Seven Years After" in Philippine Governance Forum, **Overview of Key Governance Issues in the Philippines**, May 2000.
- Parenno, E., "Pork" in Coronel (ed.), **Pork and other Perks: Corruption and Governance in the Philippines** Philippine Center for Investigative Journalism, 1998.
- PCIJ and IPD, "Jueteng Country" in Coronel (ed) **Betrayal of the Public Trust**, Philippine Center for Investigative Journalism, 1999.
- Philippine Governance Forum, **Overview of Key Governance Issues in the Philippines**, May 2000.
- Razon-Abad, H., "Political Governance in the Philippines: Issues and Challenges" in Philippine Governance Forum, **Overview of Key Governance Issues in the Philippines**, May 2000.
- Rimban, L., "The Water Thieves" in Coronel (ed) **Betrayal of the Public Trust**, Philippine Center for Investigative Journalism, 1999.
- Rivera, T. "Democratic Governance and Late Industrialization" in F. Sta. Ana (ed.) **The State and the Market**, Action for Economic Reforms and Friedrich Ebert Stiftung, 1998.
- Sarmiento, P., "The Burdens of Agriculture" in Coronel (ed) **Betrayal of the Public Trust**, Philippine Center for Investigative Journalism, 1999.
- Severino, H., "The Theft of reforestation Dollars" in Coronel (ed) **Betrayal of the Public Trust**, Philippine Center for Investigative Journalism, 1999.
- The World Bank, **Helping Countries Combat Corruption, the Role of the World Bank**, September, 1997.
- The World Bank , **Combating Corruption in the Philippines**, May 2000.
- The World Bank, **World Development Report, 2000/2001**.
- Tirol-Cadiz, S. "A Fake Ruling" in Coronel (ed) **Betrayal of the Public Trust**, Philippine Center for Investigative Journalism, 1999.
- Tordesillas, E. and S. Coronel, "The Grandmother of all Scams" in Coronel (ed) **Betrayal of the Public Trust**, Philippine Center for Investigative Journalism, 1999.
- UNDP, **Integrity in Governance in Asia**, October, 1998
- UNDP and OECD, **Corruption and Integrity Improvement Initiatives in Developing Countries**, April, 1998.