

ANTI-CORRUPTION HELPDESK

PROVIDING ON-DEMAND RESEARCH TO HELP FIGHT CORRUPTION

CORRUPTION AND ANTI-CORRUPTION IN THE PHILIPPINES

QUERY

Could you provide an overview of corruption and anti-corruption in the Philippines with a special focus on the health sector?

CONTENT

1. Overview of corruption in the Philippines
2. Sector and institution specific corruption challenges, including the health sector
3. Anti-corruption efforts in the Philippines
4. References

////////////////////////////////////

Author(s)

Maxime Agator, Transparency International; Marie Chêne, Transparency International ; Maira Martini, Transparency International, tihelpdesk@transparency.org

Reviewer(s)

Marie Chêne, Transparency International; Robin Hodess, Ph.D., Transparency International

Date

Submitted: 3 April 2013

Responded: 19 April 2013

CAVEAT

This answer focuses mostly on corruption and anti-corruption trends since the regime change following the 2010 elections. As such, there is still relatively little information available that allows for a comprehensive assessment of the impact of the new administration's anti-corruption reforms.

SUMMARY

Since the country's independence in 1946, the Philippines' history has been marked by a legacy of deeply entrenched patronage and clientelist systems, state capture by the ruling elite, and widespread high-level corruption. After decades of perceived corrupt rule, President Aquino was elected in 2010 on a strong anti-corruption platform, raising hopes of inaugurating a new era for the Philippines.

The anti-corruption reforms the new administration has embarked on since the elections have sent a positive signal to the national and international community. Yet, the country faces major challenges of weak administration, inefficient bureaucracy and red tape which are fuelling public sector corruption. In the health sector, this translates into bribery and embezzlement issues in the decentralised medicine procurement processes.

The current government has taken important steps to address corruption in the country. However, given the extent of the challenges that the country is facing, it is still too early to assess whether the proclaimed commitment to counter corruption will bring the expected results.

1 OVERVIEW OF CORRUPTION IN THE PHILIPPINES

Background

Corruption has been a major issue in the Philippines since the country's independence in 1946. The colonial legacy of elite-dominated political patronage and political corruption has been present until today, and the struggle for power has often been described by some as a struggle between competing clans for private interests (Transparency and Accountability Network 2011). Despite anti-corruption being featured on the political agenda of the current and past regimes, the concentration of power in the hands of the president, including the power to spend and appoint, combined with weak checks and balances has provided further opportunities for abuse (Freedom House 2011).

The dictatorial rule of president Marcos (1965-1986) was considered a high point of kleptocracy, as he allegedly embezzled between US\$5-10 billion (Freedom House 2011). In recent years, allegations of corruption at the highest level have provoked massive popular protests that notably forced president Estrada to resign in 2001. His successor, president Arroyo (2001-2010), has been perceived by Filipinos as the most corrupt president in the Philippines' history, according to an Asia Pulse Survey (GMA News 2007). She was involved in several corruption scandals, including fraud in the 2004 elections but managed to stay in power until the end of her mandate (Freedom House 2011).

The 2010 elections were seen as a referendum on Arroyo's rule, and Benigno Aquino III, son of president Corazon Aquino who succeeded Marcos during the democratic transition, was elected on a strong anti-corruption platform. He gathered a high winning percentage (42.08 per cent) in an election that has been widely assessed as fair and free (Bertelsmann Foundation 2012). His main campaign platform was a call for a "renewed social contract" and a 16 point programme promoting good governance and anti-corruption reforms (Freedom House 2012).

However, the new administration's fight against corruption faces major challenges of entrenched corruption and patronage patterns inherited from the past administrations as well as a heavy but weak public sector (Freedom House 2011).

Extent of corruption

Despite recent political change and renewed political will to address corruption, the Philippines performs poorly in most international corruption rankings, reflecting the major governance and corruption challenges that the new administration is facing. The country was ranked 105 out of the 176 countries assessed by Transparency International's Corruption Perceptions Index 2012 – with a score of 37 out of 100, the Philippines was one of the worst performers in the region (Transparency International 2012). Similar results were obtained in the World Bank's Worldwide Governance Indicators (WGI), as the Philippines scored 26.07 on a scale of 0 to 100 in terms of control of corruption in 2011. The Philippines' ranking in terms of corruption control in the WGI has been constantly declining in the past fifteen years – falling from its highest percentile rank of 55 out of 100 in 1998 (World Bank 2013). In particular, there was sharp and statically significant decline between 1996 (51.22) and 2007 (25.7), after which the situation stabilised around this level. A slight but not statistically relevant improvement was recorded in 2012 data (33.49), which does not allow drawing conclusions with certainty in terms of progress made in anti-corruption between 2011 and 2012.

Filipino citizens' perceptions of corruption in 2010 reflected this negative trend, with 69 per cent of Transparency International's Global Corruption Barometer 2010-2011 respondents perceiving that corruption had increased in 2010. In the same survey, Filipinos rated the police, political parties and public officials/civil servants as the most corrupt institutions in the country, with 56 per cent, 55 per cent and 52 per cent of respondents viewing them as corrupt or extremely corrupt, respectively (Transparency International 2011).

According to the Bertelsmann Foundation, in 2008,

up to 30 per cent of allotted budgets to government projects were lost due to corruption (Bertelsmann Foundation 2008). A report by Global Financial Integrity also estimates that between 2000 and 2009, the Philippines lost US\$142 billion in illicit financial flows – part of it originating from corruption (Financial Task Force 2011). This is equivalent to 63 per cent of the country's GDP (World Bank 2013).

Yet, for the first time in years, a recent national survey of Filipino business executives, the 2012 SWS Survey of Enterprises on Corruption, gave encouraging results on the extent of public sector corruption. Only 42 per cent of surveyed executives saw “a lot” of corruption in the public sector, compared with 64 per cent in 2009 – the first improvement in years. Moreover, 71 per cent of the respondents saw “less corruption” in the present administration than in the past one, with only 2 per cent seeing more corruption in 2012 (Social Weather Survey 2012).

Forms of corruption

Petty and bureaucratic corruption

Cumbersome regulations and bureaucratic procedures contribute to high levels of bureaucratic corruption in the country. According to Freedom House, “Businesses and individuals often cope with bureaucratic obstacles by engaging illegal ‘fixers’, who collude with corrupt government employees to ‘facilitate’ transactions” (Freedom House 2011). This is consistent with the results of Transparency International's Global Corruption Barometer 2010-2011, where 69 per cent of the respondents who paid a bribe said they did so to speed things up (Transparency International 2011).

Businesses are also commonly confronted with bribery and corruption in their daily operations. According to the World Bank's 2009 Enterprise Survey, 18 per cent of firms polled said they were expected to give gifts to public officials “to get things done”. This rate goes as high as 34.7 per cent for obtaining a construction permit, 19.4 per cent to get an import licence and 21.8 per cent when meeting tax officials. Overall, 22 per cent of the firms polled

considered corruption as a major constraint for doing business in the country (World Bank 2009).

However, while bureaucratic corruption is widespread in the Philippines, frequency of bribery seems to vary greatly across sectors and institutions. While 16 per cent of Global Corruption Barometer 2010-2011 respondents declared having paid a bribe in 2010, there were wide variations in sector-specific bribery rates, ranging from 3 per cent in utilities to 32 per cent for the police and 50 per cent for customs (Transparency International 2011).

Patronage networks and clientelism

Corruption in the Philippines is linked to the deeply entrenched patronage system that permeates the country's institutions. Recent scandals at the highest levels of the state illustrate this trend. For example, the “ZTE affair” allegedly involved the payment of US\$130 million in kickbacks to high-ranking officials close to the president, which was in connection to a 2007 procurement contract, reportedly including president Arroyo's husband (Freedom House 2011). Such corruption scandals were also common in former regimes, and although some cases may have been politically motivated, high ranking officials from previous regimes have been tried for corruption related offences, such as her predecessor, Estrada, who had to resign after a corruption case emerged in 2001. He was convicted of “plunder” in 2007 (Freedom House 2011).

Sources tend to agree that these scandals reflect a widespread phenomenon of state capture by the country's elites. The country's political system has been described by analysts as being of “oligarchs and clan”, where groups (often based on prominent families) compete for power by developing patronage and clientelistic networks that aim at state capture (Johnston 2010). The system is especially prone to neo-patrimonialistic behaviours given the high concentration of power in the president's office, which controls the executive, has direct allocation power over 45 per cent of the state's budget and is the main appointing power in most institutions (Transparency and Accountability Network 2011). Strong levels of “pork-barrel”

politics and the politicisation of the state budget has been reported, especially around national development funds, such as the Priority Assistance Development Fund (PDAF), formerly the Countrywide Development Fund. These funds are also reported to be particularly vulnerable to corruption, including embezzlement and kickbacks (Noda 2011).

Patronage had been especially apparent at the beginning of president Arroyo's mandate. In the first months after she came to power in 2001, Arroyo nominated thousands of supporters to fill key positions – as a payback for their support. She was subsequently criticised for embezzling vast sums from public programmes for running her electoral campaigns as well as allegedly distributing bribes to a series of local politicians and officials in exchange for their support (Transparency and Accountability Network 2011).

President Aquino's electoral platform explicitly called for the end of political nominations and rather for appointments "based on integrity, competence and performance in serving the public good" (Official Gazette of the Philippines 2010). It is still too early to assess how the situation has evolved with regard to clientelism and patronage networks since the 2010 elections.

Political corruption and elections

Political corruption in the Philippines is closely associated with the elite-dominated politics that have been one of the country's features since independence (Freedom House 2011). In addition to patronage, violence, fraud, overspending and bribery during elections campaigns have made elections one of the most challenging sectors in terms of corruption (Bertelsmann Foundation 2008).

In particular, political violence has been an issue of serious concern in the country and culminated in 2009 with a politically-motivated massacre that took place in the province of Maguindanao – claiming 57 victims, including 30 journalists.

While the Electoral Commission (COMELEC) was originally established to protect elections from irregularities, election-rigging, vote-buying and corruption, it has been discredited by several scandals, including an audio-tape scandal in 2005 as well as election fraud in both 2004 and 2007 (Freedom House 2011). For instance, president Arroyo is currently being prosecuted in several cases, including colluding for electoral fraud with the Chairman of the COMELEC, who she had appointed (Freedom House 2011). However, during the 2010 elections, the COMELEC was led by a respected lawyer and an automated election system was established, contributing to restore its reputation.

According to Global Integrity's 2010 report on the Philippines, the financing of campaigns shows high corruption risks as donations from corporations and individuals are unlimited.

In addition, despite mandatory disclosure of campaign accounts, the bodies in charge of their monitoring do not perform sufficient verification audits or investigations. The published campaign accounts are thus perceived as not credible (Global Integrity 2010).

2 SECTOR AND INSTITUTION SPECIFIC CORRUPTION CHALLENGES, INCLUDING THE HEALTH SECTOR

Public Sector Processes

The Philippines scored 48 out of 100 in terms of budget transparency in the Open Budget Index 2012, which indicates that the government provides only some information to the public – limiting opportunities for meaningful public participation in budget processes. While this score is higher than the average score of all 100 countries surveyed (43) and the East Asia and Pacific average (39), this represents a reduction from its score of 55 out of 100 on the Open Budget Index 2010 (Open Budget Partnership 2012). However, despite the Philippines' sliding score, the 2012 index shows some improvement in terms of budget oversight and citizen engagement.

In terms of revenue collection, tax evasion and complicit corruption in tax agencies is widespread in the Philippines (Blöndal 2010), resulting in poor collection performance and significant loss in public revenues. According to a 2010 article from Bloomberg, the Philippines was ranked as the fourth worst in terms of tax collection amongst more than 100 countries (Business Anti-Corruption Portal, no date). Forms of tax evasion include non-filing of tax returns, under-declaring, overstatement of expenses and abuses in claims for exemptions (Blöndal 2010). This situation is made possible by extensive corruption in the two main revenue-collecting agencies: the Bureau of Internal Revenue and the Bureau of Customs, which are regularly cited amongst the most corrupt bodies in the Philippines. This is reflected by a 2011 survey conducted by Pulse Asia, which identifies the Bureau of Internal Revenue as one of the most corrupt government agencies in the country. Efforts have been made to address the situation, with the introduction of “lifestyle checks” on government officials, which was introduced in 2003 (see below), as well as a special unit to prosecute corrupt revenue officials.

Corruption in procurement processes is another area of concern in the Philippines. According to the World Bank’s 2009 Enterprise Survey, 58 per cent of firms said they were expected to give a bribe to obtain a government contract (World Bank 2009). There are also high risks of corruption, bid rigging and collusion when foreign contractors and investors enter the Philippines market, as there is no ceiling or cap on costs for projects funded by foreign donors (Transparency International 2009). Procurement had been qualified as “dysfunctional” in a 2002 World Bank assessment of the procurement system in the Philippines (Business Anti-Corruption Portal, no date).

This assessment triggered significant improvements and progress has been noted in recent years by the international community (Transparency International USA 2011). This includes the implementation of an e-procurement system in most government agencies, advertisement of bidding calls, a

debarment system and blacklisting of bidders violating procurement regulations, among others. The Philippines Government Electronic Procurement System (PhilGEPS) is the central online portal where all public procurement activities are posted (Business Anti-Corruption Portal no date). The Philippines is also a pilot country for the Construction Sector Transparency Initiative (CoST), which is a voluntary multi-stakeholder initiative focusing on public-sector construction projects.

Money laundering and organised crime

Money laundering and organised crime are closely intertwined and both have been described as a significant issue in the Philippines. According to several sources, organised crime activities include drugs and human trafficking, notably of women and girls (Freedom House 2012). According to the Philippines Centre for Investigative Journalism, organised crime syndicates have close connections with police, military and civilian officials and have developed complex systems of protection involving police as well as local and national officials to operate with impunity (Philippines Centre for Investigative Journalism 2003). As part of the criminal activities in the country, the illegal drug trade could generate between US\$6-8 billion, according to estimates by the US Department of State’s 2010 International Narcotics Statistics Report (US Department of State 2010).

Human trafficking is also a major issue at both the national and transnational levels. The Philippines is a source country and, to a much lesser extent, a destination and transit country for human trafficking – with a significant number of Filipino migrants subjected to conditions of involuntary servitude worldwide (US Department of State 2011). Traffickers typically operate in partnership with organised crime syndicates and complicit law enforcement officers. At the national level, workers are being brought from the countryside to urban areas and forced to work as domestic workers in small scale factories or in prostitution. While the government is making efforts to address the situation, it still does not fully comply with the minimum standards for the elimination of trafficking, which resulted in the country being placed in Tier 2 in

the US Department of State's 2011 Trafficking in Persons Report (US Department of State 2011).

According to Global Integrity, the laundering of the proceeds from organised crime as well as other financial crimes, including the gains obtained through corruption, are likely to contribute to the magnitude of illicit flows leaving the country, which is estimated at US\$142 billion between 2000 and 2009 – placing the Philippines in the top 15 countries in outflows during the period (Global Integrity 2011). Consistent with these findings, the Asia Pacific Group on Money Laundering described the country as “very vulnerable” in 2009, and money derived from financial crimes as well as procurement scams and corruption is also considered as high risk (Asia Pacific Group on Money Laundering 2009). While the Philippines has been deemed as not having made sufficient efforts until recently, the Financial Action Task Force's threats of blacklisting the country have yielded change in the last months (Agence France Presse 2010).

Police and security

The police are severely under-funded and suffer from deep-rooted institutional deficiencies (Global Integrity 2010, US Department of State 2012). Both a 2011 national survey conducted by Pulse Asia and Transparency International's Global Corruption Barometer 2010-2011 identify the Philippines National Police as one of the institutions perceived as the most corrupt by Filipino respondents. Close to one-third (32 per cent) of the surveyed households who had contact with the police in 2009 reported having paid a bribe.

While bribery and police extortion by traffic police are widespread, police corruption also manifests itself through trafficking and collusion with organised crime. For example, law enforcement officers are reported to be actively involved in human trafficking and other illicit activities (US Department of State 2012). Arbitrary detentions, disappearances, kidnappings and abuses of suspects also continue to be reported, with evidence of the involvement of military forces in the extrajudicial killings of critical journalists (Freedom House 2011).

While extrajudicial killings are on the decline, convictions are extremely rare and hampered by reported instances of witness intimidation and flawed investigations (Freedom House 2011). The government has insufficient mechanisms to investigate and punish police abuse and corruption (US Department of State 2012), resulting in very few convictions and dismissal of corrupt officers, especially when it comes to “untouchable” high-ranking officials (Global Integrity 2010). According to a 2012 report, corruption is also widespread in the Department of National Defence and in the Armed Forces of the Philippines (PRIAD 2012).

The government has recently taken steps to reform and professionalise law enforcement institutions in the country through improved training, expanded community outreach and pay raises (US Department of State 2012).

Health sector

The health sector has also been reported as subject to corruption in the Philippines, especially following the decentralisation process initiated in 1991 (World Bank 2005). This decentralisation process has transferred many responsibilities to local government units, including over the delivery of health. Therefore, since 1991, local government units and provinces have been receiving fiscal transfers in the form of block grants from the national government with great discretionary powers to decide upon the allocation of these grants (about 80 per cent of the funds are unconditional) (Brinkerhoff 2012).

This means that an estimated 80 provinces, 1,500 municipalities and 42,000 barangays (village or neighbourhood) are responsible for managing their health care delivery, including their own medicines' supply chain from selection, procurement, distribution and use (MeTA 2010b). While these local government units enjoy a high degree of discretion in implementing health policy and delivering health services, accountability and transparency mechanisms are still very weak, offering several corruption opportunities (Yilmaz and Venugopal 2010).

Within this framework, corruption in the health

sector in the Philippines takes many forms and affects a wide range of activities and services, which, in the end, poses a threat to the overall quality and access to healthcare services provided to citizens. In fact, studies have shown that corruption in the Philippines has a clear negative impact on the delivery of health care, increasing waiting time in public health clinics by as much as 30 per cent, reducing the odds of completing by vaccination by 4 and decreasing overall users' satisfaction by 30 per cent (Azfar & Gurgur 2005, Transparency International 2006).

Among the areas most affected by corruption, the literature highlights corruption in the procurement of drugs and medical supplies as being highly problematic, particularly due to the high levels of discretionary spending involved. For instance, there is anecdotal evidence that corrupt officials rig the procurement of drugs in favour of certain suppliers (Kelekar and Llanto 2013). There is also evidence that some managers of hospitals split their order to remain below the threshold that requires competitive bidding. In these cases, medicines and supplies are purchased directly (shopping) in a rather opaque manner (Ball and Tisocki 2010).

Moreover, irregularities in the procurement process also include: the payment of kickbacks to local chief executives to influence procurement decisions; the approval of transfers/payments before the confirmation that the purchase has been correctly delivered; "ghost deliveries" where suppliers deliver less medicines than reported in the invoice; and the award of public contracts to bidders that do not match the necessary requirements due to pressure (and sometimes threats) from hospital chief executives, among others (Hartigan-Go and Curameng 2007).

In addition, the lack of transparency in medicine prices could also provide opportunities for corruption to flourish. According to a 2006 study conducted by Health Action International and the World Health Organization (WHO), prices of medicines in the country were from 3.4 to 184 times higher than international reference prices (Batangan 2006). Another study conducted between 2008 and

2009 shows that generic medicine is procured by provincial and local hospitals at 2.9 times the international reference price. The difference is significantly larger when analysing the prices of "brand" medicines, which are procured at approximately 15.7 times the international reference price (Ball and Tisocki 2010).

Conflicts of interest between doctors and medicine distributors is also problematic, and there have been circumstances where doctors have prescribed certain medicines because of their close relation with a distributor (Ball and Tisocki 2010). Moreover, according to interviews conducted by Ball and Tisocki, there have been cases of doctors writing prescription in codes so that patients would be obliged to go to the doctor's own pharmacy to acquire the medicine (Ball and Tisocki 2010).

On the other hand, bribery to access healthcare services seems to be less common, or at least not reported by Filipinos using the public health system. Only 5 per cent of those who have used the healthcare system during 2009 have reported paying a bribe (Transparency International, 2010). However, other forms of abuse have been reported at patient level, such as the leasing of outsourced medical equipment to patients in intensive care units, leading to hidden fees and de facto exclusion of the poorest citizens.

Some sources consulted within the framework of this research also raised concerns that the emerging trend of privatising public health care and services through public-private partnership, corporatisation, user's service fee schemes, outsourcing and other means might be motivated by profit and result in depriving the poor of access to affordable basic health care services.

In an attempt to address some of those issues, the Philippines has engaged with the Medicine Transparency Alliance (MeTA) – developing the Universally Accessible Cheaper and Quality Medicines Act in 2008. It is, however, been unclear to what extent the measures undertaken within the alliance's framework have reduced these price discrepancies and fraud (MeTA 2010). A technical

manual for good governance in dealing with the registration, selection and procurement of medicines has been developed by the government with the support of the WHO Good Governance for Medicine Programme. The manual aims at building the necessary capacity to sustain good governance in the pharmaceutical system as well as at promoting awareness among health professionals and the general public on corruption risks and its impact on healthcare delivery (UNDP 2011, World Health Report 2010).

Nevertheless, there have been no recent assessments with regards to the government's broader efforts to prevent and combat corruption in the health sector.

3 ANTI-CORRUPTION EFFORTS IN THE PHILIPPINES

Overview

Since coming into power in 2010, President Aquino has taken a strong stance against corruption in his public interventions, asserting his commitment to step up efforts against tax evaders, corrupt officials and other criminals in order to improve the country's finances and restore citizens' confidence in public institutions (Financial Times 2012). While there is still limited information available to assess the impact of this anti-corruption drive, a number of positive steps have been noted in the national and international media.

Consistent with the president's campaign slogan "if there is no corruption, there is no poverty" (Partnership for Development Fund 2012), the Philippine Development Plan (PDP) for 2011-2016, which was approved in 2011, has an important focus on good governance and anti-corruption as an integral part of fighting poverty and achieving inclusive growth. This anti-corruption commitment was confirmed at the beginning of 2012 with the approval of the Good Governance and Anti-Corruption (GGAC) plan for 2012-2016, which includes measures aimed at promoting transparency, accountability and participation in government operations.

In line with this plan, President Aquino supported the passing of the Freedom of Information Act, which was subsequently approved by the senate.

As the Financial Action Task Force called the country to address "deficiencies" in the fight against money laundering, the passage of An Act to Further Strengthen the Anti-Money Laundering Law expanded the coverage of a law on illegal movement of money to escape the threat of being blacklisted by the task force (Reuters 2013). The Terrorism Financing Prevention and Suppression Act of 2012 was approved the same year as well. The new government also passed a new law protecting whistleblowers.

The government has also embarked on a new e-governance initiative as an attempt to increase transparency and reduce opportunities for corruption through face-to-face interactions with public officials, but the outcome of such attempts may be limited by internet access challenges (Business Anti-Corruption Portal 2012).

The government's anti-corruption agenda has not only translated into legal reforms, as the new government crackdown has also targeted high-ranking symbols of the previous corrupt regime. In 2010, the president immediately established a truth commission to investigate the corruption record of the outgoing president, but the commission was ultimately undermined by a decision of the Supreme Court – with a majority of its members having been previously appointed by president Arroyo (Freedom House 2011). In March 2012, Merceditas Gutierrez, the Ombudsman responsible for fighting graft, resigned in the face of an impeachment for failing to prosecute key figures in president Arroyo's administration. This allowed President Aquino to appoint a new ombudsman who was allegedly more supportive of anti-corruption efforts (The Asia Foundation 2012). Other high level figures have been targeted, leading to the arrest of president Arroyo, the resignation of a senator on an allegation of cheating in the 2007 elections and the impeachment trial of the chief justice of the Supreme Court, Renato Corona, for allegedly violating the constitution and betrayal of public trust

(partnership for Transparency Fund 2012).

While it is too early to assess the impact of this crackdown on corruption and whether it is politically motivated, these various efforts have overall been positively received by the international community and Moody has upgraded the Philippines credit-rating outlook to “positive”, bringing the country closer to an investment grade rating (Partnership for Transparency Fund 2012).

The legal framework

The legal anti-corruption framework of the Philippines is assessed as relatively strong by Global Integrity, scoring 84 on a scale of 0 to 100 (Global Integrity 2010). However, Global Integrity points toward a widening implementation gap between laws and their actual implementation. It is still too early to assess whether the new administration will actually manage to close this implementation gap.

A wide range of offences are made illegal by the Anti-Graft and Corrupt Practices Act, including extortion, active and passive bribery, attempted corruption, bribery of foreign officials, and using confidential state information for private gain. Public officials are required by law to declare their wealth and file statements of assets and liability and net worth every second year. As already mentioned, legislation on money laundering and organised crime has also been recently strengthened.

However, according to experts consulted within the framework of this query, legislation on whistleblowing and freedom of information have not successfully been passed despite numerous attempts to have them approved by Congress.

According to Global Integrity, political financing remains an area of weakness, especially with regard to the disclosure of political finance records as well as enforcing conflicts of interest safeguards (Global Integrity 2010).

The Philippines ratified the United Nations Convention against Corruption in 2006.

The institutional framework

The cabinet cluster on good governance and anti-corruption (GGAC)

The Cabinet Cluster on Good Governance and Anti-Corruption (GGAC) is one of the five thematic clusters of the Cabinet, serving as the primary mechanism of the executive to achieve its five key result areas. Clusters are tasked with setting targets until 2016, undertaking the necessary measures for meeting these targets as well as monitoring and reporting on achievements. The clusters also serve as advisory committees to the Office of the President.

More specifically, the GGAC has been tasked to pursue the key result area dedicated to “institutionalise open, transparent, accountable and participatory governance.” In January 2012, President Aquino approved the GGAC plan for 2012-2016, which includes measures aiming at promoting public access to information, disclosure of government information, citizens’ participation and reduction of red tape, among others.

The president anti-graft commission (PAGC),

The President Anti-Graft Commission (PAGC) was created in April 2001 by president Arroyo to probe and hear administrative cases and complaints against presidential appointees (GMANews 2010). However, according to Freedom House, the institution had mixed records due to lack of enforcement capabilities (Freedom House 2011).

President Aquino abolished the PAGC in late 2010, transferring its functions to an existing office to enable the Office of the President to directly investigate graft and corruption cases against presidential appointees in the executive department, including heads of government-owned and controlled corporations.

The office of the ombudsman

The Office of the Ombudsman is considered to be the leading anti-corruption agency in the Philippines, with power to investigate and file criminal charges against public officials involved in corruption cases. Its mandate also includes prevention and awareness-raising campaigns and activities. While protected

from political interference by law, Global Integrity indicates that performance of the office can be influenced by politicians (Global Integrity 2010). Civil society organisations have repeatedly criticised the former ombudsman for turning a blind eye to a series of corruption complaints against individuals who are closely tied to the former president (Bertelsmann Foundation 2010). In 2011, failure to probe corruption allegations against president Arroyo and her administration have resulted in the resignation/impeachment of the ombudsman and replacement by Supreme Court associate justice, Conchita Carpio-Morales as the new ombudsman.

Sandiganbayan

Corruption cases are brought before the Sandiganbayan, a special court that has jurisdiction over criminal and civil cases involving graft and corrupt practices and such other offences committed by public officers and employees, including those in government-owned or controlled corporations, in relation to their office.

Judiciary

Low salaries, inefficiencies and a backlog of hundreds of thousands of cases have contributed to fuel a culture of impunity in the country. Judicial independence is further challenged by the lack of financial resources, as the judiciary receives less than 1 per cent of the national budget, leaving court officials to depend on power holders for basic resources and salaries (Freedom House 2011). In addition, judicial processes can be undermined by threats and intimidations, as at least 12 judges have been killed since 1999.

As President Aquino came to power, 14 of the 15 members of the Supreme Court had been appointed shortly before by president Arroyo, which resulted in court setbacks at the beginning of the new president's mandate (Bertelsmann Foundation 2012). Arroyo's appointees were finally removed.

An Action Programme for Judicial Reform has been established to address some of the challenges that the judiciary faces, including budget deficiency, a politicised system of judicial appointments, lack of

judicial autonomy, dysfunctional administrative structure and operating systems, corruption in the judiciary, and limited access to justice by the poor. However, the Transparency International Helpdesk has found no indication or assessment of the impact of this programme.

Anti-money laundering council (AMLC)

The Anti-Money Laundering Council (AMLC) was established in 2001. The AMLC's task is to investigate money laundering activities and analyse financial data from banks and financial institutions. The AMLC can file complaints with the ombudsman as well as the Department of Justice in order to get money laundering offenders prosecuted or to start civil forfeiture proceedings in cooperation with the Office of the Solicitor General (OSG). As already mentioned, the Act to Further Strengthen the Anti-Money Laundering Law is meant to strengthen money laundering regulations, including by expanding the ability of the AMLC to investigate financial records without consent. It is still too early to assess the impact of these new regulations which led to the country being upgraded to the "grey" list by the Financial Action Task Force.

Commission on audit (COA)

The Commission on Audit (COA) is an independent commission – established by the Constitution of the Philippines – tasked with examining, auditing and settling all public accounts and expenditures. According to Global Integrity, it is staffed with professional full-time staff and protected from political interference and removal (Global Integrity 2010).

The COA has a complaints mechanism for reporting allegations of fraud, waste, abuse or mismanagement of funds through a fraud alert form on its internet portal.

However, according to Global Integrity, the COA does not have the authority to prosecute and impose recommendations on faltering agencies (Global Integrity 2010).

Lifestyle check coalition (LCC)

In 2003, the Lifestyle Check Coalition (LCC) was

established as a coalition of 16 government agencies and NGOs – including, among others, representatives from the President Anti-Graft Commission, the Office of the Ombudsman, Commission on Audit, Civil Service Commission, Department of Justice, the police and the National Bureau of Investigation – to investigate the lifestyles of government officials. Checks are conducted by the Office of the Ombudsman, and the LCC supports the investigations. Citizens may also make use of an online platform to denounce suspicious lifestyles. A number of lifestyle checks have been conducted since the launch of the LCC, which, in the first phase, targeted the staff of the Bureau of Internal Revenue, Bureau of Customs, and Department of Public Works and Highways.

Other stakeholders

The media

As the Constitution provides for freedom of speech and freedom of the press, there is no restrictive licensing and few legal limitations for newspapers and journalists (Freedom House 2011). However, legislation on national security introduced in 2007 can be used to restrict press freedom, such as libel laws, as reflected by a number of defamation suits against critical journalists. Journalists continue to face harassment, threats and intimidations, and the government has been criticised for failing to protect NGOs (US Department of State 2012). The Philippines is considered a very dangerous place for journalists, with the killing of close to 140 journalists during president Arroyo's tenure and impunity for those crimes (Freedom House 2011). President Aquino pledged to end extrajudicial and journalist killings, resolve cases, and end impunity.

While most media outlets are privately owned and represent a wide variety of views, they are often criticised for lacking journalism ethics and professional standards and representing the political and economic orientations of their owners (US Department of State 2012). Both the private and public media cover controversial issues, including alleged fraud and corruption.

Civil society organisations

Freedom of association and assembly is guaranteed by the Constitution and, in practice, the government respects these rights (US Department of State 2012). According to the Bertelsmann Foundation, the Philippines has a vibrant civil society, loosely coordinated with many civil society organisations (CSOs) active in various sectors such as human rights, faith, poverty alleviation and social welfare (Bertelsmann Foundation 2012). For instance, Procurement Watch Inc. has been involved with Transparency International USA in promoting and monitoring reforms in public procurement. The Social Weather Station, another CSO, conducts its own surveys for raising awareness on many issues, including corruption. Transparency International also has a national chapter in the Philippines.

However, the influence of CSOs on decision-making appears to be limited (Bertelsmann Foundation 2012). As President Aquino has pledged to open up government and promote citizens' participation, civil society is expected to play a more important role in the new administration.

4 REFERENCES

Agence France Presse, 2010. *Palace hopes anti-money laundering law will avert blacklisting*.

(<http://newsinfo.inquirer.net/359713/palace-hopes-anti-money-laundering-law-will-avert-blacklisting>)

Asia Foundation, 2012. *Anti-corruption leads 2012 agenda in the Philippines*. (<http://asiafoundation.org/in-asia/2012/01/04/anti-corruption-leads-2012-agenda-in-the-philippines/>)

Asia Pacific Group on Money Laundering & World Bank, 2009. *Mutual evaluation report: Anti-Money laundering and combating the financing of terrorism - The Philippines*.

(<http://www.apgml.org/members-and-observers/members/details.aspx?m=63a7bacb-daa2-47ee-9ac3-1e27a9eff73f>)

Azfar & Gurgur, 2005. *Does corruption affect health and education outcomes in the Philippines?*

(http://www.researchgate.net/publication/228275477_Does_Corruption_Affect_Health_and_Education_Outcomes_in_the_Philippines?ev=sim_pub)

- Ball, D., Tisocki, K., 2010. *Public procurement prices of medicines in the Philippines*. (<http://www.haiweb.org/medicineprices/surveys/200807PHB/sdocs/PublicProcurementPriceReportPhilippines.pdf>)
- Batangan, D., 2006. *The prices people have to pay for medicines in the Philippines*, WHO/HAI.
- Bertelsmann Foundation, 2012. *Philippines country report*. (<http://www.bti-project.de/fileadmin/Inhalte/reports/2012/pdf/BTI%202012%20Philippines.pdf>)
- Bertelsmann Foundation, 2010. *Philippines country report*. (<http://www.bti-project.de/fileadmin/Inhalte/reports/2010/pdf/BTI%202010%20Philippines.pdf>)
- Blöndal, J., 2010. *Budgeting in the Philippines*. (<http://www.oecd.org/countries/philippines/48170279.pdf>)
- Brinkerhoff, D., 2012. *Community engagement in health services delivery and governance: Experience from the Philippines*. (<http://www.inap.mx/portal/images/pdf/iica/ponencias/1/Brinkerhoff.pdf>)
- Business Anti-Corruption Portal, 2012. *Philippines country profile*. (<http://www.business-anti-corruption.com/country-profiles/east-asia-the-pacific/philippines/snapshot.aspx>)
- Financial Task Force, 2011. *Philippines Lost \$142 billion in Illicit Financial Flows between 2000 and 2009, Global Financial Integrity Finds*, (<http://www.financialtransparency.org/2011/12/12/philippines-lost-142-billion-in-illicit-financial-flows-between-2000-and-2009-global-financial-integrity-finds/>)
- Financial Times, 2012. *Philippines steps up anti-corruption drive*. (<http://www.ft.com/intl/cms/s/0/ff37f000-5c62-11e0-8f48-00144feab49a.html#axzz2l0ejgx00>)
- Freedom House, 2012. *Freedom in the world Philippines*. (<http://www.freedomhouse.org/report/freedom-world/2012/philippines>)
- Freedom House, 2011. *Countries at crossroad 2011: The Philippines*, (http://www.freedomhouse.org/sites/default/files/inline_images/PHILIPPINESfinal.pdf)
- Global Integrity, 2010. *Global Integrity report: the Philippines*. (<https://www.globalintegrity.org/global/the-global-integrity-report-2010/philippines/2010/>)
- GMA News, 2007. *Survey: Arroyo most corrupt, Aquino cleanest of 5 prexies*. (<http://www.gmanetwork.com/news/story/72457/news/nation/survey-arroyo-most-corrupt-aquino-cleanest-of-5-prexies>)
- GMA News, 2010. *Aquino abolishes Presidential Anti-Graft Commission*. (<http://www.gmanetwork.com/news/story/206758/news/nation/aquino-abolishes-presidential-anti-graft-commission/>)
- Hartigan-Go, K., Curameng, JMD (eds), 2007. *Dilemmas & choices: Case studies on the difficulties inherent in the practice of good governance in healthcare*. Manila, Zuellig Foundation.
- Immigration and Refugee Board of Canada, 2006. *Philippines: Reports of corruption and bribery within the police force; government response; frequency of convictions of members of the police force accused of criminal activity (2004-2006)*. (<http://www.unhcr.org/refworld/docid/45f147971a.htmlgovernment/>)
- Open Budget Partnership, 2012. *Open budget Index*. (<http://internationalbudget.org/what-we-do/open-budget-survey/>)
- Partnership for Development Fund, 2012. *A dramatic year for anti-corruption in the Philippines*. (<http://ptfund.org/2012/10/a-dramatic-year-for-anti-corruption-in-the-philippines/>)
- Partnership for Research in International Affairs and development, 2012. *Anti-Corruption in the Philippines – Situation update July 2012*. (<http://www.priad.org/wp-content/uploads/2012/08/AC-Philippines-brief.pdf>)
- Johnston, 2010. *Political and social foundations for reform: Anti-corruption reform in the Philippines*. (http://csis.org/files/publication/120615_Political_Social_Foundations_for_Reform.pdf)
- Philippines Centre for Investigative Journalism, 2003. *Criminla, inc.* (<http://pcij.org/imag/PublicEye/criminals.html>)

Kelekar, U., Llanto, G., 2013. *Perspectives on health decentralization and interjurisdictional competition among local governments in the Philippines*. (<http://dirp4.pids.gov.ph/ris/dps/pidsdps1320.pdf>)

Medicine Transparency Alliance, 2010. *A review of the pilot*. (<http://www.medicinetransparency.org/>)

MeTA, 2010b. *Case study MeTA Philippines*. (http://www.medicinetransparency.org/fileadmin/uploads/Documents/Global_Forum/Global_Forum_-_case_studies/MeTA_Philippines_-_GGM_Awards.pdf)

Reuters, 2013. *Philippine Congress approves expanded law against money-laundering*. (<http://uk.reuters.com/article/2013/02/07/uk-philippines-moneylaundering-idUKBRE91605420130207>)

Social Weather Survey, 2012. *Survey of enterprises on corruption 2012*. (<http://www.sws.org.ph/pr20120918.htm>)

The Sun Star, 2013. *Health chief wary of PhilHealth being used in polls*. (<http://www.sunstar.com.ph/manila/local-news/2013/01/21/health-chief-wary-philhealth-being-used-polls-263961>)

Noda, K., 2011. *Politicization of Philippine Budget System: Institutional and Economic Analysis on "Pork-Barrel"*. (http://www.mof.go.jp/pri/research/discussion_paper/ron219.pdf)

Official Gazette of the Philippines, 2010. *A social contract with the Filipino people*. (<http://www.gov.ph/about/gov/exec/bsaiiii/platform-of->)

Transparency and Accountability Network, 2011. *Corruption and anti-Corruption in the Philippines*. (<http://www.tan.org.ph>)

Transparency International, 2011. *Global corruption barometer 2010-2011*. (<http://www.transparency.org/gcb201011>)

Transparency International, 2009. *Global corruption report*. (http://archive.transparency.org/publications/gcr/gcr_2009#6.3)

Transparency International USA, 2011. *APEC procurement transparency standards in the Philippines 2011*. (<http://www.transparency-usa.org/documents/PhilippinesAPECProcurementStandardsFinal.pdf>)

Transparency International & U4, 2008. *Overview of corruption and anti-corruption in the Philippines*. (<http://www.u4.no/publications/overview-of-corruption-and-anti-corruption-in-the-philippines/>)

World Bank & IFC, 2013. *Doing Business Report 2013 – The Philippines*. (<http://www.doingbusiness.org/data/exploreeconomies/philippines>)

World Health Report, 2010. *WHO good governance for medicine programme: An innovative approach to prevent corruption in the pharmaceutical sector. Compilation of country studies and best practices*. (<http://www.who.int/healthsystems/topics/financing/healthreport/25GGM.pdf>)

Yilmaz, S., Venugopal, V., 2010. *Local government discretion and accountability in the Philippines journal of international development*.

UNDP, 2011. *Fighting corruption in the health sector: Tools, methods and good practices*.

UNODC, 2011. *Global report on trafficking in persons*. (http://www.unodc.org/documents/Global_Report_on_TIP.pdf)

US Department of State, 2010. *International narcotics statistics report*. (<http://www.state.gov/documents/organization/137411.pdf>)
US Department of State, 2011. *Trafficking in persons report 2011*. (<http://www.state.gov/documents/organization/164457.pdf>)

US Department of State, 2012. *Human country reports on human rights practices 2011*. (<http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/>)

World Bank, 2005. *Decentralizing health: Lessons from Indonesia, the Philippines, and Vietnam*. (<http://siteresources.worldbank.org/INTEAPDECEN/Resources/Chapter-8.pdf>)

World Bank, 2013. *Philippines country page*. (<http://www.worldbank.org/en/country/philippines>)

“Anti-Corruption Helpdesk Answers provide practitioners around the world with rapid on-demand briefings on corruption. Drawing on publicly available information, the briefings present an overview of a particular issue and do not necessarily reflect Transparency International’s official position.”

