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FCO COUNTRY UPDATES FOR BUSINESS

Philippines: the Challenge of Corruption

British Embassy Manila

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Summary

1. Corruption is the Philippines' single biggest challenge, undermining the country's development and impeding UK business prospects. Signs of progress in the President's efforts to tackle the problem.

Detail

2. Corruption has blighted the Philippines for decades. Transparency International ranks it 134 in its international corruption perceptions table. The reputation may be worse than the reality (the Philippines has an unusually free press so the issue is not swept under the carpet). But both are significant deterrents to investors.
3. President Aquino has put anti-corruption at the heart of his political agenda. His election slogan, "Kung walang corrupt, walang mahirap" (if there is no corruption, there will be no poverty) resonated strongly with ordinary people.
4. Aquino's efforts initially made slow progress. His initiative to establish a "Truth Commission" to investigate the previous administration was struck down by the Supreme Court. The post of Ombudsman – the top corruption prosecutor – remained until recently in the hands of an appointee of the previous administration.
5. In recent weeks there have been signs of Aquino regaining the initiative. The Ombudsman resigned under political pressure from Congress before the summer and has been replaced by a respected former Supreme Court Justice. She, and the Department of Justice, have shown increased pro-activity in addressing some high-profile scandals that took place under the previous administration.
6. Progress is also being made at the working level. The Secretary for Public Works & Highways has been working hard to clean up his notoriously corrupt department. Signs are appearing on major infrastructure projects that state clearly the value of the contract and the contractor. The Department for Budget & Management is publishing online the details of lump-sum disbursements. Online transactions are increasingly used by the Internal Revenue and Customs departments to reduce the opportunities for poorly paid public officials to take a cut. Aquino's annual State of the Nation address in July made clear he intends to start targeting the professional classes who fail to pay their taxes.

Why does this matter for the UK?

- 7.** Corruption blights the Philippines' development and prevents it achieving its full potential. It distorts the playing field for incumbent UK companies and deters new market entrants. It is a major reason why the country's physical infrastructure is so poor – yet another obstacle to business. It is part and parcel of the poor governance that affects much of the country, especially the conflict-affected south.
- 8.** Tackling the problem is bound up with deep-seated institutional and cultural issues. But incremental progress is possible, and the political conditions under President Aquino are increasingly favourable.
- 9.** Our own activity in this area is focused primarily on small scale projects aimed at encouraging transparency in government financing and procurement, or encouraging citizens' groups to exercise closer oversight of public works and procurement. These projects provide models that can be replicated elsewhere, or scaled up by bigger donors. We have also actively promoted the UK Bribery Act to business and the Philippine government, and we will fund a visit by an international expert on asset recovery, to share best practice with government and judicial bodies involved in anti-corruption.

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