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**n anti-corruption  
strategy for the  
Philippines**

Teresita N. Angeles

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**Teresita N. Angeles** is employed in the Mindanao Office of the Obudsman, Davao City, Philippines. Ms Teresita wrote this paper in partial fulfillment of the requirements for the short course of professional training on Corruption and Anti-corruption run by the NCDS between 2-27 November, 1998. The views in this paper are not necessarily those of the Office of the Obudsman for Mindanao.

### Key to symbols used in tables

n.a.	not applicable
..	not available
-	zero
.	insignificant

### Abbreviations

ARMM	Autonomous Region for Muslim Mindanao
COA	Commission on Audit (Philippines) (NSW)
ICAC	Independent Commission Against Corruption
NCDS	National Centre for Development Studies
NGO	Non-government organisation
NSW	New South Wales

# An anti-corruption strategy for the Philippines

Corruption has been identified as a major factor behind the recent East Asian financial crises. This was the conclusion of the 1998 Annual General Meeting of Transparency International held in Kuala Lumpur (Malaysia, September 12–16). Transparency International is a world-wide organisation that tackles corruption in international business and seeks to encourage justice and honesty in government. A consensus reached in the meeting was that corruption, cronyism and insider exploitation were some of the most serious threats to sustainable growth in East Asia and demanded immediate attention. This paper presents an overview of corruption in the Philippines context, particularly focussing on the electoral process, elected office and taxation assessment and collection. It examines in closer detail ways of strengthening the Resident Ombudsman as one practical measure for tackling corruption.

## Corruption defined

One broad definition of corruption is the violation of norms of duty and responsibility for personal gain. This includes embezzlement, where public funds are used for one's own benefit; nepotism, where friends, relatives and associates are appointed to public office on the basis of the personal relationship rather than merit. The New South Wales' Independent Commission Against Corruption (ICAC) (1998) has recently stressed the particular role of middle managers in corruption following a report by Ernst and Young (1996). This is because middle managers tend to have large discretionary powers but relatively lower wages.

## The Philippines context

The Philippines comprises 7,100 islands which fall into 15 administrative regions or provinces (not including the Autonomous Region for Muslim Mindanao (ARMM)). Each province has a capital. Below the provincial level are municipal administrations which, in turn, are divided into various *barangays* (the smallest political unit). Independent of the provincial capitals are chartered cities. The structure of government in the Philippines is based on the separation of powers between the executive, legislature, and judiciary.

The Philippines has 1.6 million civil servants including both career and non-career officials. Non-career officials are elected for fixed terms in office and fill positions as Department secretaries, the chairman and members of commissions, and contractual staff. Career civil servants are divided into those known as 'closed career' who are employed in the Armed Forces, Foreign Service, and State colleges and universities; and those known as 'open career'. There are three levels of open career civil servants. The first level consists of those in clerical, custodial, trades and crafts positions. The second level

comprises technical and professional people. The third level is for managers, executives and undersecretaries.

## **Corruption in the Philippines**

Graft and corruption continues to persist and grow at alarming proportions in the Philippines. In 1982, the cost of corruption to the national economy was estimated at roughly 10 per cent of GNP or P8 billion. Five years later, the non-governmental organisation (NGO), Gising Bayan, estimated that P100 million was being lost daily. In 1996, the Office of the Ombudsman disclosed that the Philippines government had lost P1.4 billion annually in the previous six years as indicated by court cases for the recovery of lost government funds and assets. Transparency International ranked the Philippines the eighth most corrupt nation in the world in 1986. Its position had improved only slightly ten years later by which time it was ranked eleventh. Unofficial estimates are that corruption now adds roughly 30 per cent to the cost of major infrastructure projects.

## **Three main areas of corruption**

### **Electoral fraud**

Causes for concern about electoral fraud are raised by the lack of transparency in the sources and utilisation of campaign funds, delays in the counting of votes and the proclamation of winners, and lack of resources for computerisation and electoral reforms (such as a voters' information campaign).

Out of a population of 70 million, 34 million people vote in the Philippines. The problems with elections in the country lie not in the existing laws to ensure fairness but in their implementation. In practice elections in the Philippines provide a mechanism for the ruling political elite to woo the impoverished majority.

A major body promoting efficiency and transparency in Philippines elections is the Commission on Elections, an independent constitutional body. Among election laws are the Omnibus Election Code and the party list law. A particular strength of the electoral situation is the nation-wide presence of citizens' groups that promote grass-roots participation in elections. These groups are organised nationally under the umbrella of the National Movement for Free Elections.

### **Legislative perks and privileges**

The media tends to focus on the perks and privileges of elected office. Often overlooked, however, is the fact that there is a high turnover of elected officials. Sixty-five per cent of national officials and 57 per cent of local officials are elected for the first time. This high turnover in political office is a strength because it effectively means broader sectoral representation in Congress, including representatives from non-governmental organisations under the party-list system. There is a higher level of community awareness and involvement in the political process, as indexed by citizens' demands for increased

integrity and transparency in government. For example, the Evelio Javier Foundation's Island Integrity Conferences *Kapihan* (Coffee Hour) provides a regular forum for dialogue between the government and the community. The electoral process in the Philippines is weakened by an emphasis on the personalities of candidates instead of genuine party platforms or programs.

### **Revenue assessment and collection**

The ICAC (1998) observes that particularly corruption prone agencies are those in the areas of licensing inspection and regulation. The potential in these areas derives from the significant amount of discretion that accompanies the execution of these duties, the heavy workloads, limited resources for full enforcement and lack of public visibility.

Problems are particularly apparent in relation to customs payments, internal revenue collections and assessment of property, as well as activities relating to regulatory and licensing functions, law enforcement, tendering, appointments and promotions. There are adequate rules and regulations in place and personnel is competent. The problem is that a 'culture of blindness' has emerged whereby acts of corruption are generally not reported. Appointing authorities are central part of this problem.

### **Existing anti-corruption mechanisms**

Preventive measures include education and training programs focusing on value re-orientation and staff development, systems of incentives and rewards for carrying out duties with integrity, citizens movements, Resident Ombudsmen, and mechanisms of devolution and decentralisation of power.

These consist of the enactment of the 'Code of Conduct and Ethical Standards for Public Officials and Employees', the laws on corruption (including the Ombudsman Act), the 'Anti Graft and Corrupt Practices Act'.

### **Three major strategies**

Three major strategies were identified address corruption in the Philippines.

- Anti-corruption measures need to include computerisation of the election process, creation of more citizens' watch groups, and the conduct of a nationwide voters' information campaign.
- Anti-corruption strategies need to include the promotion and strengthening of people's advocacy, the expansion of the performance reporting system of elected officials (*Ulat sa Bayan* (Report to the People)), and to legislate the 'Protected Disclosure Act'—similar to the ICAC in Australia.
- There is a need to empower the Commission on Audit (COA) to review the existing tax assessment and compromise procedures, simplify tax systems, rules and procedures.

Other areas identified were the need for leadership and ethical training as part of a staff development program focusing on anti-corruption. There is also a need to incorporate core-values and ethical conduct in the performance appraisal system.

## Resident ombudsman

The Office of the Ombudsman is represented in various government agencies and bodies by a Resident Ombudsman. Resident Ombudsmen are chosen by the central Ombudsman office from three nominees submitted by the head of the particular agency or body.

In the first instance, this direct and immediate presence is designed to provide a deterrence to corruption by acting as ‘whistleblowers’. They also perform a more proactive role in conducting fact-finding investigations of allegations of corruption which they report on to the Office of the Ombudsman. They have legal authority to issue *subpoenas* and *subpoena duces tecum*. They make recommendations on how to improve standing systems and procedures to prevent corruption.

In Mindanao (Southern Philippines), 350 senior government employees—mainly middle managers and supervisors—have been designated Resident Ombudsmen. However, less than twenty individuals in this position have been in regular communication with the Office of the Ombudsman in Manila, few reports have been submitted. The majority of Resident Ombudsmen in Mindanao do not understand their roles and functions. In addition, Resident Ombudsmen are too tied up with their normal jobs that they have no time left for Ombudsman duties. These are problems which result from the fact they are not organic employees of the Ombudsman. One solution is currently being tried in Manila where 16 employees of the central Ombudsman office have been appointed to Resident Ombudsman positions in particularly graft-prone government agencies. The central office has also begun an education program designed to increase understanding of the Code of Conduct and Ethical standards for Public Officials and Government Employees.

## Summary

Corruption is a multifaceted phenomenon. The Independent Commission Against Corruption in NSW and Transparency International have shown that a systemic normative and ethical approach is the most effective way of combating corruption. In the Philippines, there is a need to go beyond prosecutorial measures—as important as these are—and focus more on pro-active, preventative approaches. There is no simple solution to corruption but effective actions need to accommodate systemic, normative and ethical approaches to each organisational context and its accompanying cultural milieu. The model of Resident Ombudsman is one example of this approach. As identified, the Resident Ombudsman in Mindanao has its problems but, if these are addressed, it has the potential to become an effective anti-corruption mechanism. Ultimately, Resident Ombudsman, like all anti-corruption measures, requires community support to succeed.

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